2023

Interim Financial Report

Half-year ended June 30, 2023

SMART TUBULAR SOLUTIONS

Summary

1
Statement by the person responsible for the interim financial report

To the best of my knowledge, I certify that the condensed half-year financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profits or loss of Vallourec and all consolidated companies, and that the half-year activity report attached presents a true and fair view of the significant events that occurred during the first six months of the financial year and of their impact on the half-year financial statements, of the main transactions between related parties and that it describes the main risks and uncertainties for the remaining six months of the financial year.

Meudon, 27 July 2023

Philippe Guillemot

Chairman of the Board of Directors & Chief Executive Officer

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Half-year activity report

Vallourec Market environment

1. Oil & Gas

Oil & Gas demand and supply balance is the main driver for growth in Vallourec's customer capital expenditures

According to the market report published by the IEA[1] in June 2023, global oil demand has rebounded strongly since 2021 following an unprecedented decline in 2020 due to the Covid-19 pandemic. The rebound drove global oil demand to an average 99.8 mb/d over 2022, with a more significant increase in the second half of the year (100.6 mb/d in average). In 2023, global oil demand is expected to increase by 2.4 mb/d to 101.4 mb/d, mainly driven by China's economy reopening as well as a global jet fuel consumption recovery.

Total oil supply in 2022 (annual average of 99.9 mb/d) was close to the level recorded in 2019 (annual average of 100.6 mb/d), thanks to a gradual supply increase over the year to an average of 101.3 mb/d in the fourth quarter. In 2023, IEA forecasts global oil supply will reach 101.3 mb/d. Nevertheless, recent announcement from Saudi Arabia to reduce its production by a further 1 mb/d until end of August 2023 could lead to a downward revision for the full year.

Oil prices

Over the first half of 2023, WTI[2] averaged USD 74.9/barrel compared to USD 101.7/ barrel in H1 2022, a decrease of nearly 26% which reflects market concerns around softening global economic activity as well as moderated expectations around the supply disruption related to the war between Russia and Ukraine.

Following the same trend, Brent[3] crude averaged USD 80.1/barrel over the first half 2023 (versus USD 104.9/barrel in H1 2022, a decrease of around 24% year on year.

Oil & Gas market in the United States

In the United States, the average rig count recovered steadily in 2021 and 2022 and stood at 779 on average in December 2022, increasing thus by 190 over the course of 2022. Since the beginning of 2023, the rig count has been decreasing to an average of 687 units in June. Over the first half of 2023, the average rig count (742 units) remains above the average level of H1 2022 (674 units).

In the US, OCTG consumption per rig[4] has been gradually increasing, averaging 625 tonnes per month over the first half of 2023 compared to 555 tonnes in H1 2022, a rise of 12.5% year-over-year.

OCTG prices in the United States[5] hit a low of USD 1,413/net ton in September 2020. Thereafter they rose sharply in 2022, with a peak at USD 4,117/net ton in October 2022, up from USD 2,957/net ton in January 2022. In 2023, US OCTG prices have been declining mainly due to a surge of imports and a normalization of distributors' inventory levels. In June 2023, US OCTG prices stood at USD 3,215/net ton, a 19% decrease since the beginning of the year.

Oil & Gas market in Brazil

According to the IEA's June 2023 report, oil production in Brazil should reach an annual average of 3.3 mb/d in 2023, comparing to an annual average of 3.1 mb/d in 2022. IEA estimates point to higher production in the second half of 2023, of the order of 3.4 mb/d, compared with an average production of 3.3 mb/d in the first quarter, and an estimated average production of 3.2 mb/d in the second quarter of 2023.

Oil & Gas market in EA-MEA regions

In 2020, the rig count in international markets decreased materially from an average of 1,058 rigs in March 2020 to an average of 665 in December 2020. Since the end of 2020, there has been a gradual upturn in the rig count, which stood at an average of 900 units in December 2022 (in all, 59 units were added during the year). This upward trend accelerated over the first half of 2023 with an average of 967 units in June.

In the Middle East Asia region, OCTG prices [6] decreased significantly due to the Covid pandemic and reached their trough at USD 1,312 per metric tonne in August 2020. OCTG prices thereafter began to rise again from the second half of 2021 and kept at the same trend in 2022,

[1] IEA (International Energy Agency) – Oil Market Report – June 2023
[2] WTI price: Bloomberg – data collected in July 2023
[3] Brent price: Bloomberg – data collected in July 2023
[4] Preston pipe & tube report – June 2023
[5] Pipe Logix (Production Casing P110HC seamless / net tonne) – June 2023
[6] Rystad (Jebel Ali Seamless - Premium connection - L80 CFR) – July 2023

reaching USD 2,300 per metric tonne at the end of December, an increase of 28% over the year. Over the first half of 2023, OCTG prices have increased to USD 2,500 per metric tonne in June.

In Western Europe, OCTG prices [7] recovered a solid upward trend starting in 2021 and particularly in 2022 reaching USD 2,800 per metric tonne in December 2022 (a 61% increase since the beginning of the year) and USD 3,000 per metric tonne in June 2023.

2. Industry and other markets

Demand for industrial applications is dependent on the growth or decline of industrial sectors such as automotive, construction or industrial manufacturing. Growth in these sectors is correlated with various factors, notably GDP growth.

Europe (Germany)

The ifo Business Climate Index has steadily risen following the impact of Covid-19 on the German economy, reaching a high of 101.1 in June 2021. In 2022, energy and commodity price inflation curbed the increase. In December 2022, the Business Climate Index stood at 88.6. Despite the modest recovery that took place during the first quarter of 2023, the business climate index deteriorated to 88.5 in June explained by companies' worsening expectations, mainly in the manufacturing sector.

Brazil

GDP has grown by 3.02% in 2022 and by 3.45% over the first quarter of 2023 [8]. A broad-based recovery has been confirmed, fueled by industry, including Automotive. Agriculture continues to prove resilient and to play an important role in the Brazilian economy. The industrial tube market is also seeing upward momentum driven by a rise in demand and the impact of customer restocking.

Significant events

Commercial successes

- On January 19, 2023, Vallourec has secured important orders from LLOG Exploration Offshore, one of the U.S.'s largest privately-owned exploration and production companies, for the supply of 25,000 metric tons of line pipe for its upcoming landmark Salamanca deep-water development off the US coast of the Gulf of Mexico

- On January 24, 2023, Vallourec has signed a long-term agreement with Petrobras for OCTG (Oil Country Tubular Goods) solutions. The three-year agreement covers the supply of OCTG Premium products, associated accessories, and specialized physical and digital services, representing a volume of supply above 110,000 tonnes of products and accessories

- On June 21, 2023, Vallourec and Evonik Industries AG, a leading specialty chemical company, have recently signed a Memorandum of Understanding (MoU) for the development of tubular solutions for Carbon Capture, Utilization and Storage (CCUS). As part of the collaboration, the companies will work to develop an innovative, corrosion-resistant CO2 transportation technology for the CCUS industry and thereby address one of the key challenges of CO2 transportation and storage.

- On June 23, 2023, Vallourec announced the signature of a Memorandum of Understanding (MoU) with the Ministry of Investment of Saudi Arabia (MISA). The MoU provides for close support from MISA in the expansion of Vallourec's activities in Saudi Arabia, which includes increasing its local presence and deploying its latest innovations, in the fields of energy transition (CO2 Capture, Utilization and Storage, hydrogen storage and transport), additive manufacturing and the circular economy.

Changes to Vallourec's management team

- On January 31, 2023, as part of its "New Vallourec" plan, led by Philippe Guillemot, Chairman and Chief Executive Officer, the Group has developed a three-region organization (North America, South America, and Eastern Hemisphere) to simplify and optimize the operations. This new organization aims at making the Group more efficient and more agile, closer to its customers, and to enhance its industrial performance, through two export bases, Brazil, and Asia.
  This new organization has led to changes in its executive committee, effective February 1, 2023:
  - Laurent Dubedout was appointed Senior Vice-President, Business Line OCTG, Services and Accessories, Group & Eastern Hemisphere and joined the Executive Committee.
  - Jacky Massaglia was appointed Senior Vice-President Business Line Project Line Pipe and Process and joined the Executive Committee.
  - Philippe Carlier, who was SVP Technology and Industry, became SVP Group Industry and Eastern Hemisphere and remains a member of the Executive Committee.
  The Vallourec Executive Committee will have eleven members under the leadership of Philippe Guillemot, Chairman and CEO.

- On April 11, 2023, Vallourec announced that Sarah Dib has been appointed Group General Counsel. She succeeded Nathalie Joannes and joined the Executive Committee.

[7] Rystad (North Sea Seamless (Premium) L80 CFR) – July 2023
[8] Oxford Enonomics – June 2023

- On May 2, 2023, Vallourec announced the appointment of Valeria Fernandes as Digital & Information Systems Director. She succeeded Naïla Giovanni and joined the Executive Committee.

Mine

- On January 8, 2022, following exceptionally heavy rainfall in Minas Gerais State (Brazil), some material from the waste pile associated with the operations of Vallourec's Pau Branco mine slid into a rainwater dam (the Lisa Dam) causing it to overflow, and resulting in the interruption of traffic on a nearby highway. There were no casualties and the structure of the dam was not affected. As a result of this incident, however, the operations of the mine were temporarily suspended.
- On May 4, 2022, Vallourec partially restarted operations, using an alternative waste pile. Under these conditions, volumes extracted in FY 2022 amounted to 4 million tonnes.
- On May 5, 2023, Vallourec obtained the necessary permissions from the state mining and environmental authorities for the full release of the Cachoeirinha waste pile. Production sold in Q1 2023 was 1.5 million tonnes and reached 1.9 million tonnes in Q2 2023.
- The Pau Branco mine returned to normal operations 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.
- Vallourec is currently executing a plan to move its extraction activities to higher-margin reserves in its current property over the next few quarters. Vallourec management is currently engaging with state and national regulators to obtain the required production and environmental permits to drive this future EBITDA growth for the Group.

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[9], 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 rolling activities at our German operations to end in Q4 2023 at the latest. Employees at the planned closed 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 is designed to expand the capabilities of our South America Tubes operations, is on-track.

Transactions with related parties

Transactions carried out with equity affiliates in first-half 2023 relate mainly to purchases of steel rods from HKM for an amount of €238 million, used for production at rolling mills in the Group's European activities.

