Press release

Meudon (France), July 28, 2023

Vallourec, a world leader in premium tubular solutions, announces today its results for the second quarter 2023. The Board of Directors of Vallourec SA, meeting on July 27th 2023, approved the Group's second quarter 2023 results.

Second Quarter 2023 Results

- **Strong EBITDA of €374 million in Q2 driven by both Tubes and Mine & Forest**
- **Net debt reduced by a further €132 million to €868 million**
- **Further increase in Tubes segment profitability due to solid execution in a favorable price environment**
- **Major investment program in Brazil on-track**
- **Confirm 2023 EBITDA to range between €950 million and €1.1 billion**

HIGHLIGHTS

Solid Q2 2023 Performance

- **EBITDA of €374 million** (up €214 million year-over-year) driven by substantial Tubes profitability and a year-over-year (YoY) recovery in Mine volumes
    - Tubes EBITDA of €330 million (up €201 million YoY) supported by a 27% YoY average selling price increase
    - Mine & Forest EBITDA of €50 million (stable YoY): ~0.9 million tonne YoY increase in production sold was offset by lower iron ore selling price
- **Adjusted free cash flow of €174 million**; free cash flow, as previously defined, was €115 million
- **Net debt reduced by €132 million to €868 million**

Confirming Strong FY 2023 Outlook[a]

- **EBITDA is expected to range between €950 million and €1.1 billion[b]**
- **Total cash generation** is expected to be positive in the second half of the year excluding any potential benefit of asset sales
- **Net debt is expected to decline further vs. the second quarter of 2023**

[a] As provided on July 13, 2023
[b] See market assumptions in "Full Year 2023 Outlook"

Information
Half-year financial statements were subject to limited review by statutory auditors.
Quarterly statements are unaudited and not subject to any review.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.
Please see "Definitions of Non-GAAP Financial Data" for definitions of terms presented in this press release.

Philippe Guillemot, Chairman of the Board of Directors, and Chief Executive Officer, declared:

"Our results in Q2 2023 continued the excellent performance we have produced over the last several quarters. Favorable pricing and solid execution across the Group and especially in the Eastern Hemisphere drove robust profitability. In addition, efficient working capital management allowed us to continue to reduce our net debt, which now stands €521 million lower year-over-year. Net debt reduction remains a key focal point for Vallourec.

"Our major capability enhancement program is progressing well in Brazil. We expect to drive meaningful improvements in this operation in 2024 as we exit this transformative period.

"As we look into the second half of the year, US tubes pricing has been on a downward trend, though it remains at healthy levels. We expect our volumes will trough in the third quarter as distributor inventories normalize, before improving again in the fourth quarter. We expect pricing will stabilize at healthy levels as market headwinds slow in the second half.

"Outside of the US, demand for our tubular products remains strong, and pricing has continued to show an upward trend. We are capitalizing on this via our premium production hubs in Brazil and Asia, while continuing to wind down our tube production activities in Germany.

"Our Pau Branco iron ore mine has ramped up activity following the release of the Cachoeirinha waste pile, though we expect it will operate below its full potential in the second half of 2023. We have a plan in place to move our extraction activities towards already identified higher-quality reserves. Permitting is currently underway to execute this plan.

"We recently provided an update to our full-year EBITDA objective. We expect to generate €950 million to €1.1 billion of EBITDA in 2023. While EBITDA in the second half of the year is expected to be lower than the first half, the New Vallourec plan is on track. We continue to expect that, compared to 2021, the full €230 million annualized recurring benefit of this plan will be effective in Q2 2024.

Finally, we intend to further reduce our net debt in the second half of this year. We reiterate our target to reach zero net debt by year-end 2025 at the latest, a key step in cycle-proofing our business."

