



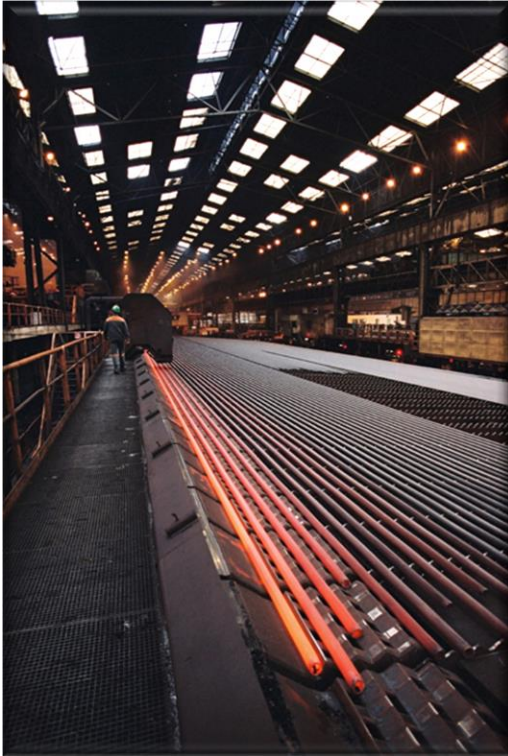
# Q2 2022 Results

July 27, 2022



## **Forward-Looking Statements**

This presentation may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms as “believe”, “expect”, “anticipate”, “may”, “assume”, “plan”, “intend”, “will”, “should”, “estimate”, “risk” and or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, Vallourec’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (Autorité des marchés financiers, or “AMF”), including those listed in the “Risk Factors” section of the Registration Document filed with the AMF on April 19, 2022, under filing number n° D.22-0305. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec’s or any of its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if Vallourec’s or any of its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods.



1. Highlights of the Second Quarter
2. Q2 2022 Results
3. 2022 Outlook
4. Update on the New Vallourec Project
5. Key Take-Aways
6. Appendices: Q2 Financials and Market Environment

# 1. HIGHLIGHTS OF THE SECOND QUARTER



## Solid Q2 performance

- ▶ Q2 EBITDA of €160 million, €115 million increase as compared to Q1
- ▶ Positive trajectory of worldwide Tube business, especially in the U.S.
- ▶ Iron Ore mine restarted but still performing below full production potential

## Positive market dynamics

- ▶ Favorable OCTG price dynamics on the back of recovery in drilling activity
- ▶ Supportive long-term E&P fundamentals with secular positive trends for energy security intact
- ▶ Mitigating inflationary effects with pricing initiatives

## 2022 financial objectives quantified

- ▶ 2022 EBITDA\* now expected between €650 to €750 million
  - Assumes conservative 1.5 million tonnes of H2 iron ore production
  - FY 2022 EBITDA\* of approximately €1.0 billion on a normalized\*\* basis for full iron ore mine production (excluding any effect of the 'New Vallourec' transformation plan)
- ▶ H2 2022 Free Cash Flow to be positive

## 'New Vallourec' project on track to generate additional €230 million of recurring EBITDA

- ▶ Plant closure process launched in Germany to be complete in Q1 2024
- ▶ Other European headcount and overhead reorganization measures underway
- ▶ Further reinforcement of the executive committee with new hires

\* Refer to slides 11&12 for assumptions underlying outlook

\*\* Normalized EBITDA means adjusted for the mine at full production (8.7 million tonnes) and either actual iron prices for H1 2022 or consensus prices for H2 2022

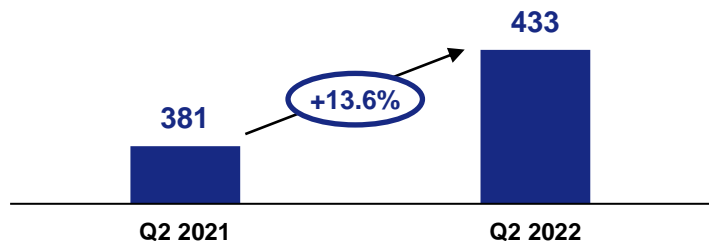
## **2. Q2 2022 RESULTS**

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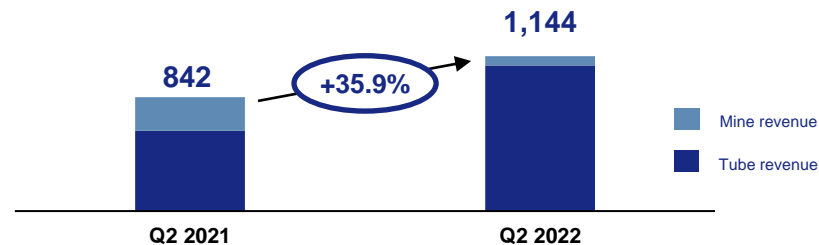
# Q2 2022 KEY FIGURES



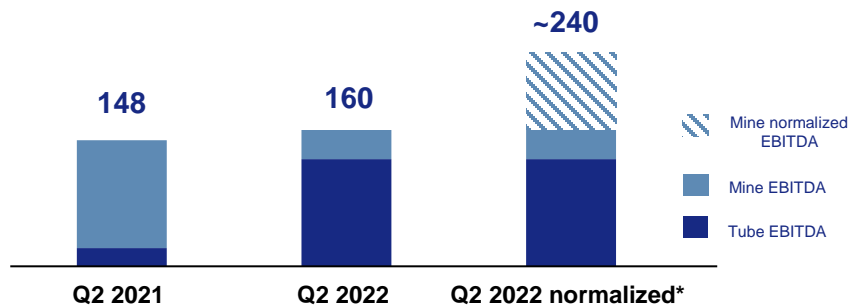
## TUBE VOLUMES (k tonnes)



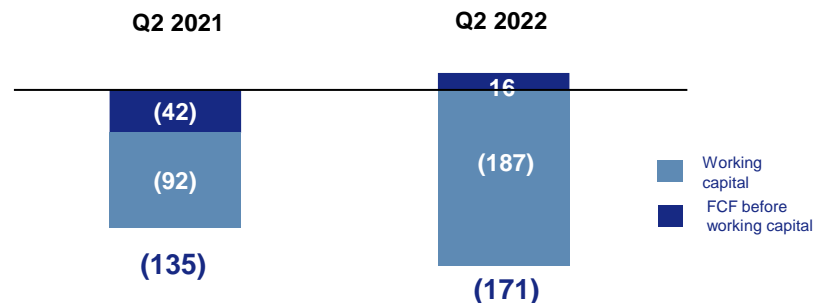
## REVENUE (€ million)



