FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(MARK ONE)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED MARCH 31, 2004 OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12317

NATIONAL-OILWELL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0475875
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10000 RICHMOND AVENUE
HOUSTON, TEXAS
77042-4200

(Address of principal executive offices)

(713) 346-7500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X   NO __

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

As of May 3, 2004, 85,797,276 common shares were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL-OILWELL, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	March 31, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,691	$ 74,217

Receivables, net	432,534	460,910
Inventories, net	609,916	546,690
Costs in excess of billings	94,349	107,625
Deferred income taxes	15,990	15,410
Prepaid and other current assets	26,910	41,548
Total current assets	1,247,390	1,246,400
Property, plant and equipment, net	249,709	252,365
Deferred income taxes	50,770	52,391
Goodwill	583,065	587,341
Intangibles, net	78,907	79,281
Property held for sale	8,693	8,693
Other assets	19,913	16,265
	$ 2,238,447	$ 2,242,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	--	14,910
Accounts payable	236,203	228,576
Customer prepayments	29,288	26,424
Accrued compensation	20,381	25,382
Billings in excess of costs	40,394	49,259
Accrued income taxes	21,594	24,673
Other accrued liabilities	84,981	82,991
Total current liabilities	432,841	452,215
Long-term debt	585,630	593,980
Deferred income taxes	55,859	52,368
Other liabilities	36,638	37,996
Total liabilities	1,110,968	1,136,559
Commitments and contingencies		
Minority interest	15,972	15,748
Stockholders' equity:		
Common stock - par value $.01; 85,762,107 and 85,124,979 shares issued and outstanding at March 31, 2004 and December 31, 2003	858	851
Additional paid-in capital	687,707	674,965
Accumulated other comprehensive loss	(47,009)	(44,374)
Retained earnings	469,951	458,987
	1,111,507	1,090,429
	$ 2,238,447	$ 2,242,736

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended March 31,	
	2004	2003 (Restated)
Revenues	$ 496,205	$ 500,576
Cost of revenues	392,657	382,365
Gross profit	103,548	118,211
Selling, general, and administrative	77,796	77,545

Operating income	25,752	40,666
Interest and financial costs	(9,296)	(10,254)
Interest income	629	1,109
Other income (expense), net	(1,327)	(2,369)
Income before income taxes and minority interest	15,758	29,152
Provision for income taxes	4,570	9,885
Income before minority interest	11,188	19,267
Minority interest in income of consolidated subsidiaries	(224)	(1,926)
Net income	$ 10,964	$ 17,341
Net income per share:		
Basic	$ 0.13	$ 0.21
Diluted	$ 0.13	$ 0.21
Weighted average shares outstanding:		
Basic	85,396	83,704
Diluted	85,935	84,476

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

	Three Months Ended March 31, 2004	2003 (Restated)
Cash flow from operating activities:		
Net income	$ 10,964	$ 17,341
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	9,822	9,200
Provision for losses on receivables	1,221	1,167
Provision for deferred income taxes	(2,030)	1,681
Gain on sale of assets	(1,481)	(1,441)
Foreign currency transaction loss	1,580	2,188
Interest rate contract	(20)	(30)
Tax benefit from exercise of nonqualified stock options	2,697	86
Changes in assets and liabilities, net of acquisitions:		
Receivables	27,155	(12,270)
Inventories	(63,226)	(36,241)
Costs in excess of billings	13,276	14,234
Prepaid and other current assets	14,638	(10,358)
Accounts payable	29,087	44,789
Billings in excess of cost	(8,865)	(22,642)
Other assets/liabilities, net	(23,416)	(18,678)
Net cash provided (used) by operating activities	11,402	(10,974)
Cash flow from investing activities:		
Purchases of property, plant and equipment	(6,362)	(7,831)
Proceeds from sale of assets	2,002	2,200
Businesses acquired, net of cash	--	(47,113)
Net cash used by investing activities	(4,360)	(52,744)
Cash flow from financing activities:		
Borrowings against lines of credit	119,470	105,265
Payments against lines of credit	(142,730)	(95,359)
Proceeds from stock options exercised	10,454	376
Net cash provided (used) by financing activities	(12,806)	10,282

Effect of exchange rate gain (loss) on cash	(762)	459
Decrease in cash and equivalents	(6,526)	(52,977)
Cash and cash equivalents, beginning of period	74,217	118,338
Cash and cash equivalents, end of period	$ 67,691	$ 65,361
Supplemental disclosures of cash flow information:		
Cash payments during the period for:		
Interest	$ 11,203	$ 11,369
Income taxes	$ 12,409	$ 9,760

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported and contingent amounts of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying unaudited consolidated financial statements present information in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. They do not include all information or footnotes required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with our 2003 Annual Report on Form 10K. The financial statements for the three months ended March 31, 2003 have been restated to reflect the impact of correcting a clearing account problem within the Distribution Group's purchasing system. The restated information is disclosed in Note 12 to our consolidated financial statements included in our 2003 Annual Report on Form 10K.

