

2022

Interim Financial Report

Half-year ended June 30, 2022

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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 2022

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: the main driver for capital expenditure growth

Global oil demand recovered steadily in 2021 to an average of 97.6 mb/d, following the sharp decrease in 2020 due to the Covid-19 pandemic (a fall of 8.6 mb/d versus 2019). According to IEA estimates¹, global oil demand reached an average of 98.8 mb/d over the first half of 2022, led mainly by OECD countries.

Over the first half of 2022, total oil supply reached an average of 98.7 mb/d (versus an average of 95.2 mb/d in 2021). The increase in output was driven by higher oil production, mainly from the Middle East, North America and Latin America. On the supply side, the European Union's decision to ban 90% of Russian crude and oil imports has to be partially offset by supply from non-OPEC+ producers, led by the United States. Additionally, on June 2, 2022, OPEC+ announced that it was increasing output by 648 kb/d in both July and August. The previous agreement had provided for a monthly production increase of 432 kb/d.

Oil prices

In first-half 2022, the average WTI price² was USD 101/b (versus USD 62/b in first-half 2021, a year-on-year increase of around 63%), reflecting a recovery in demand since the beginning of 2021 in the wake of the Covid-19-pandemic induced global economic crisis in 2020.

Following the same trend, the average Brent price³ in first-half 2022 was USD 104/b (versus USD 65/b in first-half 2021, a year-on-year increase of around 60%).

The average gas price⁴ in first-half 2022 was USD 5.99/Mbtu (versus USD 2.85/Mbtu in first-half 2021, a year-on-year increase of around 110%).

Oil & Gas market in the United States

In the United States, the rig count has gradually recovered from the trough in August 2020 (monthly average of 250 rigs) to reach an average of 739 active rigs in June 2022, implying 138 additional rigs since the beginning of the year.

OCTG prices⁵ have recovered continuously since bottoming out at USD 1,290/t in August 2020, increasing significantly to reach USD 3,585/t in June 2022, representing an increase of 31% since January 2022.

The US OCTG consumption⁶ per rig has gradually increased since 2016, reaching an average of 501 tons per rig and per month in first-half 2022.

Oil & Gas market in Brazil

According to the IEA June 2022 Oil Market Report, Brazilian oil production stabilized above 3 mb/d in first-half 2022. With oil production of 3.09 mb/d during the first quarter and around 3.01 mb/d during the second, Brazilian oil output in first-half 2022 as a whole exceeded first-half 2021 by 160 kb/d.

Oil & Gas market in the EA-MEA regions

The international rig count bottomed out in December 2020 (average of 665 units) before gradually starting to recover. In June 2022, the average international rig count was 824 units, representing 159 additional units since December 2020, albeit still below pre-Covid levels.

In the MEA region, OCTG prices⁷ remained stable since July 2019 at around USD 1,550-1,600/t before starting to decrease in line with the worldwide pandemic, hitting a trough of USD 1,312/t in August 2020. MEA OCTG prices recovered slowly in 2021 before accelerating in 2022 to USD 2,100/t in June.

¹ IEA Oil Market Report – June 2022

² Price of WTI: Nasdaq – data collected in July 2022

³ Price of Brent: Nasdaq – data collected in July 2022

⁴ Price of Gas (Henry Hub): Nasdaq – data collected in July 2022

⁵ Pipe Logix (average Seamless pipes) – June 2022

⁶ Preston Pipe & Tubes Report – June 2022

⁷ Rystad (OCTG casing L80 premium connection) – June 2022

In Western Europe, OCTG prices⁸ reached a low of USD 1,350/t in May 2020, before gradually starting to recover. At end of June 2022, OCTG prices stood at USD 2,500/t, up 44% since the beginning of the year.

2. Industry and other markets

Demand for industrial applications is dependent upon growth in sectors such as automotive, agriculture, construction and industrial manufacturing. Growth may be driven by numerous factors, but broadly correlates with GDP trends.

Europe (Germany)

The Ifo Business Climate index declined to a low point of 75.5 in April 2020, reflecting the impact of Covid-19 on the German economy before gradually recovering, peaking at 101.4 in June 2021. Since the beginning of 2022, the index has been declining, standing at 92.3 in June 2022, reflecting business concerns over higher energy and raw material prices.

