vallourec

Press release

Meudon (France), May 17, 2023

Vallourec, a world leader in premium tubular solutions and operator of the Pau Branco iron ore mine, announces today its results for the first quarter 2023.
The Board of Directors of Vallourec SA, meeting on May 16th 2023, approved the Group's first-quarter 2023 results.

First Quarter 2023 Results

- **Solid EBITDA of €320 million in Q1 driven by both Tubes and Mine & Forest**
- **Net debt reduced by €130 million to €1 billion**
- **Customer demand remains strong; solid Q1 order intake driven by Middle East National Oil Companies and other Eastern Hemisphere customers**
- **Aggregate price trend on Tubes orders remains favorable with International pricing offsetting moderate sequential decline in U.S. pricing**
- **Iron ore mine to return to full production following Cachoeirinha core waste pile release**
- **Reiterate FY 2023 objectives for YoY improvement in EBITDA, positive FCF and net debt reduction vs. 2022**

HIGHLIGHTS

Solid Q1 2023 Performance

- **EBITDA of €320 million** (up €275 million year-over-year) driven by robust Tubes profitability and the year-over-year (YoY) recovery in Mine volumes
  - Tubes EBITDA of €279 million (up €223 million YoY) supported by a 28% YoY average selling price increase
  - Mine & Forest EBITDA of €48 million (up €46 million YoY) due to ~1.4 million tonne YoY volume recovery
- **Strong Q1 adjusted free cash flow of €194 million**; free cash flow, as previously defined, was €147 million
- **Net debt reduced by €130 million to €1 billion**

Reiterate FY 2023 Outlook

- **EBITDA is expected to improve vs. FY 2022**
- **Net debt is expected to decline vs. year-end 2022**
- **Free cash flow**, as previously defined, **is expected to be positive**

Other Recent Highlights

- Vallourec received environmental ratings upgrades by CDP and Ecovadis that complement the Group's excellent performance versus its Scope 1, 2 and 3 emissions targets
- Recognized for reducing leverage and costs: S&P Global upgraded Vallourec's long-term issuer rating to 'BB-' from 'B+' with a positive outlook

Information

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

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

"Our results in Q1 2023 continued the trend of meaningful profitability growth in our Tubes business observed over the last few quarters. We further deleveraged our balance sheet, reducing net debt by €130 million in the quarter. The Group remains intensely focused on streamlining its operations and executing the New Vallourec plan.

"We continue to see 2023 as a transformational year for Vallourec. Our major capability enhancement program is underway in Brazil, which will increase the markets addressable by our South America Tubes operation. Meanwhile, we are proceeding with the ramp-down of our assets in Germany, with continued expectations of production stoppage at the end of 2023. Across all regions, our team remains focused on providing quality products to our customers while we execute this industrial realignment.

"As we look into the second quarter, we expect EBITDA to be similar to the results achieved in Q1 2023. While we expect a moderate sequential decline in U.S. pricing, we are maximizing the value we receive for our products. Additionally, our booking momentum outside of North America remains strong, and the price trend in all OCTG markets outside of North America remains positive.

"We reiterate our expectation for EBITDA to improve year-over-year in 2023 and expect it will be somewhat weighted toward the first half of the year. In the second half of 2023, we will likely see some earnings degradation from our planned volume ramp-down in Germany and the previously-noted sequential declines in U.S. pricing. That said, it is important to note that we continue to expect the full effect of the New Vallourec plan starting in Q2 2024, with a meaningful portion of the €230 million annualized benefit to be realized in 2024.

"Additionally, we continue to expect to reduce net debt this year without taking into account any potential benefit of asset sales. We reiterate our target to reach zero net debt by year-end 2025 at the latest, a key step in cycle-proofing our business."