Main risks and uncertainties for 2023

Vallourec does not expect any change to its risks, as set out in section 5.1 "Risk factors" of the 2022 Universal Registration Document (*Document d'enregistrement universel*) filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 17, 2023, under n° D.23-0293.

The conflict in Ukraine and the sanctions against Russia are described in a specific paragraph of section 5.1 "Risk factors" of the Group's 2022 Universal Registration Document.

Furthermore, Vallourec has not identified any new risks that are not already addressed in the above section of the 2022 Universal Registration Document.

[9] Free cash flow aligned with prior definition.

Consolidated Group results

Income statement

€ million, unless noted	First Half 2022	First Half 2023	Change
Revenues	**2,060**	**2,696**	**636**
Cost of sales [(a)]	(1,677)	(1,816)	(139)
Industrial margin	**383**	**880**	**497**
(as a % of revenue)	*18.6%*	*32.6%*	*14.0 pp*
Selling, general and administrative expenses	(183)	(163)	20
(as a % of revenue)	*(8.9%)*	*(6.0%)*	*2.8 pp*
Other	5	(23)	(28)
EBITDA	**205**	**694**	**489**
(as a % of revenue)	*10.0%*	*25.7%*	*15.8 pp*
Depreciation of industrial assets	(90)	(85)	5
Amortization and other depreciation	(23)	(19)	4
Impairment of assets	-	(8)	-
Asset disposals, restructuring costs and non-recurring items	(467)	(68)	399
Operating income (loss)	**(375)**	**515**	**890**
Financial income (loss)	(21)	(70)	(49)
Pre-tax income (loss)	**(396)**	**445**	**841**
Income tax	(51)	(123)	(72)
Share in net income (loss) of equity affiliates	(2)	-	-
Net income	**(449)**	**321**	**770**
Attributable to non-controlling interests	1	6	5
Net income, Group share	**(450)**	**315**	**765**
Basic earnings per share (€)	**(1.97)**	**1.36**	**3.32**
Diluted earnings per share (€)	**(1.97)**	**1.34**	**3.30**
Basic shares outstanding (millions)	229	232	(3)
Diluted shares outstanding (millions)	229	236	(7)

[(a)] Before depreciation and amortization.

Tubes Sales Volume

The diversity of the Group's products and the absence of appropriate units of measurement, other than financial units, prevent the provision of meaningful information on sales volume. However, the following table provides a summary of quarterly output, which corresponds to the volumes produced and shipped from Vallourec rolling mills, expressed in metric tonnes of hot-rolled seamless tubes:

in thousands of tonnes	2022	2023	Change
Q1	395	431	9.2%
Q2	433	396	(8.6%)
Total	**828**	**827**	**(0.1%)**

For the first half of 2023, Tubes volumes were stable compared to the first half of 2022, the decrease in Industry shipments was offset by higher Oil & Gas volumes.

Mine Sales Volume

in millions of tonnes	2022	2023	Change
Q1	0.1	1.5	nm
Q2	1.0	1.9	90.0%
Total	**1.1**	**3.4**	**209.1%**

For the first half of 2023, iron ore mine production sold amounted to 3.4 million tonnes and the Group expects production to reach approximately 3.6 million tonnes in H2 2023. The low result in H1 2022 was a consequence of the waste pile slippage incident at the beginning of 2022.

Revenue

CONSOLIDATED REVENUE

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

Tubes Revenues by Geographic Region

€ million, unless noted	First Half 2022	First Half 2023	Change	At constant exchange rate [a]
North America	805	1,321	64.0%	62.0%
South America	402	418	3.9%	2.5%
Middle East	204	269	31.8%	30.5%
Europe	334	254	(24.0%)	(23.6%)
Asia	178	127	(28.3%)	(26.1%)
Rest of World	74	148	99.3%	100.3%
Total Tubes	**1,998**	**2,537**	**27.0%**	**26.1%**

[a] The change at constant exchange rates is defined as the change in revenue between two periods obtained by translating the revenue of consolidated subsidiaries whose functional currency is not the euro into euros at the average cumulative rate of the prior fiscal year. It does not include foreign currency impacts on sales entered by certain subsidiaries in currencies other than their functional currency. Rather, that impact is built into price/mix effects.

Tubes Revenue by market

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

€ million, unless noted	First Half 2022	First Half 2023	Change	At constant exchange rate [a]
Oil & Gas and Petrochemicals	1,349	2,060	52.7%	51.6%
Industry	527	422	(19.9%)	(20.9%)
Other	122	55	(54.9%)	(53.6%)
Total Tubes	**1,998**	**2,537**	**27.0%**	**26.1%**

[a] The change at constant exchange rates is defined as the change in revenue between two periods obtained by translating the revenue of consolidated subsidiaries whose functional currency is not the euro into euros at the average cumulative rate of the prior fiscal year. It does not include foreign currency impacts on sales entered into by certain subsidiaries in currencies other than their functional currency. Rather, that impact is built into price/mix effects.

RESULTS ANALYSIS BY SEGMENT

Tubes

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 and Forest

Mine and 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 and Forest EBITDA reached €98 million, leading to an EBITDA margin of 53%.

Revenue by quarter

In € million	1st quarter	2nd quarter	1st half
2022	916	1,144	2,060
2023	1,338	1,358	2,696
% change year-on-year			
Volume effect	+9%	(8%)	(0.1%)
Forex translation effect	+5%	(2%)	+1%
Price/mix	+26%	+27%	+26%
Iron ore mine	6%	2%	4%

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 and EUR/BRL

EBITDA

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

The following table shows the changes in the principal components of EBITDA in H1 2022 and H1 2023.

€ million, unless noted	First Half 2022	First Half 2023	Change
Revenues	**2,060**	**2,696**	**636**
Cost of sales [(a)]	(1,677)	(1,816)	(139)
Industrial margin	**383**	**880**	**497**
(as a % of revenue)	*18.6%*	*32.6%*	*14.0 pp*
Selling, general and administrative expenses	(183)	(163)	20
(as a % of revenue)	*(8.9%)*	*(6.0%)*	*2.8 pp*
Other	5	(23)	(28)
EBITDA	**205**	**694**	**489**

[(a)] Before depreciation and amortization.

Industrial margin

Industrial margin is defined as the difference between revenue and cost of sales (excluding depreciation).

Industrial margin increased significantly 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.

The following table shows the breakdown of cost of sales (excluding depreciation) in H1 2022 and H1 2023.

€ million, unless noted	First Half 2022	First Half 2023	Change
Direct cost of sales	(123)	(149)	21.1%
Cost of raw materials consumed	(734)	(704)	(4.1%)
Labor costs	(334)	(360)	7.8%
Other manufacturing costs (a)	(538)	(557)	3.5%
Change in non-raw materials inventories	52	(46)	–
Cost of sales (excluding depreciation)	**(1,677)**	**(1,816)**	**8.3%**

[(a)] *"Other manufacturing costs" mainly include the costs of energy and consumables, and the costs of outsourcing, main*

Selling, general and administrative expenses

Sales, general and administrative expenses (SG&A) amounted to €163 million, or 6.0% of revenue, versus €183 million and 8.9% of revenue in H1 2022.

The following table shows the breakdown of SG&A expenses (excluding depreciation) in H1 2022 and in H1 2023.

€ million, unless noted	First Half 2022	First Half 2023	Change
Research and development expenses	(21)	(13)	(38.1%)
Selling and market costs	(33)	(32)	(3.0%)
General and administrative expenses	(129)	(118)	(8.5%)
Selling, general and administrative expenses	**(183)**	**(163)**	**(10.9%)**

Personnel expenses

Personnel expenses amounted to €461 million in H1 2023.

The following table shows the breakdown of personnel costs.

€ million, unless noted	First Half 2022	First Half 2023	Change
Wages and salaries	(353)	(352)	(0.2%)
Employee profit-sharing and bonuses	(22)	(22)	0.0%
Expenses related to share subscription and share purchase options and performance shares	(3)	(8)	218.5%
Social security costs	(84)	(80)	(4.7%)
Total	**(460)**	**(461)**	**0.2%**

Closing headcount of consolidated companies	06/30/2022	12/31/2022	06/30/2023	Change vs. 12/31/2022
Managers	2,844	2,504	2,708	8.1%
Technical and supervisory staff	2,078	1,884	1,981	5.1%
Production staff	11,165	11,162	11,077	(0.8%)
Total	**16,087**	**15,550**	**15,766**	**1.4%**

Operating profit/(loss)

In H1 2023, Operating income was positive at €515 million, while it was negative at (€375) million in H1 2022 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 recorded in Q2 2022.

Financial income/(loss)

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.

The following table shows the breakdown of financial income/(loss).

€ million, unless noted	First Half 2022	First Half 2023	Change
Financial income	3	7	116.7%
Interest expenses	(48)	(60)	25.2%
Net interest expenses	**(45)**	**(54)**	**19.1%**
Other financial income and expenses	20	(11)	–
Financial restructuring costs	–	–	–
Interest expenses on leases	(4)	(4)	–
Other discounting expenses	8	(1)	–
Financial income/(loss)	**(21)**	**(70)**	**233.3%**

Income tax expense

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

Net income/(loss)

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

Liquidity and capital resources

Cash Flow Results Analysis

€ million, unless noted	First Half 2022	First Half 2023	Change
EBITDA	**205**	**694**	**489**
Non-cash items in EBITDA	(16)	(8)	8
Financial cash out	(38)	(79)	(41)
Tax payments	(38)	(76)	(38)
Adjusted operating cash flow	**113**	**531**	**418**
Change in w orking capital	(403)	(44)	359
Gross capital expenditure	(59)	(119)	(60)
Adjusted free cash flow	**(349)**	**368**	**717**
Restructuring charges & non-recurring items	(52)	(106)	(54)
Asset disposals & other cash items (A)	(29)	7	36
Total cash generation (B)	**(430)**	**269**	**699**
Non-cash adjustments to net debt	(1)	(7)	(6)
(Increase) decrease in net debt	**(431)**	**262**	**693**
Free cash flow , as previously defined (B-A)	(401)	262	663

For the first half of 2023, adjusted operating cash flow significantly increased by €418 million to reach €531 million, mainly driven by higher EBITDA.

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 €119 million over the first half of 2023 in comparison with €59 million in H1 2022.

For the full year 2023, gross capital expenditure is expected to be around €220 million, including approximately €70 million of capital expenditures related to the transfer of Oil & Gas volumes from Germany to Brazil.

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).

For the first half of 2023, total cash generation amounted to €269 million, compared to a negative (€430) million in H1 2022.