Brazil

For 2021, GDP increased by 4.6%⁹. Growth was driven by services and industrial sectors, with a positive impact on Vallourec's Industry business in Brazil. The industrial tubes market has followed this steep rebound, driven by higher demand and restocking by customers.

Significant events

Governance changes

- Vallourec's Board of Directors met on March 20, 2022 and appointed Philippe Guillemot for a four-year term, effective immediately. Further to the completion of an external selection process by a special committee of the Board of Directors, the Nomination and Governance Committee decided to select Philippe Guillemot to succeed Edouard Guinotte as Chairman and Chief Executive Officer of Vallourec.
- On April 15, 2022, Vallourec announced the appointment of Sascha Bibert as Group Chief Financial Officer. He took up his position on April 19, 2022 and joined the Group's Executive Committee.
- On May 2, 2022, Vallourec announced the appointment of Ulrika Wising as Senior Vice President Energy Transition. She joined the Group's Executive Committee.
- On June 1, 2022, the Group announced the appointment of Enrico Schiappacasse as Senior Vice President Group Strategy and Development. He took up his position on June 1, 2022 and joined the Group's Executive Committee.
- On July 1, 2022, Vallourec announced the appointment of Nathalie Joannes as General Counsel for the Group. She took up her position on July 4, 2022 and joined the Executive Committee.
- On July 4, 2022, the Group Vallourec announced the appointment of Ludovic Oster as Chief Human Resources Officer. He took up his position on July 4, 2022 and joined the Executive Committee.
- On July 8, 2022, the Group announced the appointment of Pierre d'Archemont as Senior Vice President South America. He took up his position on July 14, 2022 and joined the Executive Committee.

These appointments complete the team that will drive 'New Vallourec' transformation plan.

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 H1 2022 amounted to approximately 1.1 million tonnes.
- **In the Full Year 2022, Vallourec now assumes an annual production of 2.6 million tonnes.**
- Meanwhile, Vallourec continues discussions with the authorities regarding the use of other alternative waste piles to continue production. The group is also working as fast as possible on additional safeguarding measures including drainage system reinforcement and the stabilization of the soft soil layers, in order to resume normal operations using the original waste pile, subject to the validation by the state mining and environmental authorities. Those normal operations are expected not before Q2 2023 following the full release of the Cachoeirinha Pile.

⁸ Rystad (OCTG casing L80 premium connection) – June 2022

⁹ Official results published by IBGE - Brazilian Agency of Statistics

Foundations of the New Vallourec

Reshape industrial footprint

In May 2022, Vallourec announced the initiation of the closure process of its German tube plants and the transfer of the German rolling activity for Oil & Gas to Brazil. The process will take place over the next two years and will include the sale of land and buildings. The transfer will require approximately €120 million of capex in the Brazil operations to support the transition of premium tubular volume from Europe by end 2023.

The closure of the German operations implies further rationalization of other European operations involved in the finishing of tubes rolled in Germany. This rationalization will entail the consolidation of all the European threading activities in a single location in Aulnoye, France. The Group has also launched the closure processes of the heat treatment line at Saint-Saulve (France) and the threading line at Bellshill (Scotland). Elsewhere, Vallourec completed the sale of Vallourec Bearing Tubes. The Aulnoye Competence Center will lead the 'one R&D' organization.

Streamline overheads to lower breakeven and increase efficiency

Vallourec will simplify its organization by streamlining its structure in all regions (North America, South America and Eastern Hemisphere) and by further downsizing the headquarter functions, which will be primarily focused on strategy and expertise.

The Group will also benefit from higher productivity by implementing automation for all transactional processes and consolidating support functions in larger, Shared Services Centers, to leverage the Company's scale.

Finally, support functions will be located close to production sites and the Group will focus on value-creating projects.

These combined initiatives will lead to €230 million of recurring EBITDA and €250 million ongoing cash up-lift. The execution is expected to be finalized at end of Q1 2024. The associated headcount reduction¹⁰ should be approximately 2,950.

The implementation of these measures is subject to consultation of the competent employee representative bodies.