Key Data

in € million, unless noted	Q2 2023	Q1 2023	Q2 2022	QoQ chg.	YoY chg.
Tubes volume sold (k tonnes)	396	431	433	(35)	(37)
Iron ore volume sold (m tonnes)	1.9	1.5	1.0	0.4	0.9
Group revenues	1,358	1,338	1,144	20	214
Group EBITDA	**374**	**320**	**160**	**54**	**214**
(as a % of revenue)	*27.5%*	*23.9%*	*14.0%*	*3.6 pp*	*13.6 pp*
Operating income (loss)	258	257	(358)	1	616
Net income, Group share	159	156	(415)	3	574
Free cash flow, as previously defined	115	147	(172)	(32)	287
Adj. free cash flow	**174**	**194**	**(139)**	**(20)**	**313**
Net debt	**868**	**1,000**	**1,389**	**(132)**	**(521)**

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CONSOLIDATED RESULTS ANALYSIS

Second Quarter Results Analysis

In the Second Quarter of 2023, Vallourec recorded revenues of €1,358 million, up 19% year-on-year (+21% at constant exchange rates). The increase in Group revenues reflects:

- (8%) volume decrease mainly driven by lower deliveries in Industry in Europe
- 27% price/mix effect
- 2% Mine and Forest
- (2%) currency effect mainly related to stronger EUR/USD

In the Second Quarter of 2023, EBITDA amounted to €374 million compared to €160 million in Q2 2022**;** the **Group EBITDA margin reached 27.5% of revenues** versus 14.0% in Q2 2022. For the Group, the EBITDA increase reflects:

- **An industrial margin of €468 million, or 34.5% of revenues**, versus €254 million or 22.2% of revenues in Q2 2022. The positive contribution of the global Oil & Gas market was supplemented by a recovery in iron ore volumes.
- **Selling, general and administrative expenses (SG&A) of €84 million or 6.2% of revenues**, versus €98 million or 8.6% in Q2 2022.

Operating income was positive at €258 million. In Q2 2022, operating income was negative at (€358) million resulting mainly from the provisions related to the adaptation measures (European social plans and associated fees) and, to a lesser extent, provisions for non-recurring costs related to the incident at the mine.

Financial income (loss) was negative at (€24) million, compared to (€8) million in Q2 2022; net interest expense in Q2 2023 stood at (€28) million compared to (€22) million in Q2 2022.

Income tax amounted to (€70) million compared to (€48) million in Q2 2022.

This resulted in positive net income, Group share, of €159 million, compared to (€415) million in Q2 2022.

First Half Results Analysis

For the first half of 2023, Vallourec recorded revenues of €2,696 million, up 31% year-on-year (+30% at constant exchange rates). The increase in Group revenues reflects:

- Stable volumes: the decrease in Industry shipments was offset by higher Oil & Gas volumes
- 26% price/mix effect
- 4% Mine and Forest
- 1% currency effect mainly related to weaker EUR/USD

For the first half of 2023, EBITDA increased by €489 million to reach €694 million compared to €205 million in H1 2022**;** the **Group EBITDA margin reached 25.7% of revenues** versus 10.0% in H1 2022. For the Group, the EBITDA increase reflects:

- **An industrial margin significantly increasing to €880 million, or 32.6% of revenues**, versus €383 million or 18.6% of revenues in H1 2022. The positive contribution of the global Oil & Gas market, both in prices and volumes, was supplemented by a recovery in iron ore volumes.

- **Selling, general and administrative expenses (SG&A) of €163 million or 6.0% of revenues**, versus €183 million or 8.9% in H1 2022.

Operating income was positive at €515 million, while it was negative at (€375) million in H1 2022 mainly due to provisions recorded in Q2 2022.

Financial income (loss) was negative at (€70) million, compared to (€21) million in H1 2022; net interest expenses in H1 2023 stood at (€54) million compared to (€45) million in H1 2022.

Income tax amounted to (€123) million compared to (€51) million in H1 2022.

This resulted in positive net income, Group share, of €315 million, representing a margin of 11.7%, compared to (€450) million in H1 2022.

