Press release

Meudon (France), November 16, 2023

Vallourec, a world leader in premium tubular solutions, announces today its results for the third quarter 2023. The Board of Directors of Vallourec SA, meeting on November 14th 2023, approved the Group's third quarter 2023 Consolidated Financial Statements.

Third Quarter 2023 Results

- **EBITDA of €222 million in Q3 driven by robust Tubes profitability**
- **Net debt halved year-over-year: reduced from €1,493m to €741m**
- **International tubes demand and pricing continue to increase**
- **US bookings have recovered, market prices expected to stabilize in near-term**
- **Full Year 2023 EBITDA outlook increased: now expected to range from €1,075m to €1,175m versus prior €950m to €1,100m**
- **Net debt outlook improved: now expected to decline further versus the Q3 2023 level in Q4 2023[a]**

HIGHLIGHTS

Strong Q3 2023 Cash Flow

- **EBITDA of €222 million** (up €24 million YoY) driven by robust Tubes profitability
  - Tubes EBITDA of €193 million (up €25 million YoY) supported by a 20% YoY average selling price increase and strong operating performance in Eastern Hemisphere
  - Mine & Forest EBITDA of €39 million (stable YoY): ~0.3 million tonne YoY increase in mine production sold was offset by YoY reduction in non-cash forest revaluation (IAS 41)
- **Adjusted free cash flow of €217 million**
- **Net debt halved year-over-year: reduced from €1,493 million to €741 million**

Increased FY 2023 Outlook[b]

- **Raising Full Year 2023 EBITDA outlook to range between €1,075 million and €1,175 million**
  - Increased versus prior €950m – €1,100m range due to continued strong market environment in Eastern Hemisphere and solid operational performance
- **Total cash generation to be positive in the fourth quarter 2023** excluding any potential benefit of asset sales
- **Net debt to decline further versus third quarter 2023 level** excluding any potential benefit of asset sales

[a] Excluding any potential benefit of asset sales
[b] As provided on July 13, 2023

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

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

"The third quarter of 2023 marked yet another quarter of strong operational execution and significant deleveraging. Vallourec has now cut its net debt in half over the past year. We are progressing very well on the path to reaching zero net debt by year-end 2025 at the latest. Following our deleveraging, we aim to return significant capital to our shareholders, potentially as early as 2025[c].

"Looking at our core markets, it is clear we remain in a multi-year upturn for the premium tubes business. In international markets and especially the Middle East, customer activity remains strong. Pricing on new OCTG orders continues to exceed current invoice prices, a reflection of strong market conditions and our value over volume strategy.

"In the United States, as expected, we saw a recovery in customer ordering activity in the third quarter, which will drive higher sales volumes in the fourth quarter. US distributor inventories have been steadily declining, imports have continued to fall to multi-year lows, and drilling activity has stabilized. As such, we remain confident that pricing will stabilize in the near-term. We have already seen early signs of this, with higher-end tubular products showing very small declines in the latest third-party surveys.

"The New Vallourec plan is on track. Our production activities in Germany will be finalized imminently. This project has been executed ahead of schedule and with results that exceeded our expectations. Our capacity enhancement program in Brazil, which will enable the transfer of oil & gas volumes from Germany, is on track. We expect to see the full benefit of this investment in 2024. Elsewhere, we are further progressing our premiumization program in China, and we are accelerating our operational improvements in Brazil. As we near the end of 2023, I am very pleased with the progress we have made in many areas, and still see significant opportunities ahead for the Group."

Key Data

in € million, unless noted	Q3 2023	Q2 2023	Q3 2022	QoQ chg.	YoY chg.
Tubes volume sold (k tonnes)	343	396	462	(54)	(119)
Iron ore volume sold (m tonnes)	1.8	1.9	1.5	(0.1)	0.3
Group revenues	1,142	1,358	1,282	(216)	(140)
Group EBITDA	**222**	**374**	**198**	**(152)**	**24**
(as a % of revenue)	*19.4%*	*27.5%*	*15.4%*	*(8.1) pp*	*4.0 pp*
Operating income (loss)	146	258	89	(112)	57
Net income, Group share	76	159	6	(83)	70
Free cash flow, as previously defined	154	115	(81)	39	235
Adj. free cash flow	**217**	**174**	**(57)**	**43**	**274**
Total cash generation	**150**	**118**	**(93)**	**32**	**243**
Net debt	**741**	**868**	**1,493**	**(127)**	**(752)**

[c] Vallourec's dividend policy would in any event be conditional upon the Board's decision taking into account Vallourec's results, its financial position including the deleveraging target and the potential restrictions applicable to the payment of dividends. Dividends would also be subject to shareholders' approval.