## EBITDA (€ million)



## FREE CASH FLOW (€ million)



**Revenue and EBITDA driven by profitable tube business**  
**Continued investment in working capital to drive growth**

\* Normalized EBITDA means adjusted for the mine at full production and actual iron prices for Q2 2022

# Q2 2022 FINANCIAL HIGHLIGHTS



## ▶ EBITDA of €160 million, margin 14%

- **€254 million Industrial margin, or 22% of revenue**
  - Highly favorable Oil & Gas market in North America
  - Negative impact from iron ore mine
  - Robust performance in Industry markets
- **Sales, general and administrative costs (SG&A) at €98 million**
  - 8.6% of revenue versus 9.6% in Q2 2021

## ▶ Financial income at €(8) million versus €(93) million

- **Net interest expenses in Q2 2022 at €(22) million, reflecting the new balance sheet structure**
- **Q2 2021 impacted by completion of the financial restructuring**

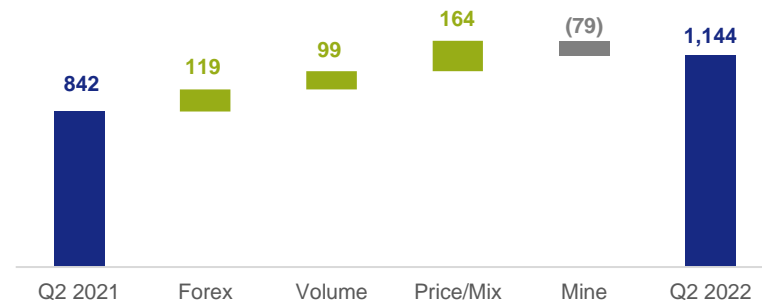
## ▶ Income tax reduced to €(48) million compared to €(60) million in Q2 2021 reflecting lower mine operations and recovery in activity in North America

## ▶ Additional items below EBITDA

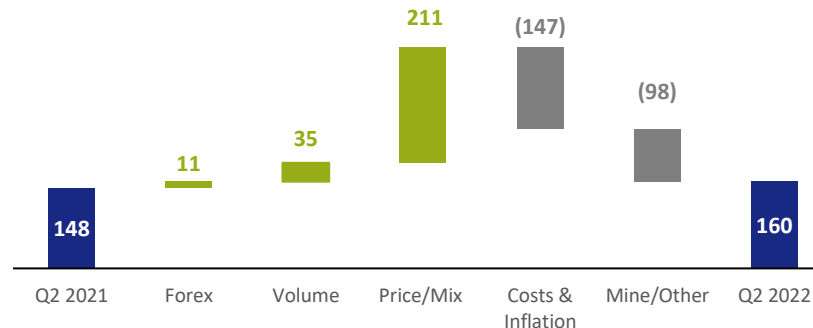
- **Extraordinary asset disposals and restructuring charges of €(456) million linked to the New Vallourec project and provisions for non-recurring costs related to the incident at the mine**
- **Q2 2021 includes €70 million gain related to Reisholz land sale**

## ▶ Net income Group share at €(415) million

Q2 2021 – Q2 2022 Revenue bridge (€ million)



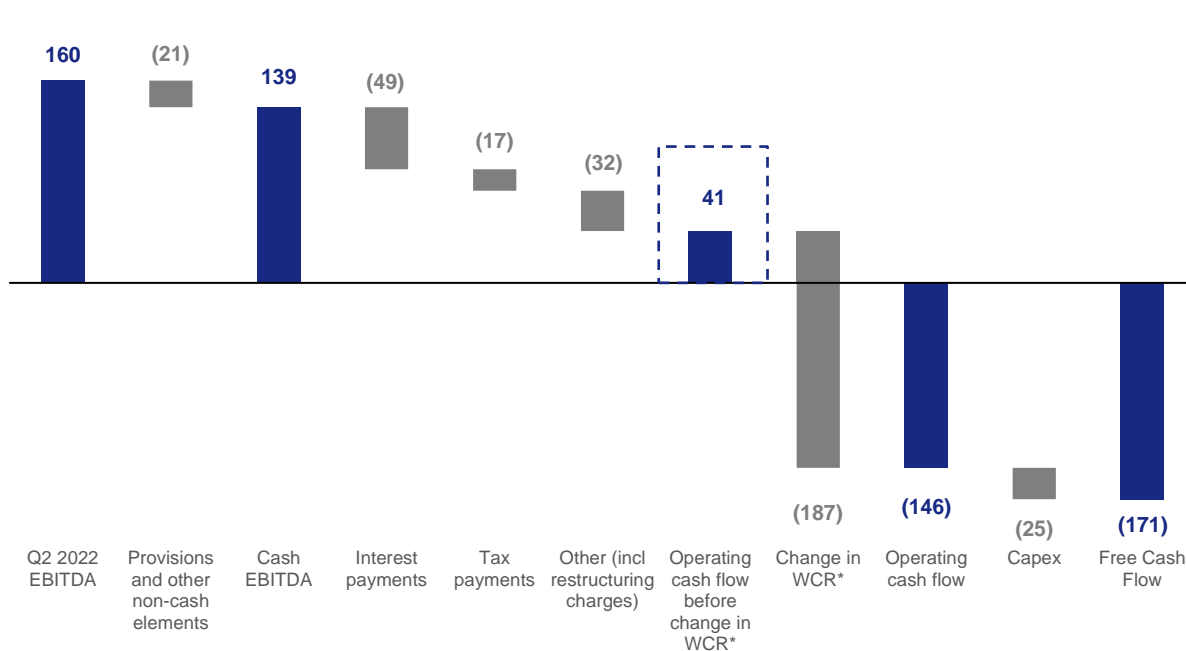
Q2 2021 – Q2 2022 EBITDA bridge (€ million)