For the first half of 2023, free cash flow, as previously defined, was €262 million compared to (€401) million in H1 2022

Industrial capital expenditure excluding changes in scope (property, plant and equipment, intangible and biological assets)

The capital expenditures in H1 2023 totaled €(119) million, an increase of €60 million versus H1 2022 that stood at €(59) million. The investments completed during H1 2023 aimed at improving efficiency of existing assets notably located in Brazil and Saudi Arabia.

€ million, unless noted	First Half 2022	First Half 2023
North America Tubes	(15)	(15)
South America Tubes	(23)	(82)
Eastern Hemisphere Tubes	(12)	(9)
Other	(1)	–
Total Tubes	**(50)**	**(106)**
Mine and Forest	(7)	(12)
Holding companies and other	(1)	(1)
Total Group	**(59)**	**(119)**

Liquidity and Indebtedness

The majority of bank financing has been put in place in Europe through Vallourec and, to a lesser extent, the subsidiaries in Brazil and the US. Market financing is arranged exclusively by Vallourec.

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 €185 million[10]. **The Group has no long-term debt repayments scheduled before June 2026.**

The following table shows the Group's principal financial indebtedness.

€ million, unless noted	12/31/2022	06/30/2023
8.500% Bonds due 2026	1,135	1,121
1.837% PGE due 2027	220	224
ACC ACE [(a)]	282	332
Other	43	47
Total gross financial indebtedness	**1,681**	**1,724**
Cash and cash equivalents	552	855
Total net financial indebtedness	**1,130**	**868**

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

A change in control of Vallourec could trigger repayment of all or part of the debt, as decided by each participating bank. It is also stipulated that the entire debt will be immediately due and payable if the Group defaults on one of its debt obligations (cross default), or in case of a major event with consequences for the Group's business or financial position and its ability to repay its debt.

Equity

Equity, Group share, totaled €2,026 million as at 30 June 2023, an increase of €383 million compared with €1,643 million as at 31 December 2022. This increase is mainly explained by:

- the Group's positive net result recorded in H1 2023 for an amount of €315 million;
- a positive change in foreign currency translation reserve of €50 million.

[10] $9 million letter of credit and other commitments issued as of June 30, 2023.

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Vallourec Group interim condensed consolidated financial statements for the six months ended June 30, 2023

2.1 Vallourec Group consolidated income statement

In € thousands	Notes	First-half 2022	First-half 2023
Revenue		**2,060,279**	**2,695,735**
Cost of sales[(a)]	*3.1*	(1,676,966)	(1,815,975)
Selling, general and administrative expenses[(a)]	*3.1*	(182,812)	(162,819)
Other	*3.1*	4,510	(23,083)
EBITDA	*3.1*	**205,011**	**693,858**
Depreciation and amortization	*3.2*	(113,072)	(104,073)
Impairment of assets and goodwill		-	(7,607)
Asset disposals, restructuring costs and non-recurring items	*3.3*	(467,494)	(67,896)
Operating income (loss)		**(375,555)**	**514,282**
Interest income	*8.1.1*	3,023	6,820
Interest expense	*8.1.1*	(47,920)	(60,368)
Net interest expense	***8.1.1***	**(44,897)**	**(53,548)**
Other financial income and expenses	*8.1.1*	23,889	(16,232)
Net expense attributable to financial restructuring	*8.1.1*	-	-
Net financial income (loss)	*8.1.1*	**(21,008)**	**(69,780)**
Pre-tax income (loss)		**(396,563)**	**444,502**
Income tax	*4*	(50,651)	(122,944)
Share in net income (loss) of equity-accounted companies		(1,645)	(200)
Net income (loss) from continuing operations		**(448,859)**	**321,358**
Net income from assets held for sale		**-**	**-**
Net income (loss)		**(448,859)**	**321,358**
Attributable to non-controlling interests		1,119	6,353
Group share		**(449,978)**	**315,005**
Basic earnings (loss) per share	*7.3*	(2.0)	1.4
Diluted earnings (loss) per share	*7.3*	(2.0)	1.3

[(a)] *Before depreciation and amortization.*

2.2 Statement of comprehensive income

In € thousands	First-half 2022	First-half 2023
Net income (loss)	**(448,859)**	**321,358**
Other items of comprehensive income	-	-
Actuarial gains and losses on post-employment benefits	35,186	(640)
Tax attributable to actuarial gains and losses on post-employment benefits	2,257	(57)
Items that will not be reclassified to profit or loss	**37,443**	**(697)**
Translation differences on translating net assets of foreign operations	321,049	50,705
Change in fair value of hedging instruments	(44,899)	17,124
Tax attributable to the change in fair value of hedging instruments	1,279	(4,875)
Items that may be reclassified subsequently to profit or loss	**277,429**	**62,954**
Other comprehensive income (net of tax)	**314,872**	**62,257**
Total comprehensive income (loss)	**(133,987)**	**383,615**
Attributable to non-controlling interests	5,293	6,650
Group share	**(139,280)**	**376,965**

2.3 Statement of cash flows

In € thousands	Notes	First-half 2022	First-half 2023
Net income (loss)		**(448,859)**	**321,358**
Net additions to depreciation, amortization and provisions	3.4	496,998	63,826
Unrealized gains and losses on changes in fair value		(20,884)	576
Capital gains and losses on disposals of non-current assets and equity interests		27,641	527
Share in net income (loss) of equity-accounted companies		1,645	200
Other cash flows from operating activities		(542)	(161)
Cash flow from operating activities after cost of net debt and taxes		**55,999**	**386,326**
Cost of net debt	8.1.1	44,897	53,548
Tax expense (including deferred taxes)	4	50,651	122,944
Cash flow from operating activities before cost of net debt and taxes		**151,547**	**562,818**
Interest paid		(55,588)	(68,476)
Tax paid		(37,754)	(76,085)
Interest received		2,943	6,824
Cash flow from operating activities		**61,148**	**425,081**
Change in operating working capital	3.5	(402,852)	(44,408)
Net cash from (used in) operating activities		**(341,704)**	**380,673**
Acquisitions of property, plant and equipment, and intangible and biological assets	5.2	(59,007)	(119,168)
Disposals of property, plant and equipment and intangible assets		2,848	18,011
Impact of acquisitions (changes in consolidation scope)		(9,660)	1,953
Impact of disposals (changes in consolidation scope)		(1,121)	-
Other cash flows from investing activities		1,153	160
Net cash used in investing activities		**(65,787)**	**(99,044)**
Increase or decrease in equity		(706)	-
Dividends paid to non-controlling interests		79	(2,875)
Proceeds from new borrowings	8.1.2	168,830	41,242
Repayments of borrowings	8.1.2	(21,593)	445
Repayment of lease liabilities		(10,638)	(11,626)
Other cash flows from (used in) financing activities		(10,134)	(672)
Net cash from financing activities		**125,838**	**26,514**
Impact of changes in exchange rates		24,833	(4,088)
Impact of reclassification to assets held for sale and discontinued operations		**(1,297)**	**(2)**
Change in net cash		**(258,117)**	**304,053**
Opening net cash		**615,949**	**546,788**
Closing net cash		**357,832**	**850,841**
Change		**(258,117)**	**304,053**

The statement of cash flows has been prepared on the basis of cash and cash equivalents as detailed in Note 8.1, net of overdrafts and other short-term bank facilities with an initial maturity of less than three months.

Reconciliation of net cash in the statements of cash flows and financial position – June 30, 2023

In € thousands	*Notes*	Dec. 31, 2022	Change	June 30, 2023
Cash and cash equivalents (1)	8.1	551,603	303,828	855,431
Short-term bank facilities (2)	8.1	4,815	(225)	4,590
Net cash (3) = (1) – (2)		**546,788**	**304,053**	**850,841**

Reconciliation of net cash in the statements of cash flows and financial position – June 30, 2022

In € thousands	Dec. 31, 2021	Change	June 30, 2022
Cash and cash equivalents (1)	619,358	(254,067)	365,291
Short-term bank facilities (2)	3,409	4,050	7,459
Net cash (3) = (1) – (2)	**615,949**	**(258,117)**	**357,832**

2.4 Vallourec Group statement of financial position

In € thousands	Notes	Dec. 31, 2022	June 30, 2023
Non-current assets			
Net intangible assets		36,820	46,950
Goodwill		39,600	42,044
Net property, plant and equipment		1,828,771	1,848,130
Biological assets		62,501	75,169
Investments in equity-accounted companies		15,969	15,552
Other non-current financial assets	*8.3.1*	82,474	82,715
Other non-current assets	*8.3.1*	105,573	98,924
Deferred taxes		237,725	253,840
Total non-current assets		**2,409,433**	**2,463,323**
Current assets			
Inventories		1,311,649	1,353,559
Trade and other receivables		824,462	802,495
Other current financial assets	*8.3.1*	40,783	52,068
Other current assets	*8.3.1*	210,536	255,451
Cash and cash equivalents	*8.1*	551,603	855,431
Total current assets		**2,939,033**	**3,319,004**
Assets held for sale and discontinued operations		9,414	7,352
Total assets		**5,357,880**	**5,789,679**

In € thousands	Notes	Dec. 31, 2022	June 30, 2023
Equity			
Equity attributable to owners of the parent	*7.1*	1,643,252	2,025,888
Non-controlling interests		42,356	48,410
Total equity		**1,685,608**	**2,074,298**
Non-current liabilities			
Loans and other borrowings	*8.1*	1,367,194	1,357,215
Employee benefits	*9*	104,709	95,233
Long-term provisions	*10*	246,143	260,463
Deferred taxes		51,836	79,824
Other non-current financial liabilities	*8.2*	50,622	46,773
Other non-current liabilities		50,746	45,237
Total non-current liabilities		**1,871,250**	**1,884,745**
Current liabilities			
Overdrafts and other short-term bank facilities	*8.1*	314,127	366,706
Short-term provisions	*10*	354,725	318,586
Trade payables		786,918	788,155
Other current financial liabilities	*8.2*	55,279	45,781
Other current liabilities		286,163	305,790
Total current liabilities		**1,797,212**	**1,825,018**
Liabilities related to assets held for sale and discontinued operations		3,810	5,618
Total equity and liabilities		**5,357,880**	**5,789,679**