In our opinion, the consolidated financial statements include all adjustments, all of which are of a normal, recurring nature, necessary for a fair presentation of the results for the interim periods. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year.

2. STOCK-BASED COMPENSATION

We apply Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for our stock option plans. Accordingly, no compensation expense has been recognized for stock option grants as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation expense for the stock option grants been determined on the fair value at the grant dates consistent with the method of Statement of Financial Accounting Standards Board (SFAS) No. 123, "Accounting for Stock-Based Compensation", our net income and income per share would have been adjusted to the pro forma amounts indicated below (amounts in thousands, except per share amounts):

	Quarter Ended March 31,	
	2004	2003
		Restated
Net income, as reported	$10,964	$17,341
Deduct:		
Total stock-based employee compensation expense determined under fair value based		

method for all awards, net of related tax effects	(1,510)	(2,242)
Pro forma net income	$ 9,454	$15,099
Net income per common share:		
Basic, as reported	$ 0.13	$ 0.21
Basic, pro forma	0.11	0.18
Diluted, as reported	$ 0.13	$ 0.21
Diluted, pro forma	0.11	0.18

For purposes of determining compensation expense using the provisions of SFAS No. 123, the fair value of option grants was determined using the Black-Scholes option-valuation model. The weighted average fair value per share of stock options granted in the first three months of 2004 was $13.19 and $9.20 in 2003. The key input variables used in valuing the options granted in 2004 and 2003 were: risk-free interest rate of 2.7% in 2004 and 2.6% in 2003; dividend yield of zero in each year; stock price volatility of 51% in 2004 and 48% in 2003, and expected option lives of five years for each year presented.

3. INVENTORIES

Inventories consist of (in thousands):

	March 31, 2004	December 31, 2003
Raw materials and supplies	$ 50,734	$ 45,354
Work in process	121,665	107,747
Finished goods and purchased products	437,517	393,589
Total	$609,916	$546,690

4. COMPREHENSIVE INCOME

The components of comprehensive income are as follows (in thousands):

	Quarter Ended March 31,	
	2004	2003 (Restated)
Net income	$ 10,964	$ 17,341
Currency translation adjustments	(2,138)	(8,269)
Interest rate contract	(20)	(20)
Comprehensive income	$ 8,806	$ 9,052

5. BUSINESS SEGMENTS

Segment information follows (in thousands):

	Quarter Ended March 31,	
	2004	2003 (Restated)

Revenues from unaffiliated customers		
Products and Technology	$ 280,639	$ 316,691
Distribution Services	215,566	183,885
	496,205	500,576
Intersegment revenues		
Products and Technology	24,128	18,785
Distribution Services	2,542	451
	26,670	19,236
Operating income		
Products and Technology	23,496	41,004
Distribution Services	5,480	2,782
Total profit for reportable segments	28,976	43,786
Unallocated corporate costs	(3,224)	(3,120)
Operating income	25,752	40,666
Net interest expense	(8,667)	(9,145)
Other income (expense)	(1,327)	(2,369)
Income before income taxes and minority interest	$ 15,758	$ 29,152
Total assets		
Products and Technology	$ 1,775,086	$ 1,761,307
Distribution Services	366,719	290,927

6. DEBT

Debt consists of (in thousands):

	March 31, 2004	December 31, 2003
Credit facilities	$ 85,630	$108,890
6.875% senior notes	150,000	150,000
6.50% senior notes	150,000	150,000
5.65% senior notes	200,000	200,000
	585,630	608,890
Less current portion	--	14,910
	$585,630	$593,980

In November 2002, we sold $200 million of 5.65% unsecured senior notes due November 15, 2012. Interest is payable on May 15 and November 15 of each year. In March 2001, we sold $150 million of 6.50% unsecured senior notes due March 15, 2011, with interest payable on March 15 and September 15 of each year. In June 1998, we sold $150 million of 6.875% unsecured senior notes due July 1, 2005, with interest payments due on January 1 and July 1.

