

6.4 Statutory Auditors' Report on the Financial Statements

For the year ended December 31, 2021

This is a free translation into English of the Statutory Auditors' Report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This Statutory Auditors' Report includes information required by European regulations and French law, such as information regarding the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Vallourec,

Opinion

In compliance with the engagement entrusted to us at your Annual General Shareholders' Meeting, we have audited the accompanying financial statements of Vallourec S.A. (hereafter, "the Company") for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2021 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

The audit opinion expressed above is consistent with our report to the Financial and Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N° 537/2014.

Observation

Without calling into question the opinion expressed above, we draw your attention to the change in the accounting policy relating to the measurement and recognition of pension liabilities, described in the paragraph "Retirement benefits" of Note B "Accounting principles" of the notes to the annual accounts.

Justification of assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Measurement of equity interests

Notes B "Accounting policies – Equity interests", C.1 "Equity Interest and Receivables, loans, other financial assets" and E.6 "Subsidiaries and equity investments" to the financial statements

Key Audit Matter	Audit Approach
<p>Equity interests on the balance sheet amounted to €2,308 million as at December 31, 2021, and represent the most significant balance sheet item. They correspond to shares in Vallourec Tubes, a sub-holding of the Vallourec Group. Receivables from equity interest amount to €1,700 million.</p>	<p>Our work consisted in gaining an understanding of</p> <ul style="list-style-type: none"> ● the process for preparing and approving the estimates and assumptions used by Management to estimate the value in use of Vallourec Tubes equity interests, and ● procedures for approving the results by the governance entities,
<p>As described in the Note "Equity interests" to the financial statements, the Company recognizes a provision for impairment when the value in use of equity interests falls below their net carrying amount. Similarly, the related receivables are, where applicable, impaired when the risk is greater than the value of the equity interest and when the latter have already been impaired.</p>	<p>We also assessed the appropriateness of the model used to determine the utility value of these equity interests and related receivables.</p>
<p>Value in use is based on expected cash flows, estimated based on the Group's strategic plan for the first five years, extrapolated over the following three years and a terminal value.</p>	<p>We obtained the cash flows and operating forecasts for the Vallourec Group prepared by the Company, and verified their consistency with the 2022 budget as approved by the Board of Directors, and with management's estimates as recorded in the business plan.</p>
<p>The evaluation realized as at December 31, 2021 lead to, as indicated in the section "Equity interests" of the C.1 of financial statements, a reversal of €454 million for the period.</p>	<p>With the assistance of our valuation experts, we assessed, with regards to the Group's internal and external industry and macroeconomic data, the appropriateness of the various underlying assumptions used in preparing cash flow forecasts, including</p> <ul style="list-style-type: none"> ● regional price and volume assumptions, which are dependent on investments in the exploration and production of oil and natural gas, ● forecasts of changes in costs taking into account the provisional savings plans, and ● exchange rates, growth rates and discount rates.
<p>Cash forecasts used to identify recoverable values are based on available data at the date of the closing of the accounts, in a context of recovery in the Oil and Gas business, particularly in North America.</p>	<p>We also assessed the consistency of cash flow forecasts with past performances, market outlook, and forecast data presented to the Company's Supervisory Board.</p>
<p>However, difficulties in understanding future prospects persist, particularly in connection with developments related to the economic and financial environment in which the group operates, the impact of climate change or the evolving context of the Covid-19 crisis.</p>	<p>Lastly, we (i) performed our own sensitivity analysis, (ii) verified the arithmetic accuracy of the calculations and (iii) verified that the value resulting from the cash flow forecasts has been adjusted to take the Vallourec Group's net debt into account.</p>
<p>In this context, realization could digress these estimations and the variable nature of some estimation could be strengthened.</p>	
<p>We considered that Vallourec Tubes equity interests' valuation and related receivables is a key audit matter due to its importance in the financial statements assets and the fact that the determination of the value in use of these interests require judgement and estimations calculation from Management to build future cash flow provisions, used to identify its value.</p>	

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Information provided in the Management Report and in the other documents with respect to the financial position and the financial statements provided to shareholders

We have no matters to report as to the fair presentation and consistency with the financial statements of the information provided in the Management Report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest to the fair presentation and consistency with the financial statements of the information relating to payment terms, required under Article D.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the corporate governance section of the Board of Directors' management report sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to remuneration and benefits paid or awarded to corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.22-10-11 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements**Format of presentation of the financial statements intended to be included in the Annual Financial Report**

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018.

On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Vallourec at the Annual General Shareholders' Meeting held on June 1, 2006 for both audit firms.

As at December 31, 2021, KPMG S.A. was in the 16th year of an uninterrupted engagement and Deloitte & Associés in the 20th year of an uninterrupted engagement, given the succession of mandates between legal entities of the Deloitte network.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Financial and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Financial and Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Financial and Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant in the audit of the financial statements of the current period and which are therefore key audit matters. We describe these matters in this audit report.

We also provide the Financial and Audit Committee with the statement required under Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in Articles L.822-10 to L.822-14 of the French Commercial Code and the French Code of Ethics applicable to Statutory Auditors. Where appropriate, we discuss with the Financial and Audit Committee the risks that may bear on our independence, and the related safeguards.

Paris-La-Défense, April 13, 2022

The Statutory Auditors

KPMG S.A.
Alexandra Saastamoinen

Deloitte & Associés
Véronique Laurent