2.5 Statement of changes in equity

	Share capital	Additional paid-in capital	Consolidated reserves	Foreign currency translation reserve	Revaluation reserve, net of tax	Treasury shares	Net income (loss) for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Dec. 31, 2021	**4,579**	**3,951,529**	**(1,237,306)**	**(978,649)**	**(15,785)**	**(869)**	**39,545**	**1,763,044**	**44,663**	**1,807,707**
Change in foreign currency translation reserve	-	-	-	317,102	-	-	-	317,102	3,947	321,049
Financial instruments	-	-	-	-	(43,617)	-	-	(43,617)	(3)	(43,620)
Actuarial gains and losses on retirement commitments	-	-	37,213	-	-	-	-	37,213	230	37,443
Other comprehensive income	-	-	37,213	317,102	(43,617)	-	-	310,698	4,174	314,872
Net income (loss) for first-half 2022	-	-	-	-	-	-	(449,978)	(449,978)	1,119	(448,859)
Total comprehensive income (loss)	-	-	37,213	317,102	(43,617)	-	(449,978)	(139,280)	5,293	(133,987)
Appropriation of 2021 net income (loss)	-	-	39,545	-	-	-	(39,545)	-	-	-
Share-based payments	-	-	2,908	-	-	-	-	2,908	-	2,908
Changes in consolidation scope and other	-	-	(4,051)	3,967	-	-	-	(84)	(2,404)	(2,488)
As at June 30, 2022	**4,579**	**3,951,529**	**(1,161,691)**	**(657,580)**	**(59,402)**	**(869)**	**(449,978)**	**1,626,588**	**47,552**	**1,674,140**

	Share capital	Additional paid-in capital	Consolidated reserves	Foreign currency translation reserve	Revaluation reserve, net of tax	Treasury shares	Net income (loss) for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Dec. 31, 2022	**4,636**	**3,951,472**	**(1,189,552)**	**(751,355)**	**(5,009)**	**(557)**	**(366,383)**	**1,643,252**	**42,356**	**1,685,608**
Change in foreign currency translation reserve	-	-	-	50,393	-	-	-	50,393	312	50,705
Financial instruments	-	-	-	-	12,258	-	-	12,258	(9)	12,249
Actuarial gains and losses on retirement commitments	-	-	(691)	-	-	-	-	(691)	(6)	(697)
Other comprehensive income	-	-	(691)	50,393	12,258	-	-	61,960	297	62,257
Net income for first-half 2023	-	-	-	-	-	-	315,005	315,005	6,353	321,358
Total comprehensive income	-	-	(691)	50,393	12,258	-	315,005	376,965	6,650	383,615
Appropriation of 2022 net income (loss)	-	-	(366,383)	-	-	-	366,383	-	-	-
Capital increase	75	(75)	-	-	-	-	-	-	-	-
Change in treasury shares	-	-	(557)	-	-	557	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(2,685)	(2,685)
Share-based payments	-	-	8,049	-	-	-	-	8,049	-	8,049
Changes in consolidation scope and other	-	-	(5,322)	2,944	-	-	-	(2,378)	2,089	(289)
As at June 30, 2023	**4,711**	**3,951,397**	**(1,554,456)**	**(698,018)**	**7,249**	**-**	**315,005**	**2,025,888**	**48,410**	**2,074,298**

2.6 Statement of changes in non-controlling interests

In € thousands	Consolidated reserves	Foreign currency translation reserve	Revaluation reserve, net of tax	Net income (loss) for the period	Non-controlling interests
As at Dec. 31, 2021	**48,281**	**3,649**	**841**	**(8,108)**	**44,663**
Change in foreign currency translation reserve	-	3,947	-	-	3,947
Financial instruments	-	-	(3)	-	(3)
Actuarial gains and losses on retirement commitments	230	-	-	-	230
Other comprehensive income	230	3,947	(3)	-	4,174
Net income (loss) for first-half 2022	-	-	-	1,119	1,119
Total comprehensive income	230	3,947	(3)	1,119	5,293
Appropriation of 2021 net income (loss)	(8,108)	-	-	8,108	-
Dividends paid	-	-	-	-	-
Changes in consolidation scope and other	(2,152)	(252)	-	-	(2,404)
As at June 30, 2022	**38,251**	**7,344**	**838**	**1,119**	**47,552**
As at Dec. 31, 2022	**33,293**	**5,545**	**842**	**2,676**	**42,356**
Change in foreign currency translation reserve	-	312	-	-	312
Financial instruments	-	-	(9)	-	(9)
Actuarial gains and losses on retirement commitments	(6)	-	-	-	(6)
Other comprehensive income	(6)	312	(9)	-	297
Net income for first-half 2023	-	-	-	6,353	6,353
Total comprehensive income	(6)	312	(9)	6,353	6,650
Appropriation of 2022 net income (loss)	2,676	-	-	(2,676)	-
Dividends paid	(2,685)	-	-	-	(2,685)
Changes in consolidation scope and other	2,317	(227)	(1)	-	2,089
As at June 30, 2023	**35,595**	**5,630**	**832**	**6,353**	**48,410**

Notes to the consolidated financial statements for the six months ended June 30, 2023

All amounts are expressed in thousands of euros (€ thousands) unless otherwise stated.

1. Accounting standards and basis for the preparation of the consolidated financial statements

1.1. Accounting standards

The interim condensed consolidated financial statements for the six months ended June 30, 2023 together with the explanatory notes were approved for issue by the Board of Directors of Vallourec on July 27, 2023.

In application of Regulation No. 1606/2002 of the European Commission, which was adopted on July 19, 2002 for all listed companies in the European Union, the interim condensed consolidated financial statements for the six months ended June 30, 2023 were prepared in accordance with International Financial Reporting Standards (IFRS), based on the standards and interpretations applicable at that date.

The accounting principles and valuation methods applied are identical to those used to prepare the 2022 consolidated financial statements, with the exception of any changes made pursuant to the application of the new standards and amendments mandatory for financial periods beginning on or after January 1, 2023.

The interim consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Information”.

The purpose of interim financial statements is to update shareholders and investors with relevant information about the significant events and transactions of the period in a selection of explanatory notes explaining the significant changes in the statement of financial position between December 31, 2022 and June 30, 2023, as well as the main transactions contributing to the Group’s results for first-half 2023. The interim financial statements do not comprise all of the information required for a complete set of annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2022, filed with the French securities regulator (*Autorité des marchés financiers* – AMF) on April 17, 2023 (available on the corporate website at www.vallourec.com).

1.1.1. New mandatory standards

The new mandatory standards and amendments applicable to financial periods beginning on or after January 1, 2023 correspond to amendments to IAS 1 (Presentation of Consolidated Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

These amendments have no impact on the Group’s consolidated financial statements.

1.1.2. New standards not early adopted

The Group has not elected to early adopt any other standards or interpretations that are mandatory for financial periods beginning on or after January 1, 2023.

1.2. Measurement basis and presentation of the consolidated financial statements

Estimates

The preparation of interim financial statements may be based to a greater extent on estimates rather than on annual financial data when determining the value of assets and liabilities and assessing positive and negative developments at the closing date, and income and expenses for the period.

The preparation of IFRS consolidated financial statements requires Vallourec’s management to use estimates and assumptions that affect the carrying amounts of certain assets and liabilities, income and expenses, as well as certain information in the explanatory notes. The main estimates and assumptions are identical to those described in the notes to the consolidated financial statements for the year ended December 31, 2022.

The interim financial statements have been prepared according to the same accounting rules and methods as those used to prepare the annual consolidated financial statements, with the exception of any changes in method during the period. However, in accordance with IAS 34, for interim financial statements, certain measurements, unless otherwise indicated, may be based more on estimates rather than on annual financial data.

The Group primarily reviewed the following estimates for the interim closing:

- the recoverable amount of property, plant and equipment, intangible assets and goodwill (see Note 5);

- provisions for disputes, onerous contracts, restructuring and contingent liabilities (see Note 10);
- deferred tax assets recognized on tax loss carryforwards (see Note 4).

Judgment

In addition to the use of estimates, the Group's management uses judgment in determining the appropriate accounting treatment for certain activities and transactions, in particular when existing IFRSs and interpretations do not specifically address the accounting matters in question.

In particular, the Group used judgment in assessing the nature of control.

Translation of foreign currency

The main exchange rates used (euro/currency) are as follows:

	USD	GBP	BRL	CNY
As at June 30, 2022				
Average rate	1.09	0.84	5.56	7.04
Closing rate	1.04	0.86	5.42	6.96
As at June 30, 2023				
Average rate	1.08	0.88	5.48	7.49
Closing rate	1.09	0.86	5.28	7.90

1.3. Features specific to the preparation of interim financial statements

Income tax

The current and deferred tax charge is calculated at interim closings for each tax entity by applying the estimated average effective annual tax rate for the current year to taxable income for the period, excluding material non-recurring items. Any material non-recurring items for the period are recognized using their actual tax charge.

Retirement benefits

The cost of retirement benefits for interim periods is determined using actuarial assessments conducted at the end of the previous financial period. These assessments may be adjusted to take account of any significant curtailments, settlements or other non-recurring events during the period. In addition, the amounts recorded in the statement of financial position for defined benefit plans are adjusted to take account of changes in discount rates, the fair value of plan assets and actual service costs for the period.

2. Key events during the period

2.1. Governance changes

On January 31, 2023, as part of its "New Vallourec" plan, led by Philippe Guillemot, Chairman and Chief Executive Officer, the Group introduced a three-region organization (North America, South America, and Eastern Hemisphere) to simplify and optimize its operations. The new organization aims at making the Group more efficient and more agile, and closer to its customers, and enhancing its industrial performance, through two export bases, Brazil and Asia.

The new organization led to changes in the Executive Committee, effective February 1, 2023:

- Laurent Dubedout was appointed Senior Vice-President, OCTG Services and Accessories Business Line, Group and Eastern Hemisphere, and joined the Executive Committee.
- Jacky Massaglia was appointed Senior Vice-President, Business Line Project Line Pipe and Process, and joined the Executive Committee.
- Philippe Carlier, previously Senior Vice-President, Technology and Industry, is now Senior Vice-President, Industry, Group and Eastern Hemisphere, and remains a member of the Executive Committee.

Following these changes, the Vallourec Executive Committee had 11 members under the leadership of Philippe Guillemot, Chairman and Chief Executive Officer.

On April 11, 2023, Vallourec announced the appointment of Sarah Dib as Group General Counsel, replacing Nathalie Joannes. She has joined the Executive Committee.

On May 2, 2023, Vallourec announced the appointment of Valeria Fernandes as Chief Digital & Information Officer, replacing Naïla Giovanni. She has joined the Executive Committee.