Key Data

in € million, unless noted	Q1 2023	Q4 2022	Q1 2022	QoQ chg.	YoY chg.
Tubes volume sold (k tonnes)	431	514	395	(83)	36
Iron ore volume sold (m tonnes)	1.5	1.4	0.1	0.1	1.4
Group revenues	1,338	1,541	916	(203)	422
Group EBITDA	**320**	**312**	**45**	**8**	**275**
(as a % of revenue)	*23.9%*	*20.2%*	*4.9%*	*3.7 pp*	*19.0 pp*
Operating income (loss)	257	164	(17)	93	274
Net income, Group share	156	78	(35)	78	191
Free cash flow, as previously defined	147	266	(230)	(119)	377
Adj. free cash flow	**194**	**318**	**(210)**	**(124)**	**404**
Net debt	**1,000**	**1,130**	**1,213**	**(130)**	**(213)**

Information
Quarterly financial information is unaudited and not subject to any review.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.
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CONSOLIDATED RESULTS ANALYSIS

In the First Quarter of 2023, Vallourec recorded revenues of €1,338 million, up 46% year-on-year (41% at constant exchange rates). The increase in Group revenues reflects:

- 9% volume increase mainly driven by Oil & Gas in North America
- 26% price/mix effect
- 6% Mine and Forest
- 5% currency effect mainly related to weaker EUR/USD and EUR/BRL

In the First Quarter of 2023, EBITDA amounted to €320 million compared with €45 million in Q1 2022**;** the **EBITDA margin reached 23.9% of revenues** versus 4.9% in Q1 2022. For the Group, the EBITDA increase reflects:

- **An industrial margin of €412 million, or 30.8% of revenues**, versus €129 million or 14.1% of revenues in Q1 2022. The positive contribution of the Oil & Gas market in North America, both in prices and volumes, was supplemented by a recovery in iron ore volumes.
- **Selling, general and administrative expenses (SG&A) of €79 million or 5.9% of revenues**, versus €85 million or 9.3% in Q1 2022.

Operating income was positive at €257 million, compared to (€17) million in Q1 2022.

Financial income (loss) was negative at (€46) million, compared with (€13) million in Q1 2022 driven by FX losses among others; net interest expenses in Q1 2023 stood at (€26) million compared to (€22) million in Q1 2022.

Income tax amounted to (€53) million compared to (€3) million in Q1 2022.

This resulted in positive net income, Group share, of €156 million, compared to (€35) million in Q1 2022.

RESULTS ANALYSIS BY SEGMENT

Tubes

In Q1 2023, Tubes revenues were up 40% on the back of strong pricing. **Tubes EBITDA rose significantly from €56 million to €279 million** based on a 9% increase in volumes, coupled with a 28% increase in the average selling price per tonne.

Mine and Forest

In Q1 2023, the iron ore mine production sold reached 1.5 million tonnes, compared to 0.1 million tonnes in Q1 2022. The low result in Q1 2022 was a consequence of the waste pile slippage incident at the beginning of 2022.

Mine and Forest revenues in Q1 2023 reached €93 million, increasing strongly year-on-year (€24 million in Q1 2022). **In Q1 2023, Mine and Forest EBITDA reached €48 million, leading to an EBITDA margin of 52%.**

CASH FLOW AND FINANCIAL POSITION

Enhanced Cash Flow Disclosures

Vallourec has enhanced its previous cash flow disclosures to increase transparency during the implementation of the New Vallourec plan. Vallourec has received feedback from users of its financial information that indicates difficulty ascertaining the total cash impacts of the New Vallourec plan on Group cash generation, estimating the potential cash flows of the Group following the completion of the New Vallourec plan, and reconciling the Group's actual net debt reduction and its prior "free cash flow" metric.

While Vallourec believes its reporting has been well-detailed from the perspective of the consolidated income statement, feedback from users has indicated that a clearer separation of the cash flows of Vallourec's underlying business and non-recurring items is required. Therefore, Vallourec has added the following KPIs:

- **Adjusted operating cash flow,** which demonstrates the Group's cash flow from operating activities excluding the impact of restructuring charges & non-recurring items
- **Adjusted free cash flow,** which is the Group's adjusted operating cash flow +/- the change in operating working capital and gross capital expenditures
- **Total cash generation,** which accounts for all cash items that affect the Group's change in net debt in a given financial period

Tables detailing the calculation of these measures and their reconciliation to previously-reported metrics are presented in the Appendices of this press release. Vallourec emphasizes that no change in its internal management incentive metrics or its 2023 outlook presented as of March 2, 2023 has occurred as a result of this change. [a] Importantly, Vallourec notes that no potential asset sales proceeds are assumed in its expectations of net debt reduction in 2023.