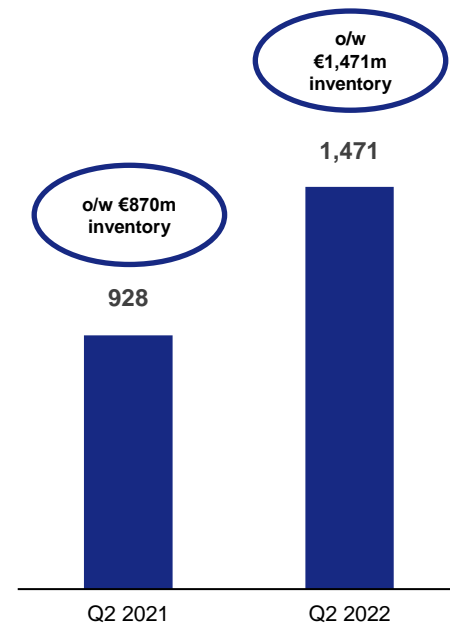
# CASH FLOW



## Q2 2022 EBITDA to FCF bridge (€ million)



## Q2 21/22 Net Working Capital (€ million)

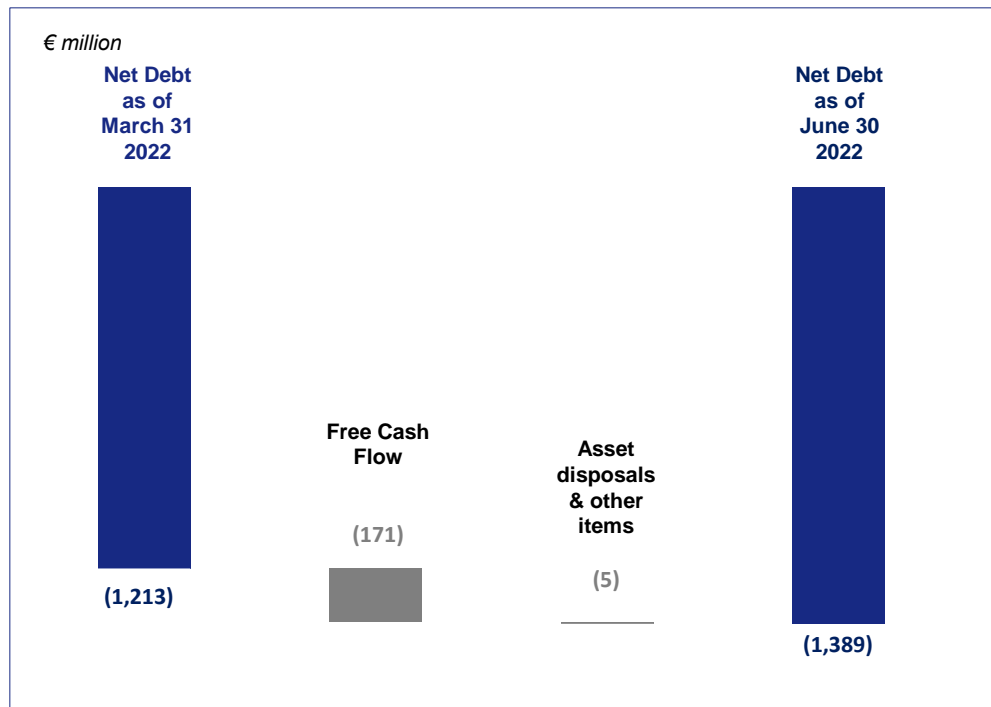


**Operating cash flow before working capital at €41 million  
+€601 million increase of inventory year-over-year**

\* Working Capital Requirement (WCR) defined as trade receivables plus inventories minus trade payables (excluding provisions)



# NET DEBT AND LIQUIDITY



- ▶ **Liquidity position of €752 million:**
    - ▶ Cash of €365 million
    - ▶ Revolving Credit Facility of €462 million o/w €387 million remaining headroom
  - ▶ Average debt maturity of 4 years
  - ▶ Vallourec Outlook Revised To Positive On New Strategic Plans; Rating B Affirmed on May 30, 2022
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**Net debt increase reflects significant investment in working capital  
Year-end net debt projected to decline from current levels**

## **3. 2022 OUTLOOK**

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## Operational Update

### ▶ Base iron ore mine operations

#### data

- Annual production capacity of 8.7 million tonnes in 2022
- Average historical selling price between 40% to 45% of the Platts Price index depending on
  - Impact of freight/logistics costs
  - Quality of the extracted Iron Ore

### ▶ H1 2022 situation

- Landslide on January 8 and production halted until May 4
- Production ~1.1 million tonnes
- Operation restarted with authorization for alternative waste pile

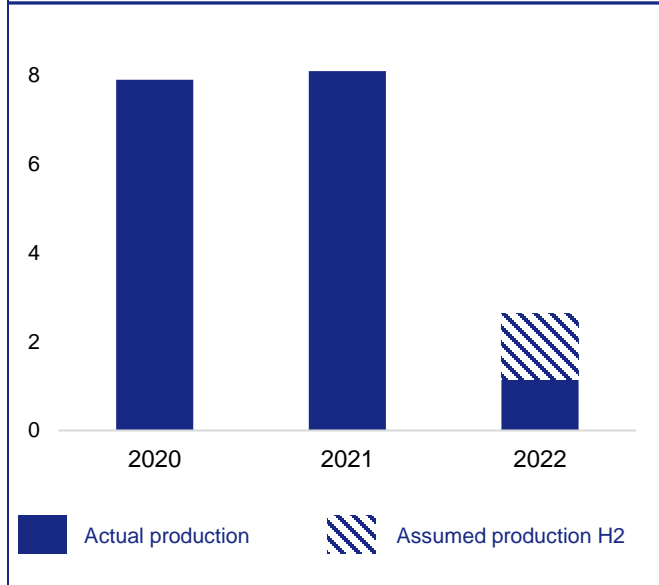
### ▶ Assumptions for H2 2022

- Production ~1.5 million tonnes
- H2 2022 consensus estimates for iron ore average prices c. US\$ 120 per tonne\*

### ▶ Actions underway

- Short term: seeking additional waste pile solutions to extend production
- Drainage system reinforcement to sustain the exploitation of the original waste pile
- Stabilization of the soft soil layers
- Normal operations are expected not before Q2 2023 following the full release of the Cachoeirinha Pile

## Actual and assumed production (in Mt)



**Conservative assumption for H2 mine production embedded in 2022 outlook**

\* Source: Capital IQ

## NORTH AMERICA

- ▶ **Highly favorable market conditions to continue in H2 2022, in both price and volume terms**
- ▶ **Market very tight in terms of available supply**