2.2. Mine

On January 8, 2022, following the exceptionally heavy rainfall in Minas Gerais State (Brazil), some material from a waste pile associated with the operations of Vallourec's Pau Branco mine slid into a rainwater dam (the "Lisa Dam"), causing it to overflow and resulting in the interruption of traffic on a nearby highway. The structure of the dam was not affected, and there were no casualties. As a result of this incident, however, operations at the mine were temporarily suspended.

On May 4, 2022, Vallourec partially restarted operations, after obtaining the approval of the mining authorities to resume activities using an alternative waste pile. Under these conditions, volumes extracted in 2022 amounted to approximately 4 million metric tons.

On May 5, 2023, Vallourec obtained the necessary permissions from the Brazilian state mining and environmental authorities for the full release of the Cachoeirinha core waste pile. Volumes of iron ore sold totaled 1.5 million metric tons in first-quarter 2023 and 1.9 million metric tons in the second quarter of the year.

3. Operating activities

The Vallourec Group is a world leader in premium tubular solutions, primarily for the Oil & Gas and Industry markets, and also operates the Pau Branco iron ore mine. Originally based in France and Germany, Vallourec now has frontline positions in the United States, Brazil, Europe, the Middle East and Asia. The Group provides a wide range of premium tubular solutions – high-performance solutions whose manufacturing requires significant technological and industrial expertise – in addition to related specialized services that provide customers with a comprehensive range of innovative solutions.

Until the first half of 2022, Vallourec presented segment information based on three operating segments: "Seamless Tubes", "Specialty Products", and "Holding companies & Other".

During the second half of 2022, the new Executive Committee – which is the Group's Chief Operating Decision Maker (CODM) – set up a new internal organization to implement the New Vallourec transformation plan and decided to separately monitor the performance and profitability of the "Mine & Forests" activity, previously included in the "Seamless Tubes" segment, in addition to the "Tubes" activity. Moreover, following the disposal of its Nuclear activities, Vallourec no longer operates in the Specialty Products sector. The new segments comply with the definition of operating segments identified and aggregated according to IFRS 8.

Vallourec presents geographical information for the Tubes segment for Europe, North America, South America, Asia, the Middle East and the Rest of the World. The information reported for revenue is broken down by customer location and the breakdown for non-current assets is based on the location of the assets.

The Group therefore presents its segment information based on the following operating segments:

Tubes

This segment covers all entities with production and marketing facilities dedicated to the Group's main business, i.e., the production of hot-rolled seamless carbon and alloy steel tubes, both smooth and threaded, for the Oil & Gas industry. The activity is characterized by a highly integrated manufacturing process, from production of the steel and hot-rolling to the final stages, facilitating the production of articles that primarily address the Oil & Gas and Industry markets. The Tubes business is highly dependent on the level of investment undertaken by Oil & Gas companies in the exploration, production and development of oil and natural gas reserves. Decisions to allocate customer orders are managed centrally by a Group S&OP team, based on criteria such as available production capacity and margin optimization at Group level, while taking into account supply chain constraints (lead times required from customers) and required factory certifications. The CODM's decisions on capital/resource allocation are made at this level and performance is monitored at this level based on various indicators, including EBITDA/metric ton, Days in Inventory (DII).

Mine & Forests

The iron ore mine and the forests (which supply charcoal to the blast furnace located in Jeceaba in the Brazilian state of Minas Gerais) now constitute a separate segment in the Group's internal reporting. Surplus production that exceeds internal consumption is sold on the market. The profitability of this activity is strongly correlated with international iron ore market prices, in particular the Iron Ore CFR China index published by Platts.

The following tables provide information on the revenue and results of each operating segment, as well as on assets, liabilities and capital expenditure for 2023. Information for 2022 has been restated in order to enable year-on-year comparisons.

Results, assets and liabilities by operating segment

AS AT JUNE 30, 2023	Tubes	Mine & Forests	Holding companies & Other	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue (*)	2,537,263	185,503	96,792	(123,823)	2,695,735
EBITDA	609,119	97,859	(9,693)	(3,427)	693,858
Depreciation of industrial assets	(87,534)	(10,233)	(6,306)	-	(104,073)
Impairment of assets and goodwill	-	-	(7,607)	-	(7,607)
Asset disposals, restructuring costs and non-recurring items	(64,362)	978	(4,099)	(413)	(67,896)
Operating income (loss)	**457,223**	**88,604**	**(27,729)**	**(3,816)**	**514,282**
Unallocated income					6,820
Unallocated expenses					(76,600)
Pre-tax income					444,502
Income tax					(122,944)
Share in net income (loss) of equity-accounted companies					(200)
Net income					321,358
STATEMENT OF FINANCIAL POSITION					
Non-current assets	2,031,752	348,814	82,757	-	2,463,323
Current assets	2,364,382	155,110	400,875	(456,794)	2,463,573
Cash and cash equivalents	1,171,160	31,166	1,099,981	(1,446,876)	855,431
Assets held for sale and discontinued operations	-	7,352	-	-	7,352
TOTAL ASSETS	**5,567,294**	**542,442**	**1,583,613**	**(1,903,670)**	**5,789,679**
CASH FLOWS					
Investments in property, plant and equipment, intangible assets and biological assets	105,988	12,209	971	-	119,168
Non-Group revenue	2,513,050	132,495	50,190	-	2,695,735

(*) Sales to external customers.

The table below presents the following information for the Group's operating segments:

- income statement data for the first half of 2022
- statement of financial position data as at December 31, 2022

	Tubes	Mine & Forests	Holding companies & Other	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue (*)	1,998,039	92,307	106,163	(136,230)	2,060,279
EBITDA	184,908	52,583	(30,067)	(2,413)	205,011
Depreciation of industrial assets	(97,264)	(7,141)	(8,667)	-	(113,072)
Impairment of assets and goodwill	-	-	-	-	-
Asset disposals, restructuring costs and non-recurring items	(371,558)	(70,384)	(25,552)	-	(467,494)
Operating income (loss)	**(283,914)**	**(24,942)**	**(64,286)**	**(2,413)**	**(375,555)**
Unallocated income					3,023
Unallocated expenses					(24,031)
Pre-tax income (loss)					(396,563)
Income tax					(50,651)
Share in net income (loss) of equity-accounted companies					(1,645)
Net income (loss)					(448,859)
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1,986,130	335,068	88,235	-	2,409,433
Current assets	2,296,588	93,576	142,582	(145,316)	2,387,430
Cash and cash equivalents	820,314	13,327	777,773	(1,059,811)	551,603
Assets held for sale and discontinued operations	-	9,414	-	-	9,414
TOTAL ASSETS	**5,103,032**	**451,385**	**1,008,590**	**(1,205,127)**	**5,357,880**
CASH FLOWS					
Investments in property, plant and equipment, intangible assets and biological assets	141,608	44,471	4,597	-	190,676
Non-Group revenue	1,941,665	52,918	65,695	-	2,060,279

(*) Sales to external customers.

Geographic areas

The table below presents information on (i) revenue by geographic area (based on customer location) and (ii) non-current assets by geographic area. The main areas are North America (principally the United States), South America (principally Brazil) and Europe (European Economic Union).

	Revenue		Non-current assets	
	First-half 2022	First-half 2023	Dec 31, 2022	June 30, 2023
Europe	334,076	253,947	87,942	73,252
North America	805,476	1,320,952	957,508	910,329
South America	402,295	417,790	764,092	886,479
Asia	177,679	127,436	99,456	92,269
Middle East	204,304	269,256	76,290	68,808
Rest of the world	74,209	147,882	842	615
Total – Tubes	**1,998,039**	**2,537,263**	**1,986,130**	**2,031,752**
Mine & Forests	**92,307**	**185,503**	**335,068**	**348,814**
Holding companies & Other	**106,163**	**96,792**	**88,235**	**82,757**
Inter-segment transactions	**(136,230)**	**(123,823)**		
TOTAL	**2,060,279**	**2,695,735**	**2,409,433**	**2,463,323**

Revenue by business

The following table shows the breakdown of the Group's revenue by business in first-half 2022 and 2023:

	Revenue	
	First-half 2022	First-half 2023
Oil & Gas	1,177,308	1,885,103
Industry	526,501	421,631
Other	294,230	230,529
Total – Tubes	**1,998,039**	**2,537,263**
Mine & Forests	**92,307**	**185,503**
Holding companies & Other	**106,163**	**96,792**
Inter-segment transactions	**(136,230)**	**(123,823)**
TOTAL	**2,060,279**	**2,695,735**

3.1. EBITDA

EBITDA breaks down as follows:

	First-half 2022	First-half 2023
Revenue	**2,060,279**	**2,695,735**
Cost of sales	**(1,676,966)**	**(1,815,975)**
of which direct cost of sales	(122,666)	(149,150)
of which cost of raw materials consumed	(733,805)	(703,813)
of which labor costs	(334,185)	(359,823)
of which other manufacturing costs[(a)]	(537,991)	(556,964)
of which change in non-raw-material inventories	51,681	(46,225)
Selling, general and administrative expenses	**(182,812)**	**(162,819)**
of which research and development costs	(20,612)	(13,106)
of which selling and marketing costs	(33,212)	(32,413)
of which general and administrative costs	(128,988)	(117,300)
Other	**4,510**	**(23,083)**
of which employee profit-sharing, bonuses and other	(19,206)	(19,203)
of which other income and expenses	23,716	(3,880)
Total gross operating expenses	**(1,855,268)**	**(2,001,877)**
EBITDA	**205,011**	**693,858**

[(a)] “Other manufacturing costs” mainly include energy and consumables, subcontracting and maintenance expenditure, and provisions.

Personnel expenses

Personnel expenses amounted to €461 million in first-half 2023, versus €460 million in first-half 2022.

3.2. Depreciation and amortization

Depreciation and amortization breaks down as follows:

	First-half 2022	First-half 2023
Depreciation of industrial assets	(89,619)	(85,255)
Depreciation of right-of-use assets	(8,753)	(11,458)
Amortization of capitalized research and development costs	(5,243)	(904)
Depreciation and amortization – contract and selling and marketing costs	(602)	(484)
Depreciation and amortization – general and administrative costs	(8,855)	(5,972)
Total depreciation and amortization	**(113,072)**	**(104,073)**

3.3. Asset disposals, restructuring costs and non-recurring items

	First-half 2022	First half 2023
Reorganization measures (net of expenses and provisions)	(357,235)	(34,419)
Gains and losses on disposals of non-current assets and other non-recurring items	(110,259)	(33,477)
Total	**(467,494)**	**(67,896)**

The Group continued its restructuring in the first half of 2023, which led to the recognition of €34 million in costs for reorganization measures (net of expenses and provisions).