At March 31, 2004, we had two committed credit facilities, a North American and a Norwegian facility, totaling $269 million. Both facilities are available for general corporate purposes and acquisitions, including letters of credit and performance bonds.

Our North American facility is an unsecured $175 million revolving credit facility with availability up to $50 million for issuance of letters of credit that expires July 31, 2005. At March 31, 2004, borrowings against this facility totaled $70 million and there were $15 million in outstanding letters of credit. Interest (1.6% @ 03/31/04) is based upon prime or Libor plus 0.5% subject to a ratings based grid.

Our Norwegian facility, which expires in 2006, has revolving credit facilities totaling $94 million, with $38 million available for letter of credit purposes. At March 31, 2004, borrowings against this facility totaled $15 million and there were $28 million in outstanding letters of credit. Interest (3.8% @ 03/31/04) is based upon a pre-agreed percentage point spread from either the prime interest rate, NIBOR or EURIBOR.

We also have additional uncommitted credit facilities totaling $134 million that are used primarily for letters of credit, bid bonds and performance bonds. At March 31, 2004, borrowings against these additional credit facilities totaled $1 million and there were $28 million in outstanding letters of credit and performance bonds.

The senior notes contain reporting covenants and the credit facilities contain financial covenants and ratios regarding maximum debt to capital and minimum interest coverage. We were in compliance with all covenants governing these facilities at March 31, 2004.

7. EMPLOYEE BENEFIT PLANS

Total net benefit expense associated with the Company's defined benefit pension and postretirement benefit plans consisted of the following for the three months ended March 31, 2004 and 2003 (in thousands):

	Pension Benefits		Postretirement Benefits	
	2004	2003	2004	2003
Service cost	$ 754	$ 748	$ 8	$ 10
Interest cost	1,917	1,868	127	124
Expected return on plan assets	(1,985)	(1,871)	--	--
Net amortization and deferral	326	353	53	53
Total net benefit expense	$ 1,012	$ 1,098	$ 188	$ 187

On December 8, 2003, the President signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This Act introduces a Medicare prescription drug benefit as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare benefit. As allowed by FASB Staff Position 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, we have elected to defer recognizing the effects of the Act on our accumulated postretirement benefit obligation and net periodic

postretirement benefit cost in the consolidated financial statements and notes to consolidated financial statements until authoritative guidance on the accounting for the federal subsidy is issued. The FASB plans to issue authoritative guidance on the accounting for subsidies later in 2004. When the authoritative guidance is issued, we may be required to change previously reported information.

8. RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46"), which is effective January 31, 2003 for any new interests in VIEs created after that date. In December 2003, the FASB made certain modifications and technical corrections to FIN 46 that are required to be applied to all entities no later than March 31, 2004. This statement addresses the consolidation of variable interest entities ("VIEs") by business enterprises that are the primary beneficiaries. A VIE is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the enterprise that has the majority of the expected losses or expected residual returns associated with the VIE. We do not have any material interests in VIEs created prior to February 1, 2003 that required consolidation in the first quarter of 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We design, manufacture and sell drilling systems, drilling equipment and downhole products as well as distribute maintenance, repair and operating products to the oil and gas industry. Our revenues and operating results are directly related to the level of worldwide oil and gas drilling and production activities and the profitability and cash flow of oil and gas companies and drilling contractors, which in turn are affected by current and anticipated prices of oil and gas. Oil and gas prices have been and are likely to continue to be volatile. This is a cyclical industry and, unlike most prior cycles, sustained, relatively high oil and gas prices have not driven a corresponding level of increased spending by our customers.

We conduct our operations through the following segments:

Products and Technology

Our Products and Technology segment designs and manufactures complete land drilling and workover rigs, and drilling related systems for offshore rigs. Technology has increased the desirability of one vendor assuming responsibility for the entire suite of components used in the drilling process, as mechanical and hydraulic components are replaced by or augmented with integrated computerized systems. In addition to traditional components such as drawworks, mud pumps, top drives, derricks, cranes, jacking and mooring systems, and other structural components, we provide automated pipehandling, control and electrical power systems. We have also developed new technology for drawworks and mud pumps applicable to the highly demanding offshore markets. We have made strategic acquisitions during the past several years in an effort to expand our product offering and our global manufacturing capabilities, including new operations in Norway, the United Kingdom and China. Product and Technology revenues are directly dependent on the levels of worldwide drilling activity.