Please see "Definitions of non-GAAP financial data" at the back of this press release for further information.

Cash Flow Results Analysis

In Q1 2023, adjusted operating cash flow improved to €299 million, compared to €40 million in Q1 2022, as higher EBITDA and lower income tax payments more than offset the increase in financial cash out.

In Q1 2023, the operating working capital requirement increased by €52 million, versus a strong increase of €216 million in Q1 2022. **The net working capital requirement stood at 94 days of sales**, compared to 125 days in Q1 2022.

Gross capital expenditure was €53 million in Q1 2023, compared with €34 million in Q1 2022.
For the full year, gross capital expenditure is expected to be around €220 million, including approximately €70 million of capital expenditures related to the transfer of German Oil & Gas volumes to Brazil.

In Q1 2023, adjusted free cash flow was positive at €194 million, compared with (€210) million in Q1 2022.

In Q1 2023, total cash generation stood at €151 million, which includes the impact of €47 million restructuring charges and other non-recurring items as well as €4 million of asset disposals and other cash items.

In Q1 2023, free cash flow, as previously defined, was €147 million, compared with (€230) million in Q1 2022.

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[a] *The Group maintains its guidance for positive free cash flow for 2023. It is further clarified that considering the change in cash flow metrics, the notion of free cash flow is replaced by total cash generation restated for asset disposals & other cash items. The change of cash flow metrics also has no impact on any other guidance provided by the Group. Please see "Definitions of Non-GAAP Financial Data" in the Appendices.*

Net Debt and Liquidity

As of March 31, 2023, net debt stood at €1.0 billion, compared with €1.1 billion on December 31, 2022. Gross debt amounted to €1.9 billion including €65 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 €532 million.

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

As of March 31, 2023, the liquidity position was strong at €1.4 billion, with cash amounting to €894 million, availability on our revolving credit facility (RCF) of €312 million [b], and availability on an asset-backed loan (ABL) of €185 million [c]. **The Group has no long-term debt repayments scheduled before June 2026.**

THE PAU BRANCO IRON ORE MINE TO RESUME FULL PRODUCTION

Operations at Vallourec's Pau Branco iron ore mine were temporarily suspended in January 2022 following slippage at its Cachoeirinha waste pile. Operations were partially restarted in May 2022 using alternative waste piles, albeit at lower-than-normal capacity levels. Production sold in Q1 was 1.5 million tonnes and April production sold was approximately 0.6 million tonnes despite capacity constraints due to the use of these alternative waste piles.

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. We expect the Pau Branco iron ore mine to return to full production in Q2 2023.

NEW VALLOUREC PLAN UPDATES

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

Employees at the sites to be closed in Europe have begun 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. Meanwhile, Vallourec is now ramping up its capital investment program in Brazil to assure the full transfer of Oil & Gas volumes from Germany throughout the course of 2023.

In February 2023, we signed a contract to sell our Mülheim site for €40 million. This sale process is ongoing and closing is not expected in the near-term. The sale process for our much larger site in Duesseldorf-Rath is progressing.

Vallourec aims to achieve best-in-class profitability levels and close the margin gap with peers over the cycle.

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[b] *The RCF, drawn as of March 31, 2023, has been subsequently repaid*
[c] *$9 million letter of credit issued as of March 31, 2023*

SECOND QUARTER AND FULL YEAR 2023 OUTLOOK

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

- Robust revenues in **Tubes** as International price improvement offsets a moderate sequential U.S. decline
- **Mine and Forest** volumes to return to full production in Q2 2023. The sequential volume increase will be offset by lower market prices
- **EBITDA to be similar to Q1 2023** and up substantially year-over-year
- **Total cash generation to be around breakeven** due to an assumed temporary intra-year increase of working capital

The Group additionally reiterates and supplements its Full Year 2023 Outlook, which includes the following:

- **EBITDA is expected to improve vs. 2022.** We expect somewhat first half-weighted EBITDA generation as sequential declines in U.S. pricing are partially offset by improvement in International markets
- **Net debt is expected to decline vs. 2022**
- **Free cash flow,** as previously defined, **and total cash generation are expected to be positive**, excluding any potential benefit from asset sales and assuming higher year-over-year tax payments, approximately €220 million gross capital expenditures and restructuring and non-recurring items moderately below €350 million.