RESULTS ANALYSIS BY SEGMENT

Tubes

In Q2 2023, Tubes revenues were up 17% due to higher pricing. **Tubes EBITDA rose significantly from €129 million in Q2 2022 to €330 million** with a 27% increase in the average selling price per tonne more than offsetting the (8%) decrease in volumes.

For the first half of 2023, Tubes revenues were up 27% due to higher pricing. **Tubes EBITDA more than tripled to reach €609 million** based on flattish volumes, coupled with a 27% increase in the average selling price per tonne.

Mine & Forest

In Q2 2023, the iron ore mine production sold reached 1.9 million tonnes, compared to 1 million tonnes in Q2 2022. The low result in Q2 2022 was a consequence of the waste pile slippage incident at the beginning of 2022. Consequently, **iron ore mine production sold for the first half of 2023 amounted to 3.4 million tonnes.**

Mine & Forest revenues in Q2 2023 reached €93 million, increasing meaningfully year-on-year (€68 million in Q2 2022). **In Q2 2023, Mine & Forest EBITDA reached €50 million, leading to an EBITDA margin of 54%.**

Mine & Forest revenues for the first half of 2023 reached €186 million, compared to €92 million in H1 2022. **For the first half of 2023, Mine & Forest EBITDA reached €98 million, leading to an EBITDA margin of 53%.**

CASH FLOW AND FINANCIAL POSITION

Cash Flow Results Analysis

In Q2 2023, adjusted operating cash flow improved to €232 million, compared to €73 million in Q2 2022. The significant increase in EBITDA more than offset the higher income tax payments and financial cash out. **For the first half of 2023, adjusted operating cash flow significantly increased by €418 million to reach €531 million**, mainly driven by higher EBITDA.

In Q2 2023, the operating working capital requirement slightly decreased by €8 million, versus an increase of €187 million in Q2 2022. **The net working capital requirement stood at 92 days of sales**, compared to 117 days in Q2 2022. **For the first half of 2023, the operating working capital requirement increased by €44 million**, versus a substantial increase of €403 million in H1 2022.

Gross capital expenditure was €66 million in Q2 2023 (compared to €25 million in Q2 2022) and amounted to €119 million over the first half of 2023 in comparison with €59 million in H1 2022.

For the full year, gross capital expenditure is expected to be around €220 million, including approximately €70 million of capital expenditure related to the transfer of Oil & Gas volumes from Germany to Brazil.

In Q2 2023, adjusted free cash flow was positive at €174 million, while it was negative at (€139) million in Q2 2022. **For the first half of 2023, adjusted free cash flow stood at €368 million driven by improved EBITDA as well as efficient working capital management** (compared to a negative (€349) million in H1 2022).

In Q2 2023, total cash generation stood at €118 million, which includes the negative impact of €59 million restructuring charges and other non-recurring items as well as a positive €3 million of asset disposals and other cash items. **For the first half of 2023, total cash generation amounted to €269 million**, compared to a negative (€430) million in H1 2022.

In Q2 2023, free cash flow, as previously defined, was €115 million, compared to (€172) million in Q2 2022, and **it was €262 million for the first half of 2023** compared to (€401) million in H1 2022.

Net Debt and Liquidity

As of June 30, 2023, net debt stood at €868 million, compared to €1.1 billion on December 31, 2022. Gross debt amounted to €1.7 billion including €60 million of fair value adjustment under IFRS 9 (which will be reversed over the life of the debt). Long-term debt amounted to €1.4 billion and short-term debt totaled €367 million.

As of June 30, 2023, lease debt stood at €65 million following the application of IFRS 16 standards, compared to €71 million on December 31, 2022.

As of June 30, 2023, the liquidity position was strong at €1.5 billion, with cash amounting to €855 million, availability on our revolving credit facility (RCF) of €462 million, and availability on an asset-backed loan (ABL) of €181 million [c]. **The Group has no long-term debt repayments scheduled before June 2026.**

UPDATE ON THE PAU BRANCO IRON ORE MINE

The Pau Branco mine returned to higher production levels at the end of the second quarter of 2023 following the release of the Cachoeirinha waste pile. Production sold in the second half of 2023 is currently expected to be approximately 3.6 million tonnes, and production costs are expected to remain at the high end of the recent range for the time being. We are currently executing a plan to move our extraction activities to already identified higher-quality reserves over the next few quarters. Vallourec management is currently engaging with state and national regulators to obtain the required production and environmental permits.