Non-recurring items for first-half 2023 mainly comprised restructuring costs.

3.4. Reconciliation of net additions to depreciation, amortization and provisions with the statement of cash flows

	Notes	First-half 2022	First-half 2023
Depreciation and amortization	*3.2*	**(113,072)**	**(104,073)**
Impairment of assets and goodwill		**-**	**(7,607)**
Additions to provisions net of reversals included in EBITDA		1,655	8,157
Additions to provisions net of reversals included in asset disposals, restructuring costs and non-recurring items		(387,280)	42,296
Additions to provisions net of reversals included in net financial income (loss)		1,699	(2,599)
Total		**(496,998)**	**(63,826)**
Net depreciation, amortization and provisions recorded in the statement of cash flows		**496,998**	**63,826**

3.5. Reconciliation of working capital

Changes in working capital during first-half 2023 were as follows:

Gross amounts In € thousands	Dec. 31, 2022	Translation difference	Change	Reclassification and other	Items held for sale	June 30, 2023
Inventories	1,409,864	21,807	39,684	(8,816)	(0)	1,462,539
Trade receivables and supplier advances	838,121	5,420	(42,947)	10,460	0	811,054
Trade payables	(786,918)	3,354	(1,900)	(2,691)	0	(788,155)
Working capital	**1,461,067**	**30,581**	**(5,163)**	**(1,047)**	**0**	**1,485,438**
Other receivables and payables	(5,347)	445	40,570	(1,984)	0	33,684
Operating working capital	**1,455,720**	**31,026**	**35,407**	**(3,031)**	**0**	**1,519,122**
Impact of hedging instruments			9,001			
Total			**44,408**			
Change in operating working capital in the statement of cash flows			(44,408)			

4. Income tax

RECONCILIATION OF THEORETICAL AND EFFECTIVE TAX EXPENSE

	First-half 2022	First-half 2023
Current tax expense	(29,750)	(105,707)
Deferred taxes	(20,901)	(17,237)
Net expense (-), Net benefit (+)	**(50,651)**	**(122,944)**
Consolidated net income (loss)	(447,214)	321,558
Tax expense	(50,651)	(122,944)
Pre-tax income (loss)	**(396,563)**	**444,502**
Statutory tax rate applicable to the parent	25.83%	25.83%
Theoretical tax	102,432	(114,815)
Impact of main tax loss carryforwards	(18,620)	(19,779)
Impact of permanent differences	(56,574)	(14,476)
Other impacts	(89,114)	3,589
Impact of differences in tax rates	11,225	22,537
Net expense (-), Net benefit (+)	**(50,651)**	**(122,944)**
Effective tax rate	**-13%**	**28%**

The 28% effective tax rate can be analyzed as follows:

- the impact of tax loss carryforwards and temporary differences mainly concerns the non-recognition of deferred tax assets (DTAs) during the period in France and Germany;
- differences in tax rates mainly reflect the diverse range of tax rates applied in the Group's various countries (Germany 31.6%, United States 21%, Brazil 34.0%, China 25.0%, and Saudi Arabia 20%);
- permanent differences and other impacts notably reflect the add-back of financial expenses, non-deductible penalties and the provision set aside for the Group's restructuring plans.

5. Property, plant and equipment, intangible assets, goodwill and biological assets

5.1. Impairment tests

As at June 30, 2023, the Group's analysis of its various cash-generating units (CGUs) did not identify any internal or external indications of impairment that would require it to perform an impairment test. The sales volume and value assumptions used as a basis for the CGUs' future cash flows for the purposes of preparing the 2022 consolidated financial statements were not called into question for any of the three CGUs (Eastern Hemisphere Tubes, Vallourec do Brasil Tubes, Vallourec North America).

5.2. Reconciliation of outflows related to acquisitions of non-current assets with the statement of cash flows

	First-half 2022		First-half 2023	
	Property, plant and equipment and intangible assets	Biological assets	Property, plant and equipment and intangible assets	Biological assets
Acquisitions of intangible assets	442	-	42	-
Acquisitions of property, plant and equipment	47,726	3,449	103,014	5,090
Total capital expenditure	**48,168**	**3,449**	**103,056**	**5,090**
Changes in liabilities on non-current assets and partner contributions	7,390	-	11,022	-
Total	**55,558**	**3,449**	**114,078**	**5,090**
Statement of cash flows: cash outflows for acquisitions of property, plant and equipment and intangible and biological assets:	59,007		119,168	

6. Related-party transactions

Related-party transactions mainly concern purchases of steel rounds from HKM, which are used as manufacturing raw materials by Vallourec Deutschland's European rolling mills, amounting to €238.1 million during the first half of 2023.

7. Equity, share-based payments and earnings per share

7.1. Equity attributable to owners of the parent

As at June 30, 2023, Vallourec's share capital comprised 235,532,187 ordinary shares with a par value of €0.02 per share, all fully paid-up.

Reserves and financial instruments

Reserves for changes in the fair value of hedging instruments net of tax (revaluation reserves) arise primarily from two types of transaction:

- Effective currency hedges assigned to the order book and commercial tenders,
- for which changes in the currency impact at the reporting date are recognized in equity.
- Variable-rate borrowings for which interest rate swaps (fixed rate) have been contracted, and which are accounted for in accordance with the cash flow hedge method.
- Changes in the fair value of swaps attributable to fluctuations in interest rates are recognized in equity.

Foreign currency translation reserve

This reserve arises as a result of translating the equity of subsidiaries outside the eurozone into euros. The change in the reserve corresponds to fluctuations in exchange rates used to translate the equity and net income (loss) of these subsidiaries. Components of the reserve are only written back to income in the case of a partial or total disposal and loss of control of the foreign entity.

	USD	GBP	BRL	CNY	Other	Total
As at December 31, 2021	**291,136**	**(11,747)**	**(1,259,048)**	**29,801**	**(28,791)**	**(978,649)**
Change	95,716	(1,191)	126,768	(4,348)	10,349	227,294
As at Dec. 31, 2022	**386,852**	**(12,938)**	**(1,132,280)**	**25,453**	**(18,442)**	**(751,355)**
Change	(27,874)	368	82,796	(9,965)	8,012	53,337
As at June 30, 2023	**358,978**	**(12,570)**	**(1,049,484)**	**15,488**	**(10,430)**	**(698,018)**

7.2. Share-based payments

Management Equity Plans

The characteristics of plans set up prior to December 31, 2022 are described in the Group's consolidated financial statements for the year ended December 31, 2022.

During first-half 2023, the Group set up new Management Equity Plans (MEP) for some of the Group's senior executives, corporate officers and employees.

FEBRUARY 1, 2023 MEP

Under the MEP set up on February 1, 2023, 199,584 free performance shares were awarded to Group employees and executive corporate officers. The award comprises preferred shares, broken down into three tranches.

Characteristics of the plan

The characteristics of the performance share plan are as follows:

Valuation	Tranche 2		Tranche 3		Tranche 4	
Share price on the award date	€13.48	€13.48	€13.48	€13.48	€13.48	€13.48
Vesting period[a]	30%: 1.35 years	70%: 3.41 years	30%: 1.69 years	70%: 3.41 years	30%: 2.10 years	70%: 3.41 years
Holding period[a]	3.41 years	3.41 years	3.41 years	3.41 years	3.41 years	3.41 years
Performance conditions[b]	Yes	Yes	Yes	Yes	Yes	Yes
Volatility[c]	49.60%	49.60%	49.60%	49.60%	49.60%	49.60%
Risk-free rate[d]	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
Dividend rate[e]	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fair value of the share[f]	€8.93	€8.93	€7.09	€7.09	€4.52	€4.52
Number of shares awarded	28,416	66,305	28,415	66,303	3,043	7,102

(a) The statutory vesting period is one year for all tranches. If Apollo still holds at least 5% of the capital at the end of a period of 3.41 years, the shares will be subject to a lock-up. During the lock-up period, they will be bought back from the beneficiaries in the event of their departure (excluding in the case of retirement, death or disability) only up to a maximum of 30% of their market value. In light of these rules, under IFRS 2, 30% of beneficiaries' rights are considered as vesting at the end of the average vesting period (see performance conditions) and 70% at the end of the lock-up period, estimated at 3.41 years.

(b) The tranche 2, 3 and 4 performance share rights will be exercisable for ordinary shares if the volume-weighted average Vallourec share price represents at least €16.19, €20.22 and €28.32 over 90 trading days in the 5-year period following the financial restructuring. The valuation models show average vesting periods of 1.35 years, 1.69 years and 2.10 years, respectively.

(c) Volatility corresponds to historical volatility observed over a period corresponding to the life of the plans.

(d) The risk-free rate used was determined based on the maturity of each of the tranches (the French Institute of Actuaries' yield curve).

(e) The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.

(f) Following amendments to the applicable performance conditions voted at the May 25, 2023 Shareholders' Meeting, the fair values of tranches 2, 3 and 4 were revised upwards, by adding €1.17, €1.03 and €0.78 respectively to their previous fair values.

MARCH 10, 2023 MEP

Under the MEP set up on March 10, 2023, 327,562 free performance shares were awarded to executive corporate officers. The award comprises preferred shares, broken down into three tranches.

Characteristics of the plan

The characteristics of the performance share plan are as follows:

Valuation	Tranche 2		Tranche 3		Tranche 4	
Share price on the award date	€13.60	€13.60	€13.60	€13.60	€13.60	€13.60
Vesting period[(a)]	30%: 1.33 years	70%: 3.31 years	30%: 1.67 years	70%: 3.31 years	30%: 2.01 years	70%: 3.31 years
Holding period[(a)]	3.31 years	3.31 years	3.31 years	3.31 years	3.31 years	3.31 years
Performance conditions[(b)]	Yes	Yes	Yes	Yes	Yes	Yes
Volatility[(c)]	49.90%	49.90%	49.90%	49.90%	49.90%	49.90%
Risk-free rate[(d)]	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
Dividend rate[(e)]	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fair value of the share[(f)]	€9.01	€9.01	€7.25	€7.25	€4.42	€4.42
Number of shares awarded	44,859	104,672	44,859	104,672	8,550	19,950

(a) The statutory vesting period is one year for all tranches. If Apollo still holds at least 5% of the capital at the end of a period of 3.31 years, the shares will be subject to a lock-up. During the lock-up period, they will be bought back from the beneficiaries in the event of their departure (excluding in the case of retirement, death or disability) only up to a maximum of 30% of their market value. In light of these rules, under IFRS 2, 30% of beneficiaries' rights are considered as vesting at the end of the average vesting period (see performance conditions) and 70% at the end of the lock-up period, estimated at 3.31 years.