## EUROPE-AFRICA & MIDDLE EAST- ASIA

- ▶ **Oil & Gas: volumes expected to continue to modestly recover in the next few quarters; cost increases passed onto customers**
- ▶ **Industry: outlook for volumes is neutral in softer market; price increases expected to fully offset cost inflation**



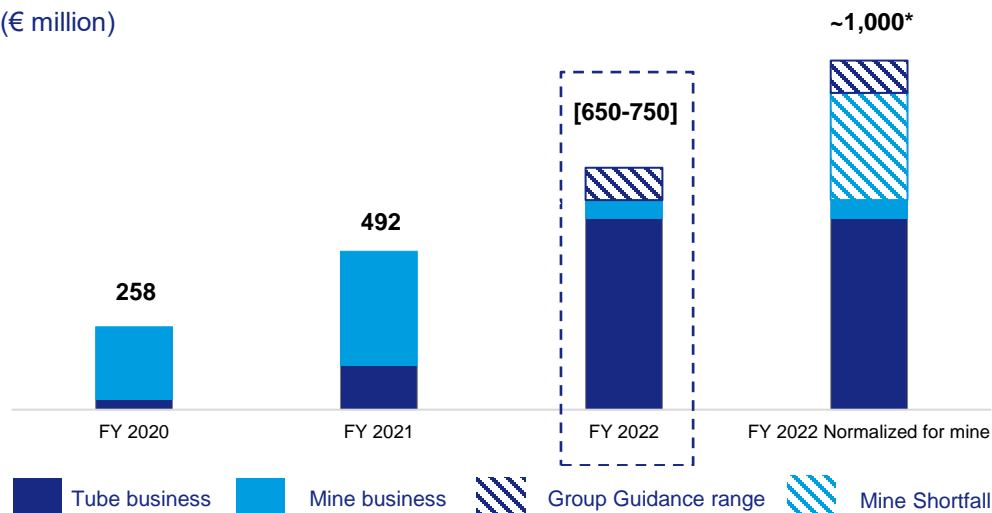
## SOUTH AMERICA

- ▶ **Oil & Gas: volumes expected to increase, leading to margin improvement throughout the year**
- ▶ **Industry: outlook for volumes is positive and trending in line with current levels; price increases fully offset cost inflation**



## 2022 EBITDA €650 to €750 million

(€ million)



- ▶ 2022 EBITDA now expected in a range of €650 to €750 million
- ▶ EBITDA driven by growth of tube business (particularly in North America)
- ▶ This strong performance more than offsets significantly lower than normalized contribution from the iron ore mine
- ▶ With normalized iron ore mine production, EBITDA would have been approximately €1.0 billion\* in 2022 (excluding €230 million for 'New Vallourec' project)

**Strong pick-up in tube profitability, mine far below potential in 2022**

\* Normalized EBITDA means adjusted for the mine at full production (8.7 million tonnes) and either actual iron ore prices for H1 2022 or consensus prices for H2 2022

## **4. UPDATE ON THE 'NEW VALLOUREC' PROJECT**

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## 1 Reshape industrial footprint

- ▶ **Closure of German sites**
- ▶ **All European OCTG products to be produced in Brazil by end of 2023 (~€120 million capex)**
  - Rationalization of other European assets
  - Consolidation all European threading activities in a single location (Aulnoye in France)
- ▶ **Closure of the heat treatment line in Saint-Saulve (France) and the threading line in Bellshill (Scotland); divestiture of Vallourec Bearing Tubes**
- ▶ **Aulnoye leading the 'One R&D' organization**

## 2 Streamline overheads to lower breakeven and increase efficiency

- ▶ **Simplified organization**
  - Leaner organization in all regions, North America, South America and Eastern Hemisphere
  - Further downsize headquarter functions focused on strategy and expertise
- ▶ **Higher productivity**
  - Consolidation of support functions in larger Shared Services Centers to leverage Company's scale
- ▶ **Decentralized business model with support functions located close to production sites**
- ▶ **Focus on value creating projects**

**2,950 headcount reduction**  
**€230 million of recurring EBITDA and €250 million ongoing cash up-lift by end of Q1 2024**

# FURTHER NEW APPOINTMENTS TO THE EXECUTIVE COMMITTEE...



**ENRICO SCHIAPPACASSE**

Senior Vice President Strategy & Development

June 1, 2022

- ▶ 25-year track record in the energy, strategy and consulting sectors
- ▶ Broad experience within worldwide organizations
- ▶ Prior position: Vice President of the Oil and Gas Business Unit at Prysmian Group



**NATHALIE JOANNES**

General Counsel of Vallourec Group

July 4, 2022

- ▶ Extensive global experience in life sciences and pharma industries
- ▶ Expertise in building international legal, risk management and compliance teams in listed and private companies worldwide
- ▶ Prior position: EVP Legal, Compliance & General Counsel at LEO Pharma
- ▶ Member of the New York Bar since 1987



**LUDOVIC OSTER**

Chief Human Resources Officer

July 4, 2022

- ▶ Extensive experience in human resources, change management and organizational transformation processes
- ▶ In-depth knowledge of business transformation in highly demanding and competitive sectors
- ▶ Prior position: Chief Human Resources Officer at Elior Group