[c] *$9 million letter of credit and other commitments issued as of June 30, 2023*

NEW VALLOUREC PLAN UPDATES

The New Vallourec plan, announced in May 2022, remains fully on track. The plan aims to generate €230 million of recurring EBITDA uplift versus 2021 and an approximately €20 million capex reduction with the full impact starting in Q2 2024. These actions will contribute to making the Group cycle-proof and generating positive free cash flow[d], before the change in working capital, even at the bottom of the cycle.

The closure of sites in Europe is slightly ahead of schedule, and we expect our German tube production operations will stop in Q4 2023. Employees at the sites to be closed in Europe began to leave the company in Q1 2023. The last wave of departures is expected in 2024, including those colleagues in Germany who are supporting the dismantling operation in that year. The Brazil capacity enhancement program, which will expand the capabilities of our South America Tubes operations, is on-track.

FULL YEAR 2023 OUTLOOK

For the third quarter of the year, based on our assumptions and current market conditions, the Group expects:

- A decline in **Tubes** profitability due to lower sales volumes and prices in the US market, slightly offset by higher international pricing
- **Mine and Forest** production sold is likely to remain slightly less than the normal cadence with production costs at the high end of the recent range

The Group additionally reiterates and supplements the Full Year 2023 Outlook provided on July 13, 2023:

- **EBITDA is expected to range between €950 million to €1.1 billion.** This includes the following key assumptions:
  - In the US market, Vallourec assumes sales volumes bottom in the third quarter as distributor inventories normalize. Market pricing[e] is assumed to decrease moderately from the current level.
  - Second half iron ore production sold is expected to be approximately 3.6 million tonnes. The Platts 62% Fe CFR China Index is assumed to be around $105 per tonne in the second half of 2023[f].
- **Total cash generation is expected to be positive in the second half of the year**, excluding any potential benefit from asset sales.
- **Net debt is expected to decline further in the second half of 2023** versus the second quarter 2023 level.

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[d] Free cash flow aligned with prior definition. See "Definitions of Non-GAAP Financial Data" for more information.
[e] Market pricing is defined as the PipeLogix price index (average of all seamless indicators), as shown in Vallourec's Quarterly Results presentations.
[f] The Platts 62% Fe CFR China Index averaged approximately $118 per tonne in the first half of 2023.

Information and Forward-Looking Statements

This press release includes 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. 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. 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 marches financiers, or "AMF"), including those listed in the "Risk Factors" section of the Universal Registration Document filed with the AMF on April 17, 2023, under filing number n° D.23-0293.
Accordingly, readers of this document are cautioned against relying on these forward-looking statements. These forward-looking statements are made as of the date of this document. Vallourec disclaims any intention or obligation to complete, update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations. This press release does not constitute any offer to purchase or exchange, nor any solicitation of an offer to sell or exchange securities of Vallourec. or further information, please refer to the website www.vallourec.com.

Presentation of Q2 2023 Results

Conference call / audio webcast on July 28th at 9:30 am CET

- To listen to the audio webcast: https://channel.royalcast.com/landingpage/vallourec-en/20230728_1/
- To participate in the conference call, please dial (password: "Vallourec"):
  - +44 (0) 33 0551 0200 (UK)
  - +33 (0) 1 7037 7166 (France)
  - +1 786 697 3501 (USA)
- Audio webcast replay and slides will be available at:
  https://www.vallourec.com/en/investors

About Vallourec

Vallourec is a world leader in premium tubular solutions for the energy markets and for demanding industrial applications such as oil & gas wells in harsh environments, new generation power plants, challenging architectural projects, and high-performance mechanical equipment. Vallourec's pioneering spirit and cutting edge R&D open new technological frontiers. With close to 16,000 dedicated and passionate employees in more than 20 countries, Vallourec works hand-in-hand with its customers to offer more than just tubes: Vallourec delivers innovative, safe, competitive and smart tubular solutions, to make every project possible.