Distribution Services

Our Distribution Services segment provides maintenance, repair and operating supplies and spare parts from our network of distribution service centers to drill site and production locations throughout North America and to offshore contractors worldwide. Products are purchased from numerous manufacturers and vendors, including our Products and Technology segment. We have expanded this business to locations outside North America, including Europe, the Middle East, Southeast Asia, and South America. We have made significant investments in systems, staffing and inventory in the international market and, using our information technology platforms and processes, we can provide complete procurement, inventory management, and logistics services to our customers. Approximately half of Distribution Services revenues are tied to worldwide drilling activity, and the balance relates to the production of oil and gas reserves.

RESULTS OF OPERATIONS

Operating results by segment are as follows (in thousands):

	Quarter Ended March 31, 2004	2003
Revenues:		
Revenues from backlog	$ 128,410	$ 169,850
Noncapital equipment	176,357	165,626
Products and Technology	304,767	335,476
Distribution Services	218,108	184,336
Eliminations	(26,670)	(19,236)

Total	$ 496,205	$ 500,576
Operating Income		
Products and Technology	$ 23,496	$ 41,004(1)
Distribution Services	5,480	2,782(1)
Corporate	(3,224)	(3,120)
Total	$ 25,752	$ 40,666(1)
Capital equipment backlog:		
Beginning of quarter	$ 338,900	$ 363,600
Add: Orders, net	201,300	174,400
Less: Revenues	128,410	169,850
End of quarter	$ 411,790	$ 368,150

(1) Restated -See Note 1 to consolidated financial statements.

Products and Technology

Q1 2004 versus Q1 2003

Revenues for the Products and Technology segment decreased $31 million, or 9%, during the first quarter of 2004 as compared to the same quarter in 2003, due principally to a decline in capital equipment revenue of $42 million. Sales of expendable pump parts and downhole tools and rentals increased approximately $13 million, as expected with the increase in the North American rotary rig count. Sales of drilling spare parts remained virtually the same as the prior year. Given our current backlog and shipment delays in the first quarter of certain drilling packages, we anticipate significant improvement during the remainder of 2004 over our first quarter results.

Operating income decreased $18 million in the first quarter of 2004 compared to the same quarter in 2003 due to the lower revenue volume and a 3% reduction in gross margins. Unusually high costs on several capital equipment orders resulted in the lower overall margins. Selling, general and administrative expenses declined approximately $2 million in the first quarter of 2004 over 2003 as we benefited from certain cost reduction initiatives begun in 2003.

Backlog of the Products and Technology capital products was $412 million at March 31, 2004, reflecting an increase of $73 million from the December 31, 2003 level. Backlog at March 31, 2003 was $368 million. Product in current backlog will be delivered by the middle of 2005.

Distribution Services

Q1 2004 versus Q1 2003

Distribution Services revenues increased $34 million, or approximately 18%, during the first quarter of 2004 over the comparable 2003 period as the number of active rigs running in the U.S. and Canada has seen a gradual increase during the past twelve months. Revenues in the United States increased 9%, Canada was higher by 33%, due in part to revenues generated by the November 2003 Corlac acquisition, and the international sector was up by approximately 25%. Sales of products manufactured by the Products and Technology segment showed a robust gain of $20 million and maintenance, repair and operating supplies revenues increased by $10 million, while the sales of line pipe reflected a slight gain of $4 million.

Operating income in the first quarter of 2004 virtually doubled the prior year level due principally to the margin increase on the incremental revenue and a slight improvement in margin percent due to product mix. We did experience an increase of almost $3 million to operate our network of facilities and another $3 million increase in selling, general and administrative expenses due in part to this segment's international expansion and the Corlac acquisition.

Corporate

Corporate charges represent the unallocated portion of centralized and executive management costs. These costs have been slightly above the $3 million level since our last major acquisition in the fourth quarter of 2002 and we expect spending to approximate this level in the near term.

Interest Expense

Interest expense decreased during the three months ended March 31, 2004 as compared to the prior year due to lower borrowing levels and lower interest rates.

Income Taxes

The effective tax rate for the three months ended March 31, 2004 was 29% compared to 34% for the three months ended March 31, 2003, reflecting a higher percentage of earnings in foreign jurisdictions with lower tax rates and the benefit associated with export sales, which is currently the subject of legislation to repeal these benefits. If repealed and not replaced with similar benefits, we expect our effective tax rate to increase to 32%.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004 we had working capital of $815 million, an increase of $21 million from December 31, 2003. Reduction in the current portion of long-term debt accounted for $15 million of this increase, as we repaid all of the Norwegian term loans, and we experienced a $63 million increase in inventory as we position ourselves for the anticipated market upturn and the related capital projects. A reduction of $28 million in accounts receivable and an increase in accounts payable and accrued liabilities partially offset the inventory increase. Cash decreased approximately $7 million during the first three months ended March 31, 2004.