CONSOLIDATED RESULTS ANALYSIS

Third Quarter Results Analysis

In the Third Quarter of 2023, Vallourec recorded revenues of €1,142 million, down 11% year-on-year ((5%) at constant exchange rates). The decrease in Group revenues reflects:

- (26%) volume decrease mainly driven by lower deliveries in Industry in Europe and Oil & Gas Tubes in North America
- 20% price/mix effect
- 1% Mine and Forest
- (5%) currency effect mainly related to the strengthening of the Euro versus the US dollar

In the Third Quarter of 2023, EBITDA amounted to €222 million compared to €198 million in Q3 2022**;** the **Group EBITDA margin reached 19.4% of revenues** versus 15.4% in Q3 2022. For the Group, the EBITDA increase reflects:

- **An industrial margin of €324 million, or 28.4% of revenues**, versus €278 million or 21.7% of revenues in Q3 2022.
- **Selling, general and administrative expenses (SG&A) of €85 million or 7.4% of revenues**, versus €77 million or 6.0% in Q3 2022.

Operating income was positive at €146 million, compared to €89 million in Q3 2022, mainly explained by higher EBITDA and lower charges related to adaptation measures in Germany.

Financial income (loss) was negative at (€22) million, compared to (€30) million in Q3 2022; net interest expense in Q3 2023 stood at (€21) million compared to (€25) million in Q3 2022.

Income tax amounted to (€44) million compared to (€53) million in Q3 2022.

This resulted in positive net income, Group share, of €76 million, compared to €6 million in Q3 2022.

First Nine Month Results Analysis

Over the first nine months of 2023, Vallourec recorded revenues of €3,838 million, up 15% year-on-year (+16% at constant exchange rates). The increase in Group revenues reflects:

- (9%) volume decrease mainly driven by lower deliveries in Industry in Europe
- 23% price/mix effect
- 3% Mine and Forest
- (1%) currency effect mainly related to the strengthening of the Euro versus the US dollar

Over the first nine months of 2023, EBITDA amounted to €916 million compared to €403 million in 9M 2022**;** the **Group EBITDA margin reached 23.9% of revenues** versus 12.1% in 9M 2022. For the Group, the EBITDA increase reflects:

- **An industrial margin of €1,204 million, or 31.4% of revenues**, versus €661 million or 19.8% of revenues in 9M 2022.
- **Selling, general and administrative expenses (SG&A) of €248 million or 6.5% of revenues**, versus €260 million or 7.8% in 9M 2022.

Operating income was positive at €661 million. Over the first nine months of 2022, operating income was negative at (€286) million resulting mainly from provisions related to the adaptation measures (European social plans and associated fees) and, to a lesser extent, from provisions for non-recurring costs in respect of the mine incident.

Financial income (loss) was negative at (€92) million, compared to (€51) million in 9M 2022; net interest expense in 9M 2023 stood at (€74) million compared to (€70) million in 9M 2022.

Income tax amounted to (€167) million compared to (€104) million in 9M 2022.

This resulted in positive net income, Group share, of €391 million, compared to (€444) million in 9M 2022.

RESULTS ANALYSIS BY SEGMENT

Tubes

In Q3 2023, Tubes revenues were down 11% YoY due to lower shipments. **Tubes EBITDA rose from €168 million in Q3 2022 to €193 million** due to a 20% increase in the average selling price per tonne. Consequently, EBITDA per tonne improved from €364 per tonne to €563 per tonne.