(b) The tranche 2, 3 and 4 performance share rights will be exercisable for ordinary shares if the volume-weighted average Vallourec share price represents at least €16.19, €20.22 and €28.32 over 90 trading days in the 5-year period following the financial restructuring. The valuation models show average vesting periods of 1.33 years, 1.67 years and 2.01 years, respectively.

(c) Volatility corresponds to historical volatility observed over a period corresponding to the life of the plans.

(d) The risk-free rate used was determined based on the maturity of each of the tranches (the French Institute of Actuaries' yield curve).

(e) The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.

(f) Following amendments to the applicable performance conditions voted at the May 25, 2023 Shareholders' Meeting, the fair values of tranches 2, 3 and 4 were revised upwards, by adding €1.17, €1.03 and €0.78 respectively to their previous fair values.

MARCH 13, 2023 MEP

Under the MEP set up on March 13, 2023, 17,605 free performance shares were awarded to Group employees. The award comprises preferred shares, broken down into two tranches.

Characteristics of the plan

The characteristics of the performance share plan are as follows:

Valuation	Tranche 2		Tranche 3	
Share price on the award date	€13.47	€13.47	€13.47	€13.47
Vesting period[(a)]	30%: 1.32 years	70%: 3.30 years	30%: 1.64 years	70%: 3.30 years
Holding period[(a)]	3.30 years	3.30 years	3.30 years	3.30 years
Performance conditions[(b)]	Yes	Yes	Yes	Yes
Volatility[(c)]	49.90%	49.90%	49.90%	49.90%
Risk-free rate[(d)]	3.07%	3.07%	3.07%	3.07%
Dividend rate[(e)]	3.00%	3.00%	3.00%	3.00%
Fair value of the share[(f)]	€8.73	€8.73	€6.95	€6.95
Number of shares awarded	2,641	6,162	2,641	6,161

(a) The statutory vesting period is one year for all tranches. If Apollo still holds at least 5% of the capital at the end of a period of 3.30 years, the shares will be subject to a lock-up. During the lock-up period, they will be bought back from the beneficiaries in the event of their departure (excluding in the case of retirement, death or disability) only up to a maximum of 30% of their market value. In light of these rules, under IFRS 2, 30% of beneficiaries' rights are considered as vesting at the end of the average vesting period (see performance conditions) and 70% at the end of the lock-up period, estimated at 3.30 years.

(b) The tranche 2 and 3 performance share rights will be exercisable for ordinary shares if the volume-weighted average Vallourec share price is at least €16.19 and €20.22 over 90 trading days in the 5-year period following the financial restructuring. The valuation models show average vesting periods of 1.32 years and 1.64 years respectively.

(c) Volatility corresponds to historical volatility observed over a period corresponding to the life of the plans.

(d) The risk-free rate used was determined based on the maturity of each of the tranches (the French Institute of Actuaries' yield curve).

(e) The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.

(f) Following amendments to the applicable performance conditions voted at the May 25, 2023 Shareholders' Meeting, the fair values of tranches 2, 3 and 4 were revised upwards, by adding €1.17, €1.03 and €0.78 respectively to their previous fair values.

MARCH 23, 2023 MEP

Under the MEP set up on March 23, 2023, 37,037 free performance shares were awarded to Group employees. The award comprises preferred shares, broken down into two tranches.

Characteristics of the plan

The characteristics of the performance share plan are as follows:

Valuation	Tranche 2		Tranche 3	
Share price on the award date	€11.49	€11.49	€11.49	€11.49
Vesting period[(a)]	30%: 1.58 years	70%: 3.27 years	30%: 1.83 years	70%: 3.27 years
Holding period[(a)]	3.27 years	3.27 years	3.27 years	3.27 years
Performance conditions[(b)]	Yes	Yes	Yes	Yes
Volatility[(c)]	50.30%	50.30%	50.30%	50.30%
Risk-free rate[(d)]	3.07%	3.07%	3.07%	3.07%
Dividend rate[(e)]	3.00%	3.00%	3.00%	3.00%
Fair value of the share[(f)]	€6.26	€6.26	€4.69	€4.69
Number of shares awarded	5,556	12,963	5,555	12,963

(a) The statutory vesting period is one year for all tranches. If Apollo still holds at least 5% of the capital at the end of a period of 3.27 years, the shares will be subject to a lock-up. During the lock-up period, they will be bought back from the beneficiaries in the event of their departure (excluding in the case of retirement, death or disability) only up to a maximum of 30% of their market value. In light of these rules, under IFRS 2, 30% of beneficiaries' rights are considered as vesting at the end of the average vesting period (see performance conditions) and 70% at the end of the lock-up period, estimated at 3.27 years.

(b) The tranche 2 and 3 performance share rights will be exercisable for ordinary shares if the volume-weighted average Vallourec share price is at least €16.19 and €20.22 over 90 trading days in the 5-year period following the financial restructuring. The valuation models show average vesting periods of 1.58 years and 1.83 years respectively.

(c) Volatility corresponds to historical volatility observed over a period corresponding to the life of the plans.

(d) The risk-free rate used was determined based on the maturity of each of the tranches (the French Institute of Actuaries' yield curve).

(e) The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.

(f) Following amendments to the applicable performance conditions voted at the May 25, 2023 Shareholders' Meeting, the fair values of tranches 2, 3 and 4 were revised upwards, by adding €1.17, €1.03 and €0.78 respectively to their previous fair values.

JUNE 21, 2023 MEP

Under the MEP set up on June 21, 2023, 108,526 free performance shares were awarded to Group employees. The award comprises preferred shares, broken down into two tranches.

Characteristics of the plan

The characteristics of the performance share plan are as follows:

Valuation	Tranche 2		Tranche 3	
Share price on the award date	€10.04	€10.04	€10.04	€10.04
Vesting period[(a)]	30%: 1.44 years	70%: 3.03 years	30%: 1.72 years	70%: 3.03 years
Holding period[(a)]	3.03 years	3.03 years	3.03 years	3.03 years
Performance conditions[(b)]	Yes	Yes	Yes	Yes
Volatility[(c)]	48.00%	48.00%	48.00%	48.00%
Risk-free rate[(d)]	2.81%	2.81%	2.81%	2.81%
Dividend rate[(e)]	3.00%	3.00%	3.00%	3.00%
Fair value of the share	€5.26	€5.26	€3.86	€3.86
Number of shares awarded	16,279	37,984	16,279	37,984

(a) The statutory vesting period is one year for all tranches. If Apollo still holds at least 5% of the capital at the end of a period of 3.03 years, the shares will be subject to a lock-up. During the lock-up period, they will be bought back from the beneficiaries in the event of their departure (excluding in the case of retirement, death or disability) only up to a maximum of 30% of their market value. In light of these rules, under IFRS 2, 30% of beneficiaries' rights are considered as vesting at the end of the average vesting period (see performance conditions) and 70% at the end of the lock-up period, estimated at 3.03 years.

(b) The tranche 2 and 3 performance share rights will be exercisable for ordinary shares if the volume-weighted average Vallourec share price is at least €16.19 and €20.22 over 90 trading days in the 5-year period following the financial restructuring. The valuation models show average vesting periods of 1.44 years and 1.72 years respectively.

(c) Volatility corresponds to historical volatility observed over a period corresponding to the life of the plans.

(d) The risk-free rate used was determined based on the maturity of each of the tranches (the French Institute of Actuaries' yield curve).

(e) The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.

The change in the number of shares not yet vested under the Management Equity Plans is as follows:

In number of shares	**Ordinary shares**	**Performance shares**
Number of shares not yet vested as at January 1, 2023	**985,488**	**5,370,798**
Shares delivered over the period	(11,472)	(3,743,088)
Shares canceled	(32,123)	-
Shares awarded over the period	-	690,314
Number of shares not yet vested as at June 30, 2023	**941,893**	**2,318,024**

Stock option plans

Change in number of unexpired options

In number of options	2022	First-half 2023
Options outstanding as at January 1	**254,288**	**295,174**
Options exercised	-	-
Options lapsed	(8,776)	(6,328)
Options canceled	(8,763)	(5,972)
Options distributed	58,425	-
Options outstanding at period-end	**295,174**	**282,874**
Of which exercisable options	18,745	16,296

Performance share plans

For all of these plans, the change in the number of shares not yet vested is as follows:

In number of shares	2022	First-half 2023
Number of shares not yet vested as at January 1	**398,664**	**578,087**
Shares delivered over the period	(38,739)	(41,215)
Outperformance	9,447	-
Shares canceled	(22,695)	(64,170)
Shares awarded over the period	231,410	-
Number of shares not yet vested at period-end	**578,087**	**472,702**

Vallourec sold 41,257 treasury shares in the first half of 2023.

7.3. Earnings per share

Basic earnings per share amounted to €1.40 in first-half 2023, versus a basic loss per share of €2.00 reported in first-half 2022.

Diluted earnings per share (taking into account the dilutive impact of stock options, performance shares, Management Equity Plans and share subscription warrants) amounted to €1.30 in first-half 2023, versus a diluted loss per share of €2.00 reported in first-half 2022.

8. Financing and financial instruments

8.1. Net debt

	Dec. 31, 2022			June 30, 2023		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	1,135,486	1,135,486	-	1,120,749	1,120,749	-
Bank borrowings	233,016	230,257	2,759	238,020	235,477	2,543
Other borrowings	308,004	1,451	306,553	360,562	989	359,573
Short-term bank facilities	4,815	-	4,815	4,590	-	4,590
Total current and non-current loans and borrowings	**1,681,321**	**1,367,194**	**314,127**	**1,723,921**	**1,357,215**	**366,706**
Marketable securities	299,822	-	299,822	728,411	-	728,411
Cash at bank and in hand	251,782	-	251,782	127,020	-	127,020
Cash and cash equivalents	**551,603**	**-**	**551,603**	**855,431**	**-**	**855,431**
Net debt	**1,129,718**	**1,367,194**	**(237,476)**	**868,490**	**1,357,215**	**(488,725)**

The Group's debt instruments break down as follows:

In € millions	Nominal amount	Maturity	Face rate	Effective rate	Amount in the SOFP as at June 30, 2023
Bond issue – June 2021[(a)]	1,023	June 2026	8.500%	5.000%	1,121
State-guaranteed loan – June 2021[(b)]	262	June 2027	1.837%	6.000%	224
Committed credit facility – June 2021	462	June 2026	5.000%	5.000%	-
TOTAL	**1,747**				**1,345**

(a) Includes a redemption option for the borrower exercisable from June 30, 2023.
(b) Presented at an effective interest rate of 1.837%, including the underwriting fee.