Listed on Euronext in Paris (ISIN code: FR0013506730, Ticker VK), Vallourec is part of the CAC Mid 60, SBF 120 and Next 150 indices and is eligible for Deferred Settlement Service.

In the United States, Vallourec has established a sponsored Level 1 American Depositary Receipt (ADR) program (ISIN code: US92023R4074, Ticker: VLOWY). Parity between ADR and a Vallourec ordinary share has been set at 5:1.

Financial Calendar

Sept. 12th 2023	Capital Markets Day (London)
Nov. 16th 2023	Release of third quarter and first nine month 2023 results

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APPENDICES

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

Documents accompanying this release:

- Tubes Sales Volume
- Mine Sales Volume
- Foreign Exchange Rates
- Tubes Revenues by Geographic Region
- Tubes Revenues by Market
- Segment Key Performance Indicators (KPIs)
- Summary Consolidated Income Statement
- Summary Consolidated Balance Sheet
- Cash Flow Generation
- Indebtedness
- Liquidity
- Reconciliation of New Cash Metrics
- Definitions of Non-GAAP Financial Data

Tubes Sales Volume

in thousands of tonnes	2023	2022	YoY chg.
Q1	**431**	**395**	**9%**
Q2	**396**	**433**	**(9%)**
Q3		**462**	
Q4		**514**	
Total		**1,804**	

Mine Sales Volume

in millions of tonnes	2023	2022	YoY chg.
Q1	**1.5**	**0.1**	**nm**
Q2	**1.9**	**1.0**	**94%**
Q3		**1.5**	
Q4		**1.4**	
Total		**4.0**	

Foreign Exchange Rates

Average exchange rate	Q2 2023	Q1 2023	Q2 2022
EUR / USD	**1.08**	**1.07**	**1.09**
EUR / BRL	**5.48**	**5.58**	**5.56**
USD / BRL	**5.07**	**5.19**	**5.08**

Tubes Revenues by Geographic Region

in € million	Q2 2023	Q1 2023	Q2 2022	QoQ % chg.	YoY % chg.
North America	663	658	460	*1%*	*44%*
South America	229	189	213	*21%*	*8%*
Middle East	157	112	110	*40%*	*43%*
Europe	102	152	172	*(33%)*	*(41%)*
Asia	73	54	102	*35%*	*(29%)*
Rest of World	56	92	39	*(40%)*	*42%*
Total Tubes	**1,279**	**1,258**	**1,096**	***2%***	***17%***

Tubes Revenues by Market

in € million	Q2 2023	Q1 2023	Q2 2022	QoQ % chg.	YoY % chg.	YoY % chg. at Constant FX
Oil & Gas and Petrochemicals	1,039	1,021	753	*2%*	*38%*	*41%*
Industry	207	214	277	*(3%)*	*(25%)*	*(25%)*
Other	33	23	67	*45%*	*(51%)*	*(49%)*
Total Tubes	**1,279**	**1,258**	**1,096**	***2%***	***17%***	***19%***

Segment KPIs

	Tubes			Mine & Forest			Holding co. and other			Inter-segment transactions			Total		
	Q2 2023	Q2 2022	%chg.	Q2 2023	Q2 2022	%chg.	Q2 2023	Q2 2022	%chg.	Q2 2023	Q2 2022	%chg.	Q2 2023	Q2 2022	%chg.
Volume sold*	396	433	*(8%)*	1.9	1.0	*93%*									
Revenue (€m)	1,279	1,096	*17%*	93	68	*36%*	51	60	*(15%)*	(65)	(80)	*(19%)*	1,358	1,144	*19%*
Average Selling Price (€)	3,226	2,531	*27%*												
EBITDA (€m)	330	129	*156%*	50	51	*(1%)*	(5)	(14)	*(64%)*	(1)	(6)	*(83%)*	374	160	*134%*
Capex (€m)	61	21	*190%*	5	4	*25%*	–	–	*na*				66	25	*164%*

