

PRESS RELEASE



V A L L O U R E C

2002 FIRST HALF RESULTS

Record consolidated sales: €1.276 billion (up 1.5%)

EBIDT/Sales on target: 15.1% (compared to 12.7% in H1 2001)

**A marked rise in income before tax and extraordinary items:
€129 million (up 17.3%)**

Net income, Group share, stable: €40 million

Boulogne-Billancourt, 18 September 2002 - Vallourec, the world leader in the production of seamless steel tubes and specific tubular products for industrial applications, today announced its consolidated results for the first half of 2002.

The Executive Board presented the consolidated financial statements to the Supervisory Board at its meeting on 17 September 2002.

Consolidated sales increased by 1.5% to €1,275.9 million. EBIDT reached €193 million, or 15.1% of sales. Income before tax and extraordinary items increased by 17.3% and represented 10% of sales. Net income, Group share, was €40.0 million, stable compared with the first half of 2001 (€40.4 million), despite a significantly higher tax rate.

Consolidated figures (€million)	First half 2001	First half 2002	Change 2002 / 2001
Sales	1,257.1	1,275.9	+1.5%
EBIDT	159.7	193.0	+20.9%
<i>As a % of sales</i>	<i>12.7%</i>	<i>15.1%</i>	
Operating income	114.9	148.5	+29.2%
Income before tax and extraordinary items	110.1	129.1	+17.3%
<i>Income tax</i>	<i>(26.7)</i>	<i>(37.4)</i>	+40.1%
Consolidated net income	74.3	84.1	+13.2%
Net income, Group share	40.4	40.0	-1.0%



Consolidated figures (€million)	First half 2001	First half 2002
Gross cash flow from operations	121.2	142.6
Change in gross operating working capital requirement	+74.6	+22.0
Capital expenditure	50.4	50.0
	31.12.01	30.06.02
Net debt (1)	(3.7)	(103.8)
Shareholders' equity (including minority interests) (1)(2)	1,016.2	1,067.2
Shareholders' equity (Group share) (2)	676.7	655.4

(1) Including Sumitomo's contribution for the acquisition of V & M STAR on 01.07.02

(2) Including the impact of negative translation adjustments, notably on V & M do BRASIL

There was one change in the consolidation scope compared to the first half of 2001. Jacot was sold on 31 May 2002 and was deconsolidated on 1 June 2002. This did not have a material impact on sales comparisons.

RECORD HALF-YEAR SALES

For the first half of 2002, sales increased by 1.5% to a new record of €1,275.9 million. Although business was down in terms of volume, the increase was due to beneficial changes in the product mix together with an increase in the average selling price.

The growth in sales was due mainly to the good performance of the energy market (Oil & Gas and Power Generation), which more than compensated for the low level of general activity in Europe and of non-energy products.

Vallourec's sales performance contrasted sharply to the first half of 2001. Sales of tubular products designed for the Oil & Gas and Power Generation markets grew 25.3% and 16.1% respectively, while Chemicals and Petrochemicals sales declined by 8.8% and Mechanical Engineering sales by 16.7%. The 13.2% drop in sales to the Automotive Industry was largely due to the fall in production in Argentina and Brazil and the devaluation of the Peso and the Real. This modification in the product mix was reflected in a considerable change in the breakdown of Vallourec's sales between the two periods:

- The energy sector accounted for 43.1% of sales in the first half of 2001, a proportion that increased to 52.1% for the first half of 2002.
- Sales in the E.U. declined to 51.2% of total from 55.4% in the first half of 2001.

EBIDT/SALES ON TARGET AT 15%

EBIDT, up 20.9% to €193.0 million compared to €159.7 million for the first half of 2001, represented 15.1% of sales. The EBIDT margin was 12.7% in the first half of 2001 (14.0% for the whole of 2001).

The financial loss was €19.4 million, attributable to an exchange variation of €19 million, due principally to the devaluation of the Real. Part of this variation, which is linked to the export financing mechanism in Brazil, was offset by an increase in sales.

Income before tax and extraordinary items reached €129.1 million, up 17.3% over the first half of 2001.

The income tax charge increased by 40.1% to €37.4 million, compared to €26.7 million for the first half of 2001; tax losses carried forward had been utilised at the end of the 2001 financial year for all Vallourec's subsidiaries except those in the Mercosur region.

The Group's consolidated net income increased by 13.2% over the corresponding period last year to €84.1 million. Net income, Group share, was €40.0 million (down 1%), equivalent to €4.1 per share.

Including a contribution of €74 million from Sumitomo for its share in the acquisition of V & M STAR, concluded on 2 July 2002, the Group had negative net debt of €103.8 million at 30 June 2002.