Over the first nine months of 2023, Tubes revenues were up 13% due to higher pricing. **Tubes EBITDA more than doubled to reach €802 million;** a 24% increase in the average selling price per tonne more than offset the lower volumes. **Over the period, EBITDA per tonne increased by 151% to reach €686 per tonne.**

Mine & Forest

In Q3 2023, iron ore production sold reached 1.8 million tonnes, increasing by 21% year-over-year but down slightly sequentially. Consequently, **iron ore mine production sold over the first nine months of 2023 amounted to 5.2 million tonnes.**

Mine & Forest revenues in Q3 2023 reached €88 million, increasing year-over-year in line with market prices (€82 million in Q3 2022). **In Q3 2023, Mine & Forest EBITDA reached €39 million, leading to an EBITDA margin of 44%.**

Mine & Forest revenues over the first nine months of 2023 reached €274 million, compared to €175 million in 9M 2022. **Over the first nine months of 2023, Mine & Forest EBITDA reached €137 million, leading to an EBITDA margin of 50%.**

CASH FLOW AND FINANCIAL POSITION

Cash Flow Results Analysis

In Q3 2023, adjusted operating cash flow improved to €171 million, compared to €132 million in Q3 2022. The increase in cash EBITDA more than offset the higher income tax payments. **Over the first nine months of 2023, adjusted operating cash flow rose significantly by €457 million to reach €702 million**, mainly driven by increased EBITDA and despite higher financial and tax cash-out.

In Q3 2023, working capital was reduced by €97 million, versus an increase of €135 million in Q3 2022. **The net working capital requirement stood at 105 days of sales**, compared to 118 days in Q3 2022. **Over the first nine months of 2023, the working capital requirement decreased by €53 million**, versus a substantial increase of €538 million in 9M 2022.

Gross capital expenditure was €51 million in Q3 2023 (compared to €54 million in Q3 2022) and amounted to €170 million over the first nine months of 2023 in comparison with €113 million in 9M 2022.

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

In Q3 2023, adjusted free cash flow was positive at €217 million, while it was negative at (€57) million in Q3 2022. **Over the first nine months of 2023, adjusted free cash flow stood at €585 million driven by improved EBITDA as well as efficient working capital management** (compared to a negative (€406) million in 9M 2022).

In Q3 2023, total cash generation stood at €150 million, which includes the negative impact of €63 million restructuring charges and other non-recurring items. **Over the first nine months of 2023, total cash generation amounted to €419 million**, compared to a negative (€523) million in 9M 2022.

In Q3 2023, free cash flow, as previously defined, was €154 million, compared to (€81) million in Q3 2022, and **it was €416 million for the first nine months of 2023** compared to (€482) million in 9M 2022.

Net Debt and Liquidity

As of September 30, 2023, net debt stood at €741 million, a significant decrease compared to €1,493 million on September 30, 2022. Gross debt amounted to €1.7 billion including €54 million of fair value adjustment under IFRS 9 which will be reversed over the life of the debt. Long-term debt amounted to €1.4 billion and short-term debt totaled €327 million.

As of September 30, 2023, lease debt stood at €61 million following the application of IFRS 16 standards, compared to €71 million on December 31, 2022.

As of September 30, 2023, the liquidity position was very strong at €1,590 million, with cash amounting to €938 million, availability on our revolving credit facility (RCF) of €462 million, and availability on an asset-backed loan (ABL) of €190 million [(d)]. **The Group has no long-term debt repayments scheduled before June 2026.**

THE NEW VALLOUREC PLAN

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[e], before the change in working capital, even at the bottom of the cycle.

The closure of sites in Europe is ahead of schedule. Employees at the sites to be closed in Europe began to leave the company in Q1 2023. The last wave of departures is expected in 2024, including those colleagues in Germany who are supporting the dismantling operation in that year. The Brazil capacity enhancement program, which will expand the capabilities of our South America Tubes operations, is on-track. The full benefit of the oil & gas volume transfer to Brazil is expected in 2024. We are now accelerating our operational improvement program in the country.

In China, we are well advanced in executing our premiumization strategy. Finally, in Saudi Arabia, we anticipate our regional capacity expansion will be fully operational in 2024.

[d] *$9 million letter of credit and other commitments issued as of September 30, 2023*
[e] Free cash flow aligned with prior definition. See "Definitions of Non-GAAP Financial Data" for more information.