** Volume sold in thousand tonnes for Tubes and in million tonnes for Mine*
nm = not meaningful

Summary Consolidated Income Statement

€ million, unless noted	Q2 2023	Q1 2023	Q2 2022	QoQ chg.	YoY chg.
Revenues	**1,358**	**1,338**	**1,144**	**20**	**214**
Cost of sales	(890)	(926)	(890)	36	–
Industrial margin	**468**	**412**	**254**	**56**	**214**
(as a % of revenue)	*34.5%*	*30.8%*	*22.2%*	*3.7 pp*	*12.3 pp*
Selling, general and administrative expenses	(84)	(79)	(98)	(5)	14
(as a % of revenue)	*(6.2%)*	*(5.9%)*	*(8.6%)*	*(0.3) pp*	*2.4 pp*
Other	(10)	(13)	4	3	(14)
EBITDA	**374**	**320**	**160**	**54**	**214**
(as a % of revenue)	*27.5%*	*23.9%*	*14.0%*	*3.6 pp*	*13.6 pp*
Depreciation of industrial assets	(45)	(40)	(49)	(5)	4
Amortization and other depreciation	(9)	(10)	(13)	1	4
Impairment of assets	(8)	–	–	(8)	(8)
Asset disposals, restructuring costs and non-recurring items	(55)	(13)	(456)	(42)	401
Operating income (loss)	**258**	**257**	**(358)**	**1**	**616**
Financial income (loss)	(24)	(46)	(8)	22	(16)
Pre-tax income (loss)	**234**	**211**	**(366)**	**23**	**600**
Income tax	(70)	(53)	(48)	(17)	(22)
Share in net income (loss) of equity affiliates	1	(1)	(1)	2	2
Net income	**164**	**157**	**(415)**	**7**	**579**
Attributable to non-controlling interests	5	1	–	4	5
Net income, Group share	**159**	**156**	**(415)**	**3**	**574**
Basic earnings per share (€)	0.68	0.67	(1.81)	0.01	2.50
Diluted earnings per share (€)	**0.68**	**0.66**	**(1.81)**	**0.02**	**2.49**
Basic shares outstanding (millions)	233	232	229	1	4
Diluted shares outstanding (millions)	**236**	**237**	**229**	**(1)**	**7**

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Summary Consolidated Balance Sheet

In € million

Assets	30-Jun-23	31-Dec-22	Liabilities	30-Jun-23	31-Dec-22
			Equity - Group share	2,026	1,643
Net intangible assets	47	37	Non-controlling interests	48	42
Goodwill	42	40	**Total equity**	**2,074**	**1,685**
Net property, plant and equipment	1,848	1,829	Bank loans and other borrowings (A)	1,357	1,367
Biological assets	75	63	Lease debt (D)	47	51
Equity affiliates	16	16	Employee benefit commitments	95	105
Other non-current assets	182	187	Deferred taxes	80	52
Deferred taxes	254	238	Provisions and other long-term liabilities	306	297
Total non-current assets	**2,463**	**2,409**	**Total non-current liabilities**	**1,885**	**1,871**
Inventories	1,354	1,312	Provisions	319	355
Trade and other receivables	802	824	Overdraft & other short-term borrowings (B)	367	314
Derivatives - assets	52	41	Lease debt (E)	18	20
Other current assets	255	211	Trade payables	788	787
Cash and cash equivalents (C)	855	552	Derivatives - liabilities	27	36
			Other current liabilities	306	286
Total current assets	**3,319**	**2,939**	**Total current liabilities**	**1,825**	**1,797**
Assets held for sale and discontinued operations	7	9	Liabilities held for sale and discontinued operations	6	4
Total assets	**5,790**	**5,358**	**Total equity and liabilities**	**5,790**	**5,358**