**PIERRE D'ARCHEMONT**

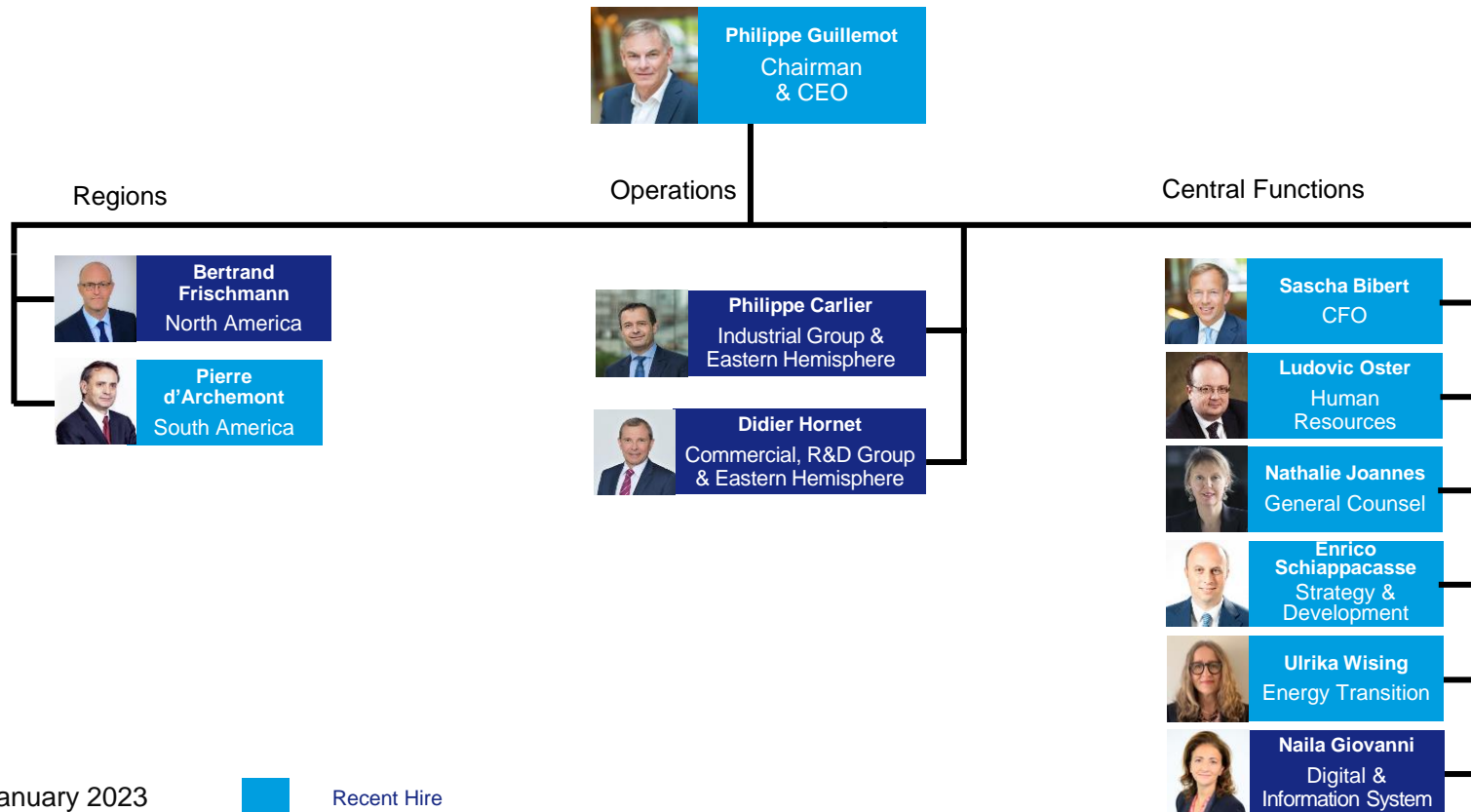
Senior Vice President South America

July 14, 2022

- ▶ Wealth of experience in running businesses in Brazil and South America in demanding sectors such as the automotive industry
- ▶ Broad background in business management and transformation
- ▶ Prior position: Regional VP Brazil and Argentina in charge of the operational and financial turnaround of VISTEON.