FULL YEAR 2023 OUTLOOK

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

- **Improved International Tubes EBITDA** due to the strong market environment and continued operational execution
- **Lower Tubes pricing in the US**, largely offset by a recovery in volumes
- **Mine and Forest** volumes to be down slightly to 1.7m tonnes with cost per tonne similar to Q3

The Group increases its Full Year 2023 Outlook:

- **Raising Full Year 2023 EBITDA outlook to range between €1,075m and €1,175m**
    - Increased versus prior €950m – €1,100m range due to continued strong market environment in Eastern Hemisphere and solid operational performance
- **Total cash generation to be positive in the fourth quarter 2023** excluding any potential benefit of asset sales
- **Net debt to decline further versus third quarter 2023 level** excluding any potential benefit of asset sales

Information and Forward-Looking Statements

This press release includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, Vallourec's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec's or any of its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if Vallourec's or any of its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (Autorité des marches financiers, or "AMF"), including those listed in the "Risk Factors" section of the Universal Registration Document filed with the AMF on April 17, 2023, under filing number n° D.23-0293.
Accordingly, readers of this document are cautioned against relying on these forward-looking statements. These forward-looking statements are made as of the date of this document. Vallourec disclaims any intention or obligation to complete, update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations. This press release does not constitute any offer to purchase or exchange, nor any solicitation of an offer to sell or exchange securities of Vallourec. or further information, please refer to the website https://www.vallourec.com/en
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Presentation of Q3 2023 Results

Conference call / audio webcast on November 16th at 9:30 am CET

- To listen to the audio webcast: https://channel.royalcast.com/landingpage/vallourec-en/20231116_1/

- To participate in the conference call, please dial (password: "Vallourec"):

  - +44 (0) 33 0551 0200 (UK)
  - +33 (0) 1 7037 7166 (France)
  - +1 786 697 3501 (USA)

- Audio webcast replay and slides will be available at:
  https://www.vallourec.com/en/investors

About Vallourec

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

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

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

Financial Calendar

March 1st 2024	Release of Fourth Quarter and Full Year 2023 results
May 16th 2024	Release of First Quarter 2024 results
May 23rd 2024	Annual General Meeting

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APPENDICES

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

Documents accompanying this release:

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

Tubes Sales Volume

in thousands of tonnes	2023	2022	YoY chg.
Q1	**431**	**395**	**9%**
Q2	**396**	**433**	**(9%)**
Q3	**343**	**462**	**(26%)**
Q4		**514**	
Total		**1,804**	

Mine Sales Volume

in millions of tonnes	2023	2022	YoY chg.
Q1	**1.5**	**0.1**	**nm**
Q2	**1.9**	**1.0**	**94%**
Q3	**1.8**	**1.5**	**21%**
Q4		**1.4**	
Total		**4.0**	

Foreign Exchange Rates

Average exchange rate	Q3 2023	Q2 2023	Q3 2022
EUR / USD	**1.08**	**1.08**	**1.06**
EUR / BRL	**5.42**	**5.48**	**5.46**
USD / BRL	**5.01**	**5.07**	**5.14**

Tubes Revenues by Geographic Region

in € million	Q3 2023	Q2 2023	Q3 2022	QoQ % chg.	YoY % chg.
North America	460	663	544	*(31%)*	*(16%)*
South America	198	229	212	*(13%)*	*(6%)*
Middle East	162	157	118	*3%*	*37%*
Europe	116	102	135	*14%*	*(14%)*
Asia	80	73	100	*10%*	*(20%)*
Rest of World	52	56	87	*(7%)*	*(41%)*
Total Tubes	**1,068**	**1,279**	**1,197**	***(16%)***	***(11%)***

Tubes Revenues by Market

in € million	Q3 2023	Q2 2023	Q3 2022	QoQ % chg.	YoY % chg.	YoY % chg. at Constant FX
Oil & Gas and Petrochemicals	845	1,039	885	*(19%)*	*(5%)*	*1%*
Industry	175	207	285	*(15%)*	*(38%)*	*(37%)*
Other	48	33	27	*47%*	*78%*	*132%*
Total Tubes	**1,068**	**1,279**	**1,197**	***(16%)***	***(11%)***	***(5%)***