OUTLOOK

The second half will be marked by the integration of V & M STAR, which will be consolidated as from 1 July 2002. This integration has received an extremely favourable welcome from customers and staff alike. We are seeing confirmation of the activity levels and profitability forecast earlier.

However, because of the depreciation of the Dollar and the Real and the absence of an economic recovery in Europe, the positive impact from the consolidation of V & M STAR will not result in Vallourec reporting significantly higher sales for the second half of this year compared with the first six months. Therefore, although the consolidation of V & M STAR will have an accretive effect, Group share of net income in the second half should be similar to the first half on account of the higher effective tax rate.

There are major uncertainties about the outlook for the world economy - more particularly regarding Europe - as well as the outcome of the Brazilian election and the consequences of a potential armed conflict with Iraq. Therefore, it would be premature to release forecasts for 2003 even though fundamentals in the energy sector are holding up.

AGENDA

Consolidated sales for the third and fourth quarters of 2002 will be released on 30 October 2002 and 3 February 2003, respectively.

The Group's consolidated annual results for 2002 will be released on 5 March 2003.

APPENDICES

The following are enclosed with this press release:

- Summary consolidated income statements
- Summary consolidated balance sheets

About Vallourec

Vallourec is the world leader in the production of seamless steel tubes and specific tubular products for industrial applications (oil and gas, power generation, chemicals and petrochemicals, automotive and mechanical engineering industries).

Vallourec is listed on the Euronext Paris Premier Marché (code: 12035).

Vallourec is included in the SBF 120, NEXT 150 and MID CAC indices, as well as being part of Next Prime, the new segment of Euronext. FTSE classification: engineering and industrial capital goods.

Information also available on www.vallourec.fr

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VALLOUREC GROUP	Summary consolidated income statements				
(€ million)					
	First half 2001		First half 2002		Change
		% Sales		% Sales	
Sales	1,257.1		1,275.9		+1.5%
Other revenues	100.1		80.4		-19.7%
Operating revenues	1,357.2		1,356.3		-0.1%
Purchases consumed	(486.7)	38.7%	(436.2)	34.2%	-10.4%
Taxes and duties	(27.7)	2.2%	(33.3)	2.6%	+20.2%
Payroll costs	(283.1)	22.5%	(299.2)	23.5%	+5.7%
Other operating costs	(376.9)	30.0%	(366.3)	28.7%	-2.8%
Provisions	(23.1)	1.8%	(28.3)	2.2%	+22.5%
Operating costs	(1,197.5)		(1,163.3)		-2.9%
EBIDT	159.7	12.7%	193.0	15.1%	+20.9%
Depreciation	(44.8)	3.6%	(44.5)	3.5%	-0.7%
OPERATING INCOME	114.9	9.1%	148.5	11.6%	+29.2%
Net financial income (loss)	(5.2)		0.7		
Exchange variation	(0.9)		(19.0)		
Other financial income (loss)	1.3		(1.1)		
FINANCIAL LOSS	(4.8)		(19.4)		
INCOME BEFORE TAX AND EXTRAORDINARY ITEMS	110.1		129.1		+17.3%
Extraordinary items					
- Operations	(10.0)		2.4		
- Capital	6.7		(4.9)		
- Provisions	0.3		2.5		
EXTRAORDINARY INCOME (LOSS)	(3.0)		0.0		
Amortization of goodwill	(0.7)		(0.5)		
Employee profit sharing	(3.3)		(4.5)		
Income tax	(26.7)		(37.4)		+40.1%
Share in net loss of equity affiliates	(2.1)		(2.6)		
CONSOLIDATED NET INCOME	74.3		84.1		+13.2%
NET INCOME, GROUP SHARE	40.4		40.0		

VALLOUREC GROUP
(€million)

SUMMARY CONSOLIDATED BALANCE SHEETS

	1st half 2001	1st half 2002		1st half 2001	1st half 2002
Intangible fixed assets	12.7	12.3	Shareholders' equity (1)	676.7	655.4
Goodwill	14.0	13.4			
Tangible fixed assets	446.5	384.9	Minority interests	339.5	411.8 (2)
Securities	82.7	82.6	Total	1,016.2	1,067.2
Loans and other	20.6	19.9			
Others	28.0	26.3			
	604.5	539.4			
Inventories and work-in-progress	490.8	506.2	Provisions	233.4	219.1
Trade receivables	601.7	612.5	Bank loans and other borrowings	298.5	491.1
			Operating payables	412.0	459.8
Other receivables	64.9	66.7			
Cash and cash equivalents	302.2	594.9	Other liabilities	104.0	82.5
Total assets	2,064.1	2,319.7	Total liabilities and shareholders' equity	2,064.1	2,319.7
Net operating working capital requirement	680.5	658.9	(1) Including income, Group share	88.2	40.0
Net debt	(3.7)	(103.8)	(2) Including Sumitomo contribution		74.0