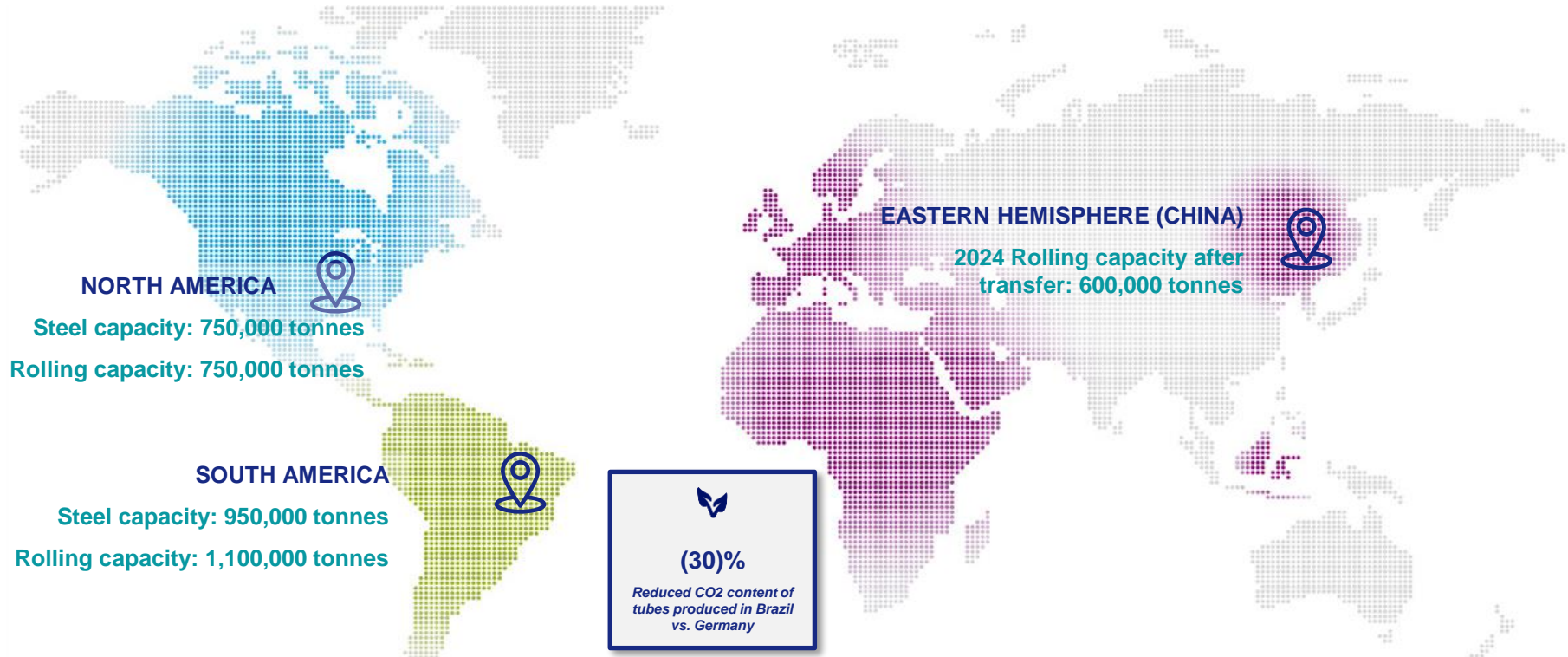
# ... COMPLETING THE TEAM\* THAT WILL DRIVE 'NEW VALLOUREC' TRANSFORMATION PLAN



\*As of January 2023

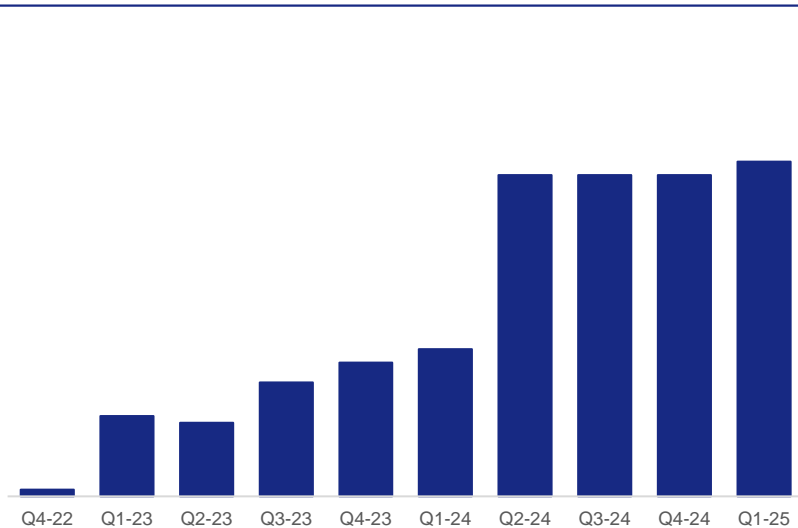


Recent Hire



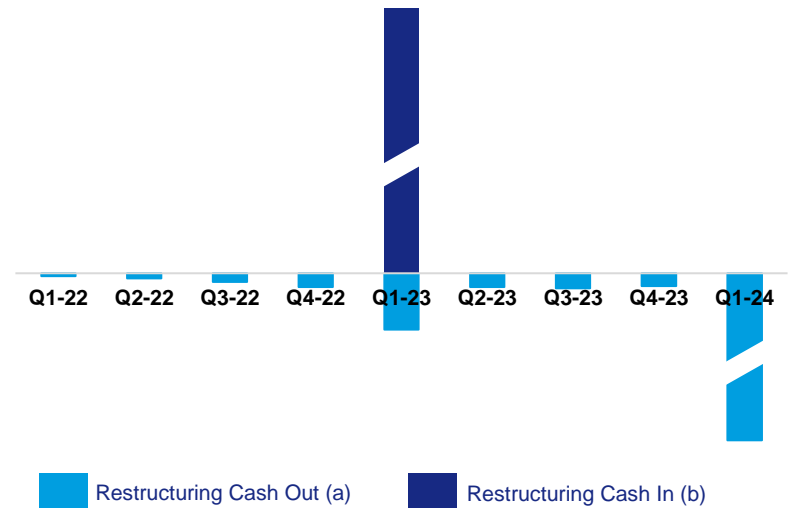
Strategy of value over volume via reduction of ~700,000 tonnes of unprofitable rolling capacity in Europe  
Focus on low-cost production regions with a significantly reduced carbon footprint

## Ramp-up of €230 million recurring EBITDA uplift



**Significant recurring EBITDA uplift**  
**Full run-rate potential by end of Q1 2024**

## Illustrative cash flow profile

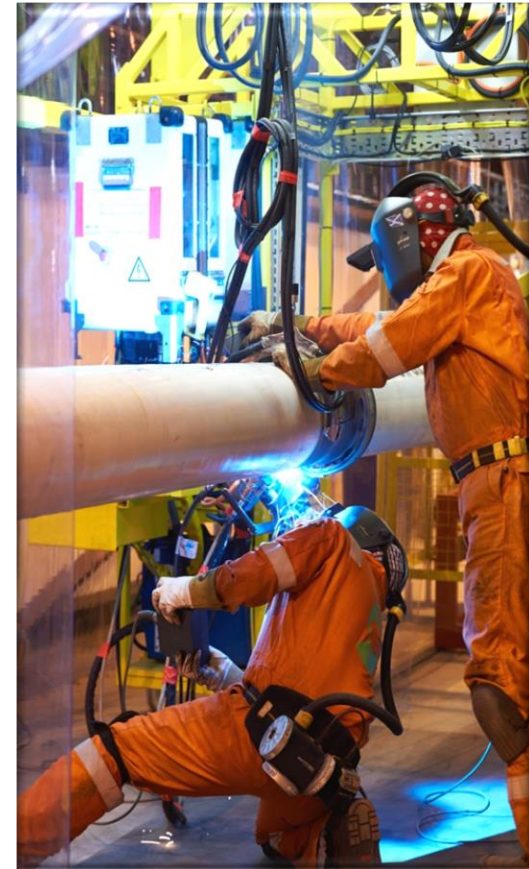


**Self-funded project**

(a) Severance and other one-off costs  
 (b) Sale of land, buildings, working capital and other

## 6. KEY TAKE AWAYS

- ▶ Q2 results significantly increased by €115 million as compared to Q1
- ▶ FY 2022 EBITDA quantified at €650 to €750 million assuming conservative iron ore mine production
- ▶ With normalized iron ore production, EBITDA would have been approximately €1.0 billion\* in 2022
- ▶ Free Cash Flow to be positive in Second Half as working capital stabilizes at current levels
- ▶ Ongoing favorable tube business operating environment, notably with strong pricing dynamics
- ▶ Transition towards 'New Vallourec' as planned, with positive cash flow profile



\* Normalized EBITDA means adjusted for the mine at full production (8.7 million tonnes) and either actual iron prices for H1 2022 or consensus prices for H2 2022