Net financial debt (A+B-C)	**868**	**1,130**	**Net income (loss), Group share**	**315**	**(366)**
Lease debt (D+E)	**65**	**71**			

Cash Flow Generation

In € million	Q2 2023	Q1 2023	Q2 2022	QoQ chg.	YoY chg.
EBITDA	**374**	**320**	**160**	**54**	**214**
Non-cash items in EBITDA	(21)	13	(36)	(34)	15
Financial cash out	(61)	(18)	(34)	(43)	(27)
Tax payments	(60)	(16)	(17)	(44)	(43)
Adjusted operating cash flow	**232**	**299**	**73**	**(67)**	**159**
Change in working capital	8	(52)	(187)	60	195
Gross capital expenditure	(66)	(53)	(25)	(13)	(41)
Adjusted free cash flow	**174**	**194**	**(139)**	**(20)**	**313**
Restructuring charges & non-recurring items	(59)	(47)	(33)	(12)	(26)
Asset disposals & other cash items (A)	3	4	(18)	(1)	21
Total cash generation (B)	**118**	**151**	**(190)**	**(33)**	**308**
Non-cash adjustments to net debt	14	(21)	14	35	–
(Increase) decrease in net debt	**132**	**130**	**(176)**	**2**	**308**
Free cash flow, as previously defined (B-A)	115	147	(172)	(32)	287

Information
Half-year financial statements were subject to limited review by statutory auditors.
Quarterly statements are unaudited and not subject to any review.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.
Please see "Definitions of Non-GAAP Financial Data" for definitions of terms presented in this press release.

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Indebtedness

In € million	30-Jun-23	31-Dec-22
8.500% Bonds due 2026	1,121	1,135
1.837% PGE due 2027	224	220
ACC ACE [(a)]	332	282
Other	47	43
Total gross financial indebtedness	**1,724**	**1,681**
Cash and cash equivalents	855	552
Total net financial indebtedness	**868**	**1,130**

(a) *Refers to ACC (Advances on Foreign Exchange Contract) and ACE (Advances on Export Shipment Documents) program in Brazil*

Liquidity

In € million	30-Jun-23	31-Dec-22
Cash and cash equivalents	855	552
Available RCF	462	462
Available ABL [(a)]	181	189
Total liquidity	**1,498**	**1,203**

(a) *This $210m committed ABL is subject to a borrowing base calculation based on eligible accounts receivable and inventories, among other items. The borrowing base is currently in excess of the committed amount. Availability is shown net of approximately $14m of letters of credit and other items.*

Reconciliation of New Cash Metrics

	Q2 2022 Free Cash Flow Reconciliation							
Prior Naming Convention	**Prior Format**	**Non-cash items in EBITDA [(a)]**	**Restructuring & non-recurring items**	**Other financial cash impacts**	**Capital expenditures**	**Other investing and financing cash impacts**	**New Format**	**Current Naming Convention**
EBITDA	**160**	**–**	**–**	**–**	**–**	**–**	**160**	**EBITDA**
Provisions and other non-cash elements	(21)	(15)	–	–	–	–	(36)	Non-cash items in EBITDA
Interest payments	(49)	–	–	15	–	–	(34)	Financial cash out
Tax payments	(17)	–	–	–	–	–	(17)	Tax payments
Other (including restructuring charges)	(32)	15	33	(15)	–	–	–	–
Operating cash flow before change in WCR	**41**	**–**	**33**	**–**	**–**	**–**	**73**	**Adjusted operating cash flow**
Change in operating WCR [+ decrease , - increase]	(187)	–	–	–	–	–	(187)	Change in working capital
–	–	–	–	–	(25)	–	(25)	Gross capital expenditure
Operating cash flow	**(146)**	**–**	**33**	**–**	**(25)**	**–**	**(139)**	**Adjusted free cash flow**
Gross capital expenditure	(25)	–	–	–	25	–	–	–
–	–	–	(33)	–	–	–	(33)	Restructuring charges & non-recurring items
–	–	–	–	–	–	(19)	(18)	Asset disposals & other cash items
Free cash flow	**(171)**	**–**	**–**	**–**	**–**	**(19)**	**(190)**	**Total cash generation**
Assets disposal & other items	(5)	–	–	–	–	19	14	Non-cash adjustments to net debt
Change in net debt [+ decrease, (increase)]	**(176)**	**–**	**–**	**–**	**–**	**–**	**(176)**	**(Increase) decrease in net debt**