Total capital expenditures were $6 million during the first three months of 2004 compared to $8 million in the same period of the prior year. The majority of these capital expenditures represent additions to the downhole rental tool fleet and enhancements to information management systems. We expect our capital expenditures in 2004 to total approximately $35 million. We believe we have sufficient existing manufacturing capacity to meet currently anticipated demand for our products and services.

In November 2002, we sold $200 million of 5.65% unsecured senior notes due November 15, 2012. Interest is payable on May 15 and November 15 of each year. In March 2001, we sold $150 million of 6.50% unsecured senior notes due March 15, 2011, with interest payable on March 15 and September 15 of each year. In June 1998, we sold $150 million of 6.875% unsecured senior notes due July 1, 2005, with interest payments due on January 1 and July 1.

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Our North American facility is an unsecured $175 million revolving credit facility with availability up to $50 million for issuance of letters of credit that expires July 31, 2005. At March 31, 2004, borrowings against this facility totaled $70 million and there were $15 million in outstanding letters of credit. Interest (1.6% @ 03/31/04) is based upon prime or Libor plus 0.5% subject to a ratings based grid.

Our Norwegian facility, which expires in 2006, has revolving credit facilities totaling $94 million, with $38 million available for letter of credit purposes. At March 31, 2004, borrowings against this facility totaled $15 million and there were $28 million in outstanding letters of credit. Interest (3.8% @ 03/31/04) is based upon a pre-agreed percentage point spread from either the prime interest rate, NIBOR or EURIBOR.

We also have additional uncommitted credit facilities totaling $134 million that are used primarily for letters of credit, bid bonds and performance bonds. At March 31, 2004, borrowings against these additional credit facilities totaled $1 million and there were $28 million in outstanding letters of credit and performance bonds.

The senior notes contain reporting covenants and the credit facilities contain financial covenants and ratios regarding maximum debt to capital and minimum interest coverage. We were in compliance with all covenants governing these facilities at March 31, 2004.

We believe cash generated from operations and amounts available under the credit facilities and from other sources of debt will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations. We also believe any significant increase in capital expenditures caused by any need to increase manufacturing capacity can be funded from operations or through debt financing.

During the three months ended March 31, 2004, we did not enter into any transactions, arrangements, or relationships with unconsolidated entities or other persons which would materially affect liquidity, or the availability of or requirements for capital resources, from the amounts disclosed in our Form 10-K for the year ending December 31, 2003.

We intend to pursue additional acquisition candidates, but the timing, size or success of any acquisition effort and the related potential capital commitments cannot be predicted. We expect to fund future cash acquisitions primarily with cash flow from operations and borrowings, including the unborrowed portion of the credit facility or new debt issuances, but may also issue additional equity either directly or in connection with acquisitions. There can be no assurance that additional financing for acquisitions will be available at terms acceptable to us.

Inflation has not had a significant impact on our operating results or financial condition in recent years.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires us to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our estimation process generally relates to potential bad debts, obsolete and slow moving inventory, revenue recognition on long term contracts, pension plan accounting, value of goodwill and intangible assets, and deferred income tax accounting. Our estimates are based on historical experience and on our future expectations that we believe to be reasonable under the circumstances. The combination of these factors result in the amounts shown as carrying values of assets and

liabilities in the financial statements and accompanying notes. Actual results could differ from our current estimates and those differences may be material.

These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be material to the Critical Accounting Policies and Estimates as disclosed in our Form 10-K for the year ending December 31, 2003.

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46"), which is effective January 31, 2003 for any new interests in VIEs created after that date. In December 2003, the FASB made certain modifications and technical corrections to FIN 46 that are required to be applied to all entities no later than March 31, 2004. This statement addresses the consolidation of variable interest entities ("VIEs") by business enterprises that are the primary beneficiaries. A VIE is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the enterprise that has the majority of the expected losses or expected residual returns associated with the VIE. We do not have any material interests in VIEs created prior to February 1, 2003 that required consolidation in the first quarter of 2004.