Information and Forward-Looking Statements

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

Presentation of Q1 2023 results

Conference call / audio webcast on Wednesday, May 17th at 9:30 am CET

- To listen to the audio webcast: https://channel.royalcast.com/landingpage/vallourec-en/20230517_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

May 25th 2023	Ordinary and Extraordinary Shareholders' Meeting
July 28th 2023	Release of second quarter and first half 2023 results
Sept. 12th 2023	Capital Markets Day (London)

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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		**433**	
Q3		**462**	
Q4		**514**	
Total		**1,804**	

Mine Sales Volume

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

Foreign Exchange Rates

Average exchange rate	Q1 2023	Q1 2022
EUR / USD	**1.07**	**1.12**
EUR / BRL	**5.58**	**5.87**
USD / BRL	**5.19**	**5.23**

Tubes Revenues by Geographic Region

in € million	Q1 2023	Q4 2022	Q1 2022	QoQ % chg.	YoY % chg.
Europe	152	137	162	*11%*	*(6%)*
North America	658	744	346	*(12%)*	*90%*
Middle East	112	111	94	*1%*	*19%*
Asia	54	111	75	*(51%)*	*(28%)*
South America	189	241	190	*(22%)*	*(0%)*
Rest of World	92	123	35	*(25%)*	*163%*
Total Tubes	**1,258**	**1,467**	**902**	***(14%)***	***40%***

Tubes Revenues by Market

in € million	Q1 2023	Q4 2022	Q1 2022	QoQ % chg.	YoY % chg.	YoY % chg. at Constant Exchange Rates
Oil & Gas and Petrochemicals	1,021	1,185	596	*(14%)*	*71%*	*65%*
Industry	214	252	250	*(15%)*	*(14%)*	*(16%)*
Other	23	31	56	*(27%)*	*(59%)*	*(59%)*
Total Tubes	**1,258**	**1,467**	**902**	***(14%)***	***40%***	***35%***

Segment KPIs

	Tubes			Mine and Forest			Holding co. and other			Inter-segment transactions			Total		
	Q1 2023	Q1 2022	% chg.	Q1 2023	Q1 2022	% chg.	Q1 2023	Q1 2022	% chg.	Q1 2023	Q1 2022	% chg.	Q1 2023	Q1 2022	% chg.
Volume sold*	431	395	*9%*	1.5	0.1	*nm*									
Revenue (€m)	1,258	902	*40%*	93	24	*nm*	46	47	*(2%)*	(59)	(56)	*5%*	1,338	916	*46%*
Average Selling Price (€)	2,919	2,284	*28%*												
EBITDA (€m)	279	56	*nm*	48	2	*nm*	(5)	(16)	*(69%)*	(3)	3	*nm*	320	45	*nm*
Capex (€m)	45	30	*50%*	7	3	*133%*	1	1	*–*				53	34	*56%*