DEFINITIONS OF NON-GAAP FINANCIAL DATA

Adjusted free cash flow is defined as adjusted operating cash flow +/- change in operating working capital and gross capital expenditures. It corresponds to net cash used in operating activities less restructuring and non-recurring items +/- gross capital expenditure.

Adjusted operating cash flow is defined as EBITDA adjusted for non-cash benefits and expenses, financial cash out and tax payments.

Asset disposals and other cash items includes cash inflows from asset sales as well as other investing and financing cash flows (e.g. loan reimbursements).

Change in working capital refers to the change in the operating working capital requirement.

Data at constant exchange rates: The data presented "at constant exchange rates" is calculated by eliminating the translation effect into euros for the revenue of the Group's entities whose functional currency is not the euro. The translation effect is eliminated by applying Year N-1 exchange rates to Year N revenue of the contemplated entities.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization is calculated by taking operating income (loss) before depreciation and amortization, and excluding certain operating revenues and expenses that are unusual in nature or occur rarely, such as:

- impairment of goodwill and non-current assets as determined within the scope of impairment tests carried out in accordance with IAS 36;
- significant restructuring expenses, particularly resulting from headcount reorganization measures, in respect of major events or decisions;
- capital gains or losses on disposals;
- income and expenses resulting from major litigation, significant roll-outs or capital transactions (e.g., costs of integrating a new activity).

Financial cash out includes interest payments on financial and lease debt, interest income and other financial costs.

Free cash flow, as previously defined, may continue to be derived as follows: total cash generation - asset disposals & other cash items. This is also defined as EBITDA adjusted for changes in provisions, less interest and tax payments, changes in working capital, less gross capital expenditures, and less restructuring/other cash outflows.

Gross capital expenditure: gross capital expenditure is defined as the sum of cash outflows for acquisitions of property, plant and equipment and intangible assets and cash outflows for acquisitions of biological assets.

(Increase) decrease in net debt (alternatively, "change in net debt") is defined as total cash generation +/- non-cash adjustments to net debt.

Industrial margin: The industrial margin is defined as the difference between revenue and cost of sales (i.e. after allocation of industrial variable costs and industrial fixed costs), before depreciation.

Lease debt is defined as the present value of unavoidable future lease payments.

Net debt: Consolidated net debt (or "net financial debt") is defined as bank loans and other borrowings plus overdrafts and other short-term borrowings minus cash and cash equivalents. Net debt excludes lease debt.

Net working capital requirement is defined as working capital requirement net of provisions for inventories and trade receivables; net working capital requirement days are computed on an annualized quarterly sales basis.

Non-cash adjustments to net debt includes non-cash foreign exchange impacts on debt balances, IFRS-defined fair value adjustments on debt balances, and other non-cash items.

Non-cash items in EBITDA includes provisions and other non-cash items in EBITDA.

Operating working capital requirement includes working capital requirement as well as other receivables and payables.

Restructuring charges and non-recurring items consists primarily of the cash costs of executing the New Vallourec plan, including severance costs and other facility closure costs.

Total cash generation is defined as adjusted free cash flow +/- restructuring charges and non-recurring items and asset disposals & other cash items. It corresponds to net cash used in operating activities +/- gross capital expenditure and asset disposals & other cash items.

Working capital requirement is defined as trade receivables plus inventories minus trade payables (excluding provisions).