FORWARD-LOOKING STATEMENTS

Some of the information in this document contains, or has incorporated by reference, forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements typically are identified by use of terms such as "may," "will," "expect," "anticipate," "estimate," and similar words, although some forward-looking statements are expressed differently. You should be aware that our actual results could differ materially from results anticipated in the forward-looking statements due to a number of factors, including but not limited to changes in oil and gas prices, customer demand for our products and worldwide economic activity. You should also consider carefully the statements under "Risk Factors," as disclosed in our Form 10-K for the year ending December 31, 2003, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. We undertake no obligation to update any such factors or forward-looking statements to reflect future events or developments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in foreign currency exchange rates and interest rates. Additional information concerning each of these matters follows:

Foreign Currency Exchange Rates

We have operations in foreign countries, including Canada, Norway and the United Kingdom, as well as operations in Latin America, China and other European countries. The net assets and liabilities of these operations are exposed to changes in foreign currency exchange rates, although such fluctuations generally do not affect income since their functional currency is the local currency. These operations also have net assets and liabilities not denominated in the local currency, which exposes us to changes in foreign currency exchange rates that do impact income. We recorded foreign exchange losses in our income statement of approximately $1.6 million in the first quarter of 2004, compared to $2.2 million in the same period of the prior year. We do not believe that a hypothetical 10% movement in these foreign currencies would have a material impact on our earnings.

Some of our revenues in foreign countries are denominated in US dollars, and therefore, changes in foreign currency exchange rates impact our earnings to the extent that costs associated with those US dollar revenues are denominated in the local currency. In order to mitigate that risk, we may utilize foreign currency forward contracts to better match the currency of our revenues and associated costs. We do not use foreign currency forward contracts for trading or speculative purposes. The counterparties to these contracts are major financial institutions, which minimizes counterparty credit risk.

Interest Rate Risk

Our long term borrowings consist of $150 million in 6.875% senior notes, $150 million in 6.5% senior notes and $200 million in 5.65% senior notes. We also have borrowings under our other facilities totaling $86 million at March 31, 2004 (weighted average interest rate of 2.2% at March 31, 2004). A portion of the borrowings are denominated in multiple currencies which could expose us to market risk with exchange rate movements. These instruments carry interest at a pre-agreed upon percentage point spread from either the prime interest rate, LIBOR, NIBOR or EURIBOR. Under our credit facilities, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR, NIBOR or EURIBOR for 30 days to 6 months. Based upon our March 31, 2004 borrowings under our variable rate facilities of $86 million, an immediate change of one percent in the interest rate would cause a change in annual interest expense of approximately $0.9 million. Our objective in maintaining a portion of our debt in variable rate borrowings is the flexibility obtained regarding early repayment without penalties and lower overall cost as compared with fixed-rate borrowings.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days before filing this report, we carried out an evaluation, under the supervision and with the participation of the company's management, including the company's President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures. Based upon that evaluation, the company's President and Chief Executive Officer along with the company's Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including its consolidated subsidiaries) required to be included in the company's periodic Securities and Exchange Commission filings.

There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of our evaluation.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended

31.2 Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended

32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

A report on Form 8 - K was filed on February 12, 2004 regarding a press release announcing our financial results for the fourth quarter and full year ended December 31, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2004

/s/ Steven W. Krablin

Steven W. Krablin
Principal Financial and Accounting Officer
and Duly Authorized Signatory

INDEX TO EXHIBITS

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EXHIBIT 31.1

CERTIFICATION

I, Merrill A. Miller, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of National-Oilwell, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [INTENTIONALLY OMITTED PURSUANT TO SEC RELEASE NO. 33-8238];

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004 By: /s/ Merrill A. Miller,Jr.

Merrill A. Miller, Jr.
Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Steven W. Krablin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National-Oilwell, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [INTENTIONALLY OMITTED PURSUANT TO SEC RELEASE NO. 33-8238];

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004 By: /s/ Steven W. Krablin

Steven W. Krablin
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National-Oilwell, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Merrill A. Miller, Jr., Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

By: /s/ Merrill A. Miller, Jr.

Name: Merrill A. Miller, Jr.
Title: Chairman, President and Chief Executive Officer
Date: May 7, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to National-Oilwell, Inc. and will be retained by National-Oilwell, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National-Oilwell, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Steven W. Krablin, the Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

By: /s/ Steven W. Krablin

Name: Steven W. Krablin
Title: Chief Financial Officer
Date: May 7, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to National-Oilwell, Inc. and will be retained by National-Oilwell, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.