## 6. APPENDICES

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## Q2 2022 P&L



<i>In € million</i>	<b>Q2 2022</b>	<b>Q2 2021</b>	Change
<b>Revenue</b>	<b>1,144</b>	<b>842</b>	<b>35.9%</b>
Cost of sales	(890)	(599)	48.6%
<b>Industrial Margin</b>	<b>254</b>	<b>243</b>	<b>4.5%</b>
<i>(as a % of revenue)</i>	22.2%	28.9%	<i>(6.7)p.p.</i>
Sales, general and administrative costs	(98)	(81)	21.0%
<i>(as a % of revenue)</i>	(8.6)%	(9.6)%	<i>(1)p.p.</i>
Other	4	(14)	na
<b>EBITDA</b>	<b>160</b>	<b>148</b>	<b>€12m</b>
<i>(as a % of revenue)</i>	<b>14.0%</b>	<b>17.6%</b>	<b>(3.6)p.p.</b>
Depreciation of industrial assets	(49)	(35)	40%
Amortization and other depreciation	(13)	(13)	na
Impairment of assets	-	-	-
Asset disposals, restructuring costs and non-recurring items	(456)	100	na
<b>Operating income (loss)</b>	<b>(358)</b>	<b>200</b>	<b>€(558)m</b>
Financial income/(loss)	(8)	(93)	(91.4%)
<b>Pre-tax income (loss)</b>	<b>(366)</b>	<b>107</b>	<b>€(473)m</b>
Income tax	(48)	(60)	(20)%
Share in net income/(loss) of equity affiliates	(1)	-	na
<b>Net income</b>	<b>(415)</b>	<b>47</b>	<b>€(462)m</b>
Attributable to non-controlling interests	-	(4)	na
<b>Net income, Group share</b>	<b>(415)</b>	<b>51</b>	<b>€(466)m</b>
<b>Net earnings per share</b>	<b>(1.8)</b>	<b>3.7</b>	<b>na</b>

na = not applicable

# REVENUE BREAKDOWN – Q2 2022

## REVENUE BY REGION

<i>In € million</i>	Q2 2022	As % of revenue	Q2 2021	As % of revenue	Change
Europe	142	12.4%	134	15.9%	6.0%
North America (Nafta)	461	40.3%	194	23.0%	138.2%
South America	264	23.0%	283	33.6%	(6.7)%
Asia and Middle East	231	20.2%	173	20.5%	34.1%
Rest of the world	46	4.0%	59	7.0%	(22.1)%
<b>Total</b>	<b>1,144</b>	<b>100%</b>	<b>842</b>	<b>100%</b>	<b>35.9%</b>

## REVENUE BY MARKET

<i>In € million</i>	Q2 2022	As % of revenue	Q2 2021	As % of revenue	Change
Oil & Gas	679	59.3%	438	52.0%	55.0%
Petrochemicals	102	8.9%	40	4.8%	153.4%
<b>Oil &amp; Gas, Petrochemicals</b>	<b>781</b>	<b>68.2%</b>	<b>478</b>	<b>56.8%</b>	<b>63.2%</b>
Mechanicals	150	13.1%	112	13.3%	33.4%
Automotive	26	2.3%	21	2.5%	27.2%
Construction & Other	147	12.9%	200	23.7%	(26.2)%
<b>Industry &amp; Other</b>	<b>323</b>	<b>28.3%</b>	<b>333</b>	<b>39.5%</b>	<b>(2.7)%</b>
<b>Power Generation</b>	<b>40</b>	<b>3.5%</b>	<b>31</b>	<b>3.7%</b>	<b>29.3%</b>
<b>Total</b>	<b>1,144</b>	<b>100%</b>	<b>842</b>	<b>100%</b>	<b>35.9%</b>

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# BALANCE SHEET AS AT JUNE 30<sup>TH</sup>, 2022

In € million

Assets	06/30/2022	12/31/2021	Liabilities	06/30/2022	12/31/2021
			Equity - Group share *	1,627	1,763
			Non-controlling interests	48	45
Net intangible assets	43	45	<b>Total equity</b>	<b>1,674</b>	<b>1,808</b>
Goodwill	43	38	<b>Shareholder loan</b>	-	-
Net property, plant and equipment	1,884	1,666	Bank loans and other borrowings (A)	1,379	1,387
Biological assets	50	38	Lease debt (D)	45	33
Equity affiliates	32	35	Employee benefit commitments	87	14
Other non-current assets	199	162	Deferred taxes	24	29
Deferred taxes	241	239	Provisions and other long-term liabilities	428	140
<b>Total non-current assets</b>	<b>2,493</b>	<b>2,223</b>	<b>Total non-current liabilities</b>	<b>1,963</b>	<b>1,603</b>
Inventories	1,471	856	Provisions	220	40
Trade and other receivables	692	541	Overdraft and other short-term borrowings (B)	375	190
Derivatives - assets	7	4	Lease debt (E)	17	15
Other current assets	237	133	Trade payables	692	457
Cash and cash equivalents (C)	365	619	Derivatives - liabilities	71	19
			Other current liabilities	261	242
<b>Total current assets</b>	<b>2,772</b>	<b>2,153</b>	<b>Total current liabilities</b>	<b>1,636</b>	<b>963</b>
Assets held for sale and discontinued operations	13	372	Liabilities held for sale and discontinued operations	5	374
<b>Total assets</b>	<b>5,278</b>	<b>4,748</b>	<b>Total equity and liabilities</b>	<b>5,278</b>	<b>4,748</b>

<b>Net debt (A+B+C)</b>	<b>1,389</b>	<b>958</b>	<b>* Net income (loss), Group share</b>	<b>(450)</b>	<b>40</b>
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<b>Lease debt (D+E)</b>	<b>61</b>	<b>48</b>
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# INDEBTEDNESS