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

nm = not meaningful

Summary Consolidated Income Statement

€ million, unless noted	Q1 2023	Q4 2022	Q1 2022	QoQ chg.	YoY chg.
Revenues	**1,338**	**1,541**	**916**	**(203)**	**422**
Cost of sales	(926)	(1,126)	(787)	200	(139)
Industrial margin	**412**	**415**	**129**	**(3)**	**283**
(as a % of revenue)	*30.8%*	*26.9%*	*14.1%*	*3.9 pp*	*16.7 pp*
Selling, general and administrative expenses	(79)	(90)	(85)	11	6
(as a % of revenue)	*(5.9%)*	*(5.8%)*	*(9.3%)*	*(0.1) pp*	*3.4 pp*
Other	(13)	(13)	1	–	(14)
EBITDA	**320**	**312**	**45**	**8**	**275**
(as a % of revenue)	*23.9%*	*20.2%*	*4.9%*	*3.7 pp*	*19.0 pp*
Depreciation of industrial assets	(40)	(46)	(41)	6	1
Amortization and other depreciation	(10)	(10)	(10)	–	–
Impairment of assets	–	(36)	–	36	–
Asset disposals, restructuring costs and non-recurring items	(13)	(56)	(11)	43	(2)
Operating income (loss)	**257**	**164**	**(17)**	**93**	**274**
Financial income (loss)	(46)	(60)	(13)	14	(33)
Pre-tax income (loss)	**211**	**104**	**(30)**	**107**	**241**
Income tax	(53)	(9)	(3)	(44)	(50)
Share in net income (loss) of equity affiliates	(1)	(15)	(1)	14	–
Net income	**157**	**80**	**(34)**	**77**	**191**
Attributable to non-controlling interests	1	2	1	(1)	–
Net income, Group share	**156**	**78**	**(35)**	**78**	**191**
Basic earnings per share (€)	**0.67**	**0.34**	**(0.15)**	**0.34**	**0.83**
Basic shares outstanding (millions)	232	232	229	–	3

Summary Consolidated Balance Sheet

In € million

Assets	31-Mar-23	31-Dec-22	Liabilities	31-Mar-23	31-Dec-22
			Equity - Group share	1,812	1,643
Net intangible assets	49	37	Non-controlling interests	43	42
Goodwill	40	40	**Total equity**	**1,855**	**1,685**
Net property, plant and equipment	1,805	1,829	Bank loans and other borrowings (A)	1,362	1,368
Biological assets	66	63	Lease debt (D)	46	51
Equity affiliates	15	16	Employee benefit commitments	97	105
Other non-current assets	175	187	Deferred taxes	82	52
Deferred taxes	253	238	Provisions and other long-term liabilities	315	296
Total non-current assets	**2,403**	**2,410**	**Total non-current liabilities**	**1,902**	**1,872**
Inventories	1,364	1,312	Provisions	316	355
Trade and other receivables	829	824	Overdraft & other short-term borrowings (B)	532	314
Derivatives - assets	23	34	Lease debt (E)	19	20
Other current assets	259	217	Trade payables	816	787
Cash and cash equivalents (C)	894	552	Derivatives - liabilities	19	36
			Other current liabilities	318	285
Total current assets	**3,369**	**2,939**	**Total current liabilities**	**2,020**	**1,797**
Assets held for sale and discontinued operations	7	9	Liabilities held for sale and discontinued operations	2	4
Total assets	**5,779**	**5,358**	**Total equity and liabilities**	**5,779**	**5,358**

Net financial debt (A+B-C)	**1,000**	**1,130**	**Net income (loss), Group share**	**156**	**(366)**
Lease debt (D+E)	**65**	**71**			

Cash Flow Generation

In € million	Q1 2023	Q4 2022	Q1 2022	QoQ chg.	YoY chg.
EBITDA	**320**	**312**	**45**	**8**	**275**
Non-cash items in EBITDA	13	(13)	20	26	(7)
Financial cash out	(18)	(63)	(4)	45	(14)
Tax payments	(16)	(23)	(21)	7	5
Adjusted operating cash flow	**299**	**213**	**40**	**86**	**259**
Change in working capital	(52)	183	(216)	(235)	164
Gross capital expenditure	(53)	(78)	(34)	25	(19)
Adjusted free cash flow	**194**	**318**	**(210)**	**(124)**	**404**
Restructuring charges & non-recurring items	(47)	(53)	(20)	6	(27)
Asset disposals & other cash items (A)	4	58	(10)	(54)	14
Total cash generation (B)	**151**	**323**	**(240)**	**(172)**	**391**
Non-cash adjustments to net debt	(21)	41	(15)	(62)	(6)
(Increase) decrease in net debt	**130**	**364**	**(255)**	**(234)**	**385**
Free cash flow, as previously defined (B-A)	147	266	(230)	(119)	377

Indebtedness

In € million	31-Mar-23	31-Dec-22
8.500% Bonds due 2026	1,128	1,135
1.837% PGE due 2027	222	220
Revolving credit facility (RCF) [(a)]	150	–
ACC ACE [(b)]	326	282
Other	68	43
Total gross financial indebtedness	**1,894**	**1,681**
Cash and cash equivalents	894	552
Total net financial indebtedness	**1,000**	**1,130**

(a) The RCF, shown as drawn as of March 31, 2023, has been subsequently repaid.