Segment KPIs

		Q3 2023	Q2 2023	Q3 2022	QoQ chg.	YoY chg.
Tubes	Volume sold*	343	396	462	(14%)	(26%)
	Revenue (€m)	1,068	1,279	1,197	(16%)	(11%)
	Average Selling Price (€)	3,115	3,226	2,591	(3%)	20%
	EBITDA (€m)	193	330	168	(42%)	15%
	Capex (€m)	44	61	29	(28%)	52%
Mine & Forest	Volume sold*	1.8	1.9	1.5	(5%)	21%
	Revenue (€m)	88	93	82	(5%)	7%
	EBITDA (€m)	39	50	38	(22%)	1%
	Capex (€m)	6	5	24	20%	(75%)
H&O	Revenue (€m)	47	51	43	(8%)	9%
	EBITDA (€m)	(10)	(5)	(9)	100%	11%
Int.	Revenue (€m)	(62)	(65)	(41)	(5%)	51%
	EBITDA (€m)	–	(1)	–	nm	nm
Total	Revenue (€m)	1,142	1,358	1,282	(16%)	(11%)
	EBITDA (€m)	222	374	198	(41%)	12%
	Capex (€m)	51	66	53	(23%)	(4%)

** Volume sold in thousand tonnes for Tubes and in million tonnes for Mine*

H&O = Holding & Other, Int. = Intersegment Transactions

nm = not meaningful

Summary Consolidated Income Statement

€ million, unless noted	Q3 2023	Q2 2023	Q3 2022	QoQ chg.	YoY chg.
Revenues	**1,142**	**1,358**	**1,282**	**(216)**	**(140)**
Cost of sales	(818)	(890)	(1,004)	72	186
Industrial margin	**324**	**468**	**278**	**(144)**	**46**
(as a % of revenue)	*28.4%*	*34.5%*	*21.7%*	*(6.1) pp*	*6.7 pp*
Selling, general and administrative expenses	(85)	(84)	(77)	(1)	(8)
(as a % of revenue)	*(7.4%)*	*(6.2%)*	*(6.0%)*	*(1.3) pp*	*(1.4) pp*
Other	(17)	(10)	(3)	(7)	(14)
EBITDA	**222**	**374**	**198**	**(152)**	**24**
(as a % of revenue)	*19.4%*	*27.5%*	*15.4%*	*(8.1) pp*	*4.0 pp*
Depreciation of industrial assets	(41)	(45)	(47)	4	6
Amortization and other depreciation	(9)	(9)	(11)	–	2
Impairment of assets	-	(8)	–		
Asset disposals, restructuring costs and non-recurring items	(26)	(55)	(51)	29	25
Operating income (loss)	**146**	**258**	**89**	**(112)**	**57**
Financial income (loss)	(22)	(24)	(30)	2	8
Pre-tax income (loss)	**124**	**234**	**59**	**(110)**	**65**
Income tax	(44)	(70)	(53)	26	9
Share in net income (loss) of equity affiliates	–	1	(1)	(1)	1
Net income	**81**	**164**	**6**	**(83)**	**75**
Attributable to non-controlling interests	5	5	–	–	5
Net income, Group share	**76**	**159**	**6**	**(83)**	**70**
Basic earnings per share (€)	0.33	0.68	0.03	(0.35)	0.31
Diluted earnings per share (€)	**0.32**	**0.68**	**0.03**	**(0.36)**	**0.30**
Basic shares outstanding (millions)	229	233	229	(4)	0
Diluted shares outstanding (millions)	**236**	**236**	**229**	**(1)**	**7**

Summary Consolidated Balance Sheet

In € million

Assets	30-Sep-23	31-Dec-22	Liabilities	30-Sep-23	31-Dec-22
			Equity - Group share	2,120	1,643
Net intangible assets	45	37	Non-controlling interests	53	42
Goodwill	42	40	**Total equity**	**2,173**	**1,685**
Net property, plant and equipment	1,886	1,829	Bank loans and other borrowings (A)	1,352	1,367
Biological assets	74	63	Lease debt	43	51
Equity affiliates	16	16	Employee benefit commitments	84	105
Other non-current assets	181	187	Deferred taxes	87	52
Deferred taxes	271	238	Provisions and other long-term liabilities	304	297
Total non-current assets	**2,515**	**2,409**	**Total non-current liabilities**	**1,870**	**1,871**
Inventories	1,366	1,312	Provisions	300	355
Trade and other receivables	765	824	Overdraft & other short-term borrowings (B)	327	314
Derivatives - assets	32	41	Lease debt	18	20
Other current assets	285	211	Trade payables	819	787
Cash and cash equivalents (C)	938	552	Derivatives - liabilities	44	36
			Other current liabilities	354	286
Total current assets	**3,386**	**2,939**	**Total current liabilities**	**1,862**	**1,797**
Assets held for sale and discontinued operations	6	9	Liabilities held for sale and discontinued operations	2	4
Total assets	**5,907**	**5,358**	**Total equity and liabilities**	**5,907**	**5,358**