Commercial paper

Vallourec SA did not issue any commercial paper during the first six months of 2023.

8.1.1. Net financial income (loss)

	First-half 2022	First-half 2023
Interest income		
Income from marketable securities	3,320	3,714
Proceeds from disposals of marketable securities	(297)	3,106
Total	**3,023**	**6,820**
Interest expense	**(47,920)**	**(60,368)**
Net interest expense	**(44,897)**	**(53,548)**
Other financial income and expenses		
Income from securities, loans and receivables	869	223
Exchange (losses) and gains and impact of contango/backwardation	11,858	(16,486)
Additions to provisions, net of reversals	(33)	4
Other financial income and expenses	6,863	4,791
Total	**19,557**	**(11,468)**
Interest expenses on leases	**(4,082)**	**(4,205)**
Other discounting expenses		
Financial expense on discounting pension obligations	2,120	(2,609)
Financial income on discounting assets and liabilities	6,294	2,050
Total	**8,414**	**(559)**
Net financial income (loss)	**(21,008)**	**(69,780)**

8.1.2. Reconciliation with financial liabilities in the statement of cash flows

	Dec. 31, 2022	Translation difference	Proceeds from new borrowings	Repayments of borrowings	Financial restructuring	Current/non-current reclassifications and other	June 30, 2023
Non-current financial liabilities	1,367,194	67	673	(11,276)	-	557	1,357,215
Current financial liabilities	314,127	30,168	39,408	11,721	-	(28,718)	366,706
Financial liabilities (1)	**1,681,321**	**30,235**	**40,081**	**445**	**-**	**(28,161)**	**1,723,921**
Impact of hedging instruments and other (2)			**1,161**	**-**			
Total (1) + (2)			**41,242**	**445**			
Change in financial liabilities in the statement of cash flows			41,242	445			

8.2. Other financial liabilities

Other financial liabilities consist primarily of lease liabilities and derivatives.

	Dec. 31, 2022			June 30, 2023		
	Total	Non-current	Current	Total	Non-current	Current
Lease liabilities	70,379	50,622	19,757	65,167	46,773	18,394
Call option on non-controlling interests	-	-	-	-	-	-
Derivatives	35,522	-	35,522	27,387	-	27,387
Total	**105,901**	**50,622**	**55,279**	**92,554**	**46,773**	**45,781**

8.3. Financial instruments

8.3.1. Financial assets and liabilities – accounting model and fair value hierarchy

During first-half 2023, the Group did not make any material changes to the classification of financial instruments, and there were no significant transfers between different levels of the fair value hierarchy.

The amounts recognized in the statement of financial position are based on the measurement methods used for each financial instrument.

June 30, 2023	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value of hedging instruments	Total	Fair value
Assets						
Trade and other receivables	759,083	-	-	-	759,083	759,083
Other current and non-current financial assets	75,006	-	17,655	42,122	134,783	134,783
Other current and non-current assets	354,375	-	-	-	354,375	354,375
Cash and cash equivalents	-	855,431	-	-	855,431	855,431
Total financial assets	**1,188,464**	**855,431**	**17,655**	**42,122**	**2,103,672**	**2,103,672**
Total non-financial assets	**-**	**-**	**-**	**-**	**3,686,007**	**3,686,007**
Total assets	**-**	**-**	**-**	**-**	**5,789,679**	**5,789,679**
Liabilities						
Borrowings	1,723,921	-	-	-	1,723,921	1,616,274
Trade payables	788,155	-	-	-	788,155	788,155
Other current and non-current financial liabilities	65,167	-	-	27,387	92,554	92,554
Other current and non-current liabilities	351,027	-	-	-	351,027	351,027
Total financial liabilities	**2,928,270**	**-**	**-**	**27,387**	**2,955,657**	**2,848,010**
Total non-financial liabilities	**-**	**-**	**-**	**-**	**2,834,022**	**2,834,022**
Total liabilities	**-**	**-**	**-**	**-**	**5,789,679**	**5,682,032**

8.3.2. Hedge accounting

As at June 30, 2023, hedging instruments had a net positive fair value of €14.7 million, versus a net negative fair value of €1.8 million as at December 31, 2022.

	Accounting classification	OCI reserves(1)	June 30, 2023	Dec. 31, 2022
Currency forward contracts on commercial transactions	Cash flow hedge	6,668	5,215	(1,454)
Currency forward contracts on commercial transactions	Fair value hedge	449	8,983	(2,250)
Currency forward contracts on financial transactions	Fair value hedge	-	412	1,573
Hedging instruments set up in the context of employee share ownership plans	Fair value hedge	(4)	124	342
Sub-total derivatives		**7,113**	**14,734**	**(1,789)**
Of which derivatives – positive fair value		-	*42,122*	*33,731*
Of which derivatives – negative fair value		-	*(27,388)*	*(35,522)*
Receivables (payables) used for commercial hedges	Cash flow hedge	10,011	5,621	(4,390)
Receivables (payables) used for commercial hedges	Fair value hedge	-	6,390	(785)
Total		**17,124**	**26,745**	**(6,964)**

(1) Assets and liabilities presented in this table are offset: + = positive fair value, () = negative fair value.

8.3.3. Financial risk management

The Group did not make any material changes to its financial risk management policy during the first half of 2023. For risks not listed below, please refer to the notes to the consolidated financial statements for the year ended December 31, 2022.

Liquidity risk

The Group's financial resources include financing with banks and on the capital markets.

The vast majority of bank financing was arranged in Europe through Vallourec SA, and to a lesser extent through the Group's subsidiaries in Brazil.

As part of its financial restructuring, Vallourec SA restructured all of its financial liabilities on June 30, 2021. The financial restructuring reduced gross debt by €1.7 billion and refinanced the residual debt by means of new debt instruments with a maturity of five years (or a maturity of less than five years that can be extended until June 30, 2027 at the initiative of the borrower).

Vallourec SA's €462 million credit facility is not subject to any securities or guarantees, and ranks *pari passu* with its State-guaranteed loans and bonds.

Bond financing is arranged exclusively by Vallourec SA.

9. Employee benefit obligations

Employee benefit obligations decreased by €9.5 million during the period, primarily due to benefits paid by the employer.

As at January 1	**104,709**
Current service cost	**5,634**
Benefits paid (employer)	**(16,350)**
Benefits paid (fund)	**(499)**
Change in actuarial gains and losses	**641**
Impact of changes in exchange rates	**1,098**
Reclassifications and other changes	**-**
Total as at June 30	**95,233**

10. Provisions for contingencies and charges and contingent liabilities

	Dec. 31, 2022			June 30, 2023		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Disputes and commercial commitments	13,230	8,601	4,629	17,166	12,488	4,678
Backlog – losses on completion	49,673	548	49,125	45,013	115	44,898
Reorganization and restructuring measures	421,840	160,676	261,164	401,762	165,282	236,480
Tax risks (income tax, other levies, inspections, etc.)	11,691	11,681	10	12,439	12,430	9
Environmental provisions	24,888	24,188	700	26,778	26,078	700
Other	79,546	40,449	39,097	75,891	44,070	31,821
Total	**600,868**	**246,143**	**354,725**	**579,049**	**260,463**	**318,586**

As at January 1	**161,558**	**92,632**	**68,926**	**600,868**	**246,143**	**354,725**
Additions	558,812	149,115	409,697	67,289	6,126	61,163
Utilizations	(130,602)	(21,053)	(109,549)	(92,193)	(5,416)	(86,777)
Reversals of surplus provisions	(2,558)	-	(2,558)	(11,856)	(7,094)	(4,762)
Impact of changes in exchange rates	6,096	6,032	64	7,567	5,135	2,432
Other changes	7,466	19,417	(11,951)	7,374	15,569	(8,195)
Liabilities related to assets held for sale and discontinued operations	96	-	96	-	-	-
Total as at June 30	**600,868**	**246,143**	**354,725**	**579,049**	**260,463**	**318,586**

Contingent liabilities

The European rolling mills are mainly supplied with raw materials by European steel mills and in particular, as regards ordinary steels, by the Huckingen mill operated by Hüttenwerke Krupp Mannesmann (HKM), in which Vallourec Tubes holds a 20% stake in the capital. HKM produces steel rounds and slabs intended exclusively for its shareholders, who are committed to take or pay annually defined volumes. Vallourec terminated the cooperation and supply agreements with HKM at the end of 2021, effective December 31, 2028, at the end of the contractually agreed seven-year notice period. Vallourec has initiated several legal actions against HKM and its shareholders, including an antitrust arbitration concerning the interpretation and application of these agreements. Following the decision in 2022 to close its German operations by the end of 2023, Vallourec needs less volume for its own operations than it is entitled to. As a result, Vallourec is setting up alternative outlets for the excess steel supply, which it intends to take mainly in the form of slabs. These external steel sales should be at least profit neutral over the remaining period covered by the supply agreements but depending on market conditions which are difficult to forecast, periodical negative margins cannot be ruled out. This estimate will be regularly revised until the effective termination of the supply agreements.

Circumstances in the first half of 2023 did not call into question the assumptions made at the December 31, 2022 closing date which led to these conclusions.

11. Scope of consolidation

The changes in the scope of consolidation during the first half of 2023 were as follows:

- on January 1, 2023, Valinox Nucléaire Tubes Guangzhou was deconsolidated;
- on January 1, 2023, the consolidation method applied to Vallourec Umbilicals was changed from the equity method to full consolidation.

12. Subsequent events

No significant events occurred after the end of the reporting period.

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Statutory Auditors' Review Report on the 2022 Half-yearly Financial Information

For the period from January 1st, 2023 to June 30th, 2023

This is a free translation into English of the Statutory Auditors' review report on the 2023 half-year financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-year management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of VALLOUREC, for the period from January 1st, 2023 to June 30th, 2023,
- the verification of the information presented in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris-La Défense, July 27, 2023

The statutory auditors

French original signed by

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A French limited company (société anonyme)
with a Board of Directors with share capital of €4,732,381.22