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

Liquidity

In € million	31-Mar-23	31-Dec-22
Cash and cash equivalents	894	552
Available RCF [(a)]	312	462
Available ABL [(b)]	185	189
Total liquidity	**1,391**	**1,203**

(a) The RCF, shown as drawn as of March 31, 2023, has been subsequently repaid.

(b) $9m letter of credit issued as of March 31, 2023.

Reconciliation of New Cash Metrics

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
	Q1 2022 Free Cash Flow Reconciliation							
EBITDA	**45**	**–**	**–**	**–**	**–**	**–**	**45**	**EBITDA**
Provisions and other non-cash elements	19	1	–	–	–	–	20	Non-cash items in EBITDA
Interest payments	(4)	–	–	–	–	–	(4)	Financial cash out
Tax payments	(21)	–	–	–	–	–	(21)	Tax payments
Other (including restructuring charges)	(19)	(1)	20	–	–	–	–	–
Operating cash flow before change in WCR	**20**	**–**	**20**	**–**	**–**	**–**	**40**	**Adjusted operating cash flow**
Change in operating WCR [+ decrease , - increase]	(216)	–	–	–	–	–	(216)	Change in working capital
–	–	–	–	–	(34)	–	(34)	Gross capital expenditure
Operating cash flow	**(196)**	**–**	**20**	**–**	**(34)**	**–**	**(210)**	**Adjusted free cash flow**
Gross capital expenditure	(34)	–	–	–	34	–	–	–
–	–	–	(20)	–	–	–	(20)	Restructuring charges & non-recurring items
–	–	–	–	–	–	(10)	(10)	Asset disposals & other cash items
Free cash flow	**(230)**	**–**	**–**	**–**	**–**	**(10)**	**(240)**	**Total cash generation**
Assets disposal & other items	(25)	–	–	–	–	10	(15)	Non-cash adjustments to net debt
Change in net debt [+ decrease, (increase)]	**(255)**	**–**	**–**	**–**	**–**	**–**	**(255)**	**(Increase) decrease in net debt**

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
	FY 2022 Free Cash Flow Reconciliation							
EBITDA	**715**	**–**	**–**	**–**	**–**	**–**	**715**	**EBITDA**
Provisions and other non-cash elements	(53)	(15)	–	–	–	–	(68)	Non-cash items in EBITDA
Interest payments	(112)	–	–	2	–	–	(110)	Financial cash out
Tax payments	(79)	–	–	–	–	–	(79)	Tax payments
Other (including restructuring charges)	(141)	15	128	(2)	–	–	–	–
Operating cash flow before change in WCR	**330**	**–**	**128**	**–**	**–**	**–**	**458**	**Adjusted operating cash flow**
Change in operating WCR [+ decrease , - increase]	(355)	–	–	–	–	–	(355)	Change in working capital
–	–	–	–	–	(191)	–	(191)	Gross capital expenditure
Operating cash flow	**(25)**	**–**	**128**	**–**	**(191)**	**–**	**(88)**	**Adjusted free cash flow**
Gross capital expenditure	(191)	–	–	–	191	–	–	–
–	–	–	(128)	–	–	–	(128)	Restructuring charges & non-recurring items
–	–	–	–	–	–	16	16	Asset disposals & other cash items
Free cash flow	**(216)**	**–**	**–**	**–**	**–**	**16**	**(200)**	**Total cash generation**
Assets disposal & other items	44	–	–	–	–	(16)	28	Non-cash adjustments to net debt
Change in net debt [+ decrease, (increase)]	**(172)**	**–**	**–**	**–**	**–**	**–**	**(172)**	**(Increase) decrease in net debt**

DEFINITIONS OF NON-GAAP FINANCIAL DATA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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