Net financial debt (A+B-C)	**741**	**1,130**	**Net income (loss), Group share**	**391**	**(366)**

Cash Flow Generation

In € million	Q3 2023	Q2 2023	Q3 2022	QoQ chg.	YoY chg.
EBITDA	**222**	**374**	**198**	**(152)**	**24**
Non-cash items in EBITDA	11	(21)	(39)	32	50
Financial cash out	(8)	(61)	(9)	53	1
Tax payments	(54)	(60)	(18)	6	(36)
Adjusted operating cash flow	**171**	**232**	**132**	**(61)**	**39**
Change in working capital	97	8	(135)	89	232
Gross capital expenditure	(51)	(66)	(54)	15	3
Adjusted free cash flow	**217**	**174**	**(57)**	**43**	**274**
Restructuring charges & non-recurring items	(63)	(59)	(23)	(4)	(40)
Asset disposals & other cash items (A)	(4)	3	(13)	(7)	9
Total cash generation (B)	**150**	**118**	**(93)**	**32**	**243**
Non-cash adjustments to net debt	(23)	14	(12)	(37)	(11)
(Increase) decrease in net debt	**127**	**132**	**(105)**	**(5)**	**232**
Free cash flow, as previously defined (B-A)	154	115	(81)	39	235

Indebtedness

In € million	**30-Sep-23**	**31-Dec-22**
8.500% Bonds due 2026	1,113	1,135
1.837% PGE due 2027	227	220
ACC ACE [(a)]	271	282
Other	68	43
Total gross financial indebtedness	**1,679**	**1,681**
Cash and cash equivalents	938	552
Total net financial indebtedness	**741**	**1,130**

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

Liquidity

In € million	**30-Sep-23**	**31-Dec-22**
Cash and cash equivalents	938	552
Available RCF	462	462
Available ABL [(a)]	190	189
Total liquidity	**1,590**	**1,203**

(a) *This $210m committed ABL is subject to a borrowing base calculation based on eligible accounts receivable and inventories, among other items. The borrowing base is currently in excess of the committed amount. Availability is shown net of approximately $9m of letters of credit and other items.*

Reconciliation of New Cash Metrics

	Q3 2022 Free Cash Flow Reconciliation							
Prior Naming Convention	**Prior Format**	**Non-cash items in EBITDA [(a)]**	**Restructuring & non-recurring items**	**Other financial cash impacts**	**Capital expenditures**	**Other investing and financing cash impacts**	**New Format**	**Current Naming Convention**
EBITDA	**198**	**–**	**–**	**–**	**–**	**–**	**198**	**EBITDA**
Provisions and other non-cash elements	(36)	(3)	–	–	–	–	(39)	Non-cash items in EBITDA
Interest payments	(8)	–	–	(2)	–	–	(9)	Financial cash out
Tax payments	(18)	–	–	–	–	–	(18)	Tax payments
Other (including restructuring charges)	(28)	3	23	2	–	–	–	–
Operating cash flow before change in WCR	**108**	**–**	**23**	**–**	**–**	**–**	**132**	**Adjusted operating cash flow**
Change in operating WCR [+ decrease , - increase]	(135)	–	–	–	–	–	(135)	Change in working capital
–	–	–	–	–	(54)	–	(54)	Gross capital expenditure
Operating cash flow	**(27)**	**–**	**23**	**–**	**(54)**	**–**	**(57)**	**Adjusted free cash flow**
Gross capital expenditure	(54)	–	–	–	54	–	–	–
–	–	–	(23)	–	–	–	(23)	Restructuring charges & non-recurring items
–	–	–	–	–	–	(12)	(13)	Asset disposals & other cash items
Free cash flow	**(81)**	**–**	**–**	**–**	**–**	**(12)**	**(93)**	**Total cash generation**
Assets disposal & other items	(24)	–	–	–	–	12	(12)	Non-cash adjustments to net debt
Change in net debt [+ decrease, (increase)]	**(105)**	**–**	**–**	**–**	**–**	**–**	**(105)**	**(Increase) decrease in net debt**

DEFINITIONS OF NON-GAAP FINANCIAL DATA

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

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

Asset disposals and other cash items includes cash inflows from asset sales as well as other investing and financing cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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