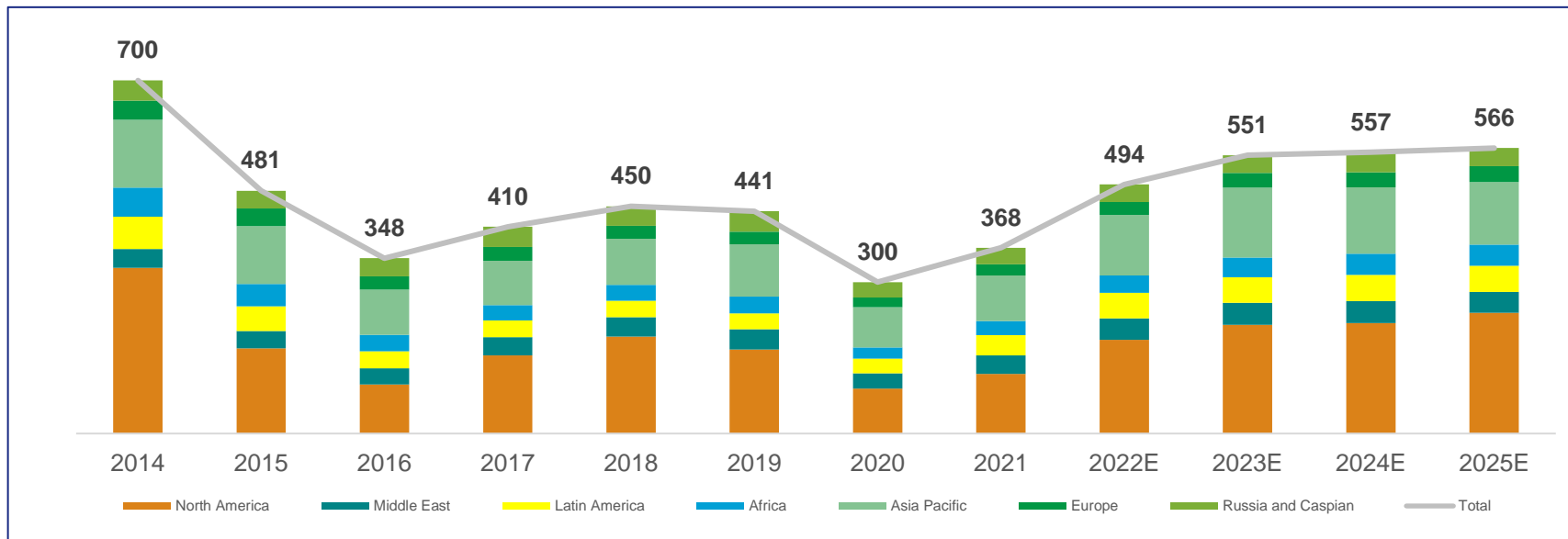
<i>In € million</i>	06/30/2022
Bond issue – maturing in June 2026	1,150
PGE	216
RCF	75
ACC ACE	264
Other	49
<b>TOTAL GROSS FINANCIAL INDEBTEDNESS</b>	<b>1,754</b>
Cash	365
<b>TOTAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,389</b>

# SUPPORTIVE MARKET ENVIRONMENT

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# TUBES: SUPPORTIVE LONG-TERM E&P FUNDAMENTALS

Projected E&P Capex (in \$ bn) expected to surpass 2019 levels



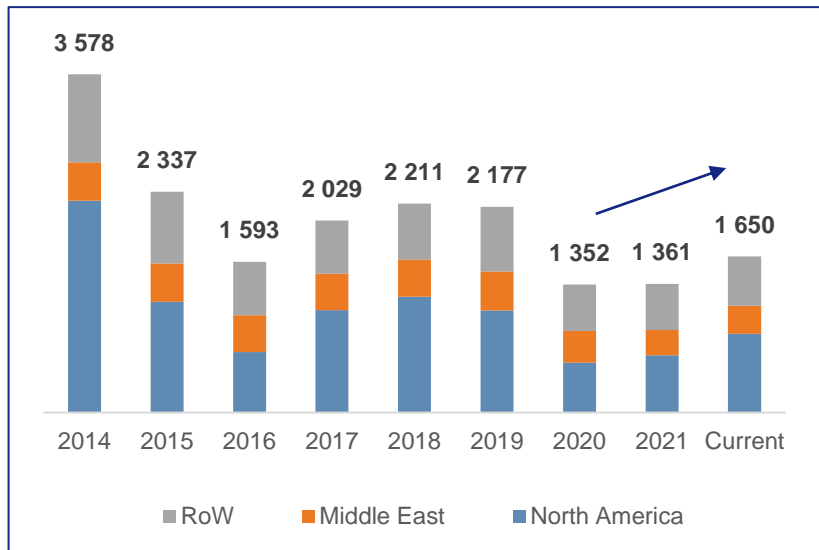
Source: IHS Markit – June 2022

**North America, Middle East and South America to see the strongest momentum**

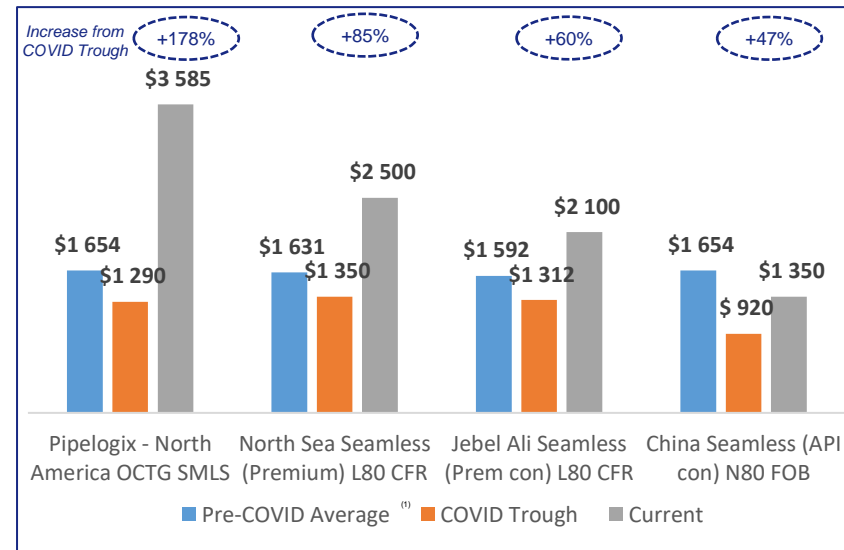
# HIGHER DRILLING AND OCTG PRICES SUPPORTING PRICES



## Global Rig Count



## OCTG Price Evolution



Source: Baker Hughes, July 2022

(1) Jan 2018 – March 2020 average

Source: Rystad (July 2022), Pipe Logix (July 2022)

**Favorable price evolution  
driven by recovery in global demand and rises in costs**

▶ Euronext Paris: ISIN code: FR0013506730,  
Ticker: VK  
USA: American Depositary Receipt (ADR) - ISIN  
code: US92023R4074, Ticker: VLOWY

▶ **Investor Relations Contact - Vallourec Group**

- Email: [investor.relations@vallourec.com](mailto:investor.relations@vallourec.com)
- [www.vallourec.com](http://www.vallourec.com)

▶ **Financial calendar:**

- November 21, 2022 – Publication of Q3 and nine-month 2022 results

▶ **Conference and roadshow**

- September 6, 2022 – Goldman Sachs Conference (London)