The indicative profile for the 'one-off' cash flows of this project shows that the bulk of the cash outflows (severance and other one-off costs) are concentrated at the beginning of 2024, while the main cash inflows (sale of land, buildings, working capital and other) are expected in the early part 2023. Consequently, the restructuring is not expected to impair liquidity

New Vallourec industrial footprint in 2024

Vallourec's new industrial footprint is designed to support its value-over-volume strategy through a reduction of approximately 700,000 tonnes of unprofitable capacity in Europe and a focus on low-cost production regions with a significantly reduced carbon footprint. Following the completion of the reshaping of its industrial footprint, Vallourec industrial footprint will consist of:

- 750,000 tonnes of competitive rolling capacity in North America which will be supported by steel production capacity of 750,000 tonnes.
- 1,100,000 tonnes of low-cost rolling capacity in Brazil, effectively limited by steel production of 950,000 tonnes.
- Unchanged rolling capacity of 600,000 tonnes in the Eastern Hemisphere (China) operations.

Transactions with related parties

Transactions carried out with equity affiliates in first-half 2022 relate mainly to purchases of steel rods from HKM for an amount of €42 million, used for production at rolling mills in the Group's European activities.

Main risks and uncertainties for 2022

Vallourec does not expect any change to its risks, as set out in section 5.1 "Risk factors" of the 2021 Universal Registration Document (*Document d'enregistrement universel*) filed with the French financial markets authority (*Autorité des marchés financiers – AMF*) on April 19, 2022, under No. D.21-0226.

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 2021 Universal Registration Document.

Furthermore, Vallourec has not identified any new risks that are not already addressed in the above section of the 2021 Universal Registration Document.

¹⁰ Refers to permanent employees

Consolidated Group results

Income statement

<i>In € million</i>	First-half 2021	First-half 2022	Change
Revenue	1,544	2 060	33.4 %
Cost of sales ^(a)	(1,133)	(1 677)	48.0 %
Industrial Margin	411	383	(6.8%)
<i>(as a % of revenue)</i>	26.6 %	18,6 %	(8.0)p.p.
Sales, general and administrative costs	(158)	(183)	15.8 %
Other	(25)	5	na
EBITDA	228	205	€(23)m
<i>(as a % of revenue)</i>	14.8 %	10.0 %	(4.8)p.p.
Depreciation of industrial assets	(78)	(90)	15.4 %
Amortization and other depreciation	(22)	(23)	4.5 %
Impairment of assets	-	-	na
Asset disposals, restructuring costs and non-recurring items	99	(467)	na
Operating income (loss)	227	(375)	€(602)m
Financial income/(loss)	(175)	(21)	(88.0%)
Pre-tax income (loss)	52	(396)	€(448)m
Income tax	(100)	(51)	na
Share in net income/(loss) of equity affiliates	(3)	(2)	na
Net income	(51)	(449)	€(398)m
Attributable to non-controlling interests	(9)	1	na
Net income, Group Share	(42)	(450)	€(408)m

(a) Before depreciation and amortization.

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 tons of hot-rolled seamless tubes:

<i>In thousands of tons</i>	2021	2022	Change
Q1	358	395	10.3%
Q2	381	433	13.6%
Total	739	828	12.0%

In the first half of 2022, volumes increased by 12% compared with the first half of 2021, mainly driven by Oil & Gas.

Revenue

CONSOLIDATED REVENUE

For the First Half revenues totaled €2,060 million, up 33% year-on-year and by +22% at constant exchange rate on the back of:

- 11% currency conversion effect mainly related to weaker EUR/USD and weaker EUR/BRL
- 11% volume increase mainly driven by Oil & Gas in North America and to a lesser extent in EA-MEA
- 21% price/mix effect
- (9)% iron ore mine

Revenue by geography

In € million	First-half 2021	As % of revenue	First-half 2022	As % of revenue	Change	At constant exchange rates ^(a)
France	51	3.3%	44	2.1%	(14.1%)	(25.7%)
Germany	99	6.4%	141	6.8%	42.2%	43.6%
Other EU Countries ^(b)	97	6.3%	99	4.8%	2.9%	6.8%
Total Europe	247	16.0%	285	13.8%	15.1%	14.7%
North America (Nafta)	309	20.0%	807	39.2%	161.3%	165.7%
Brazil	501	32.5%	449	21.8%	(10.4%)	(16.2%)
Other Central & South America	8	0.5%	21	1.0%	183.7%	145.9%
Total South America	509	33.0%	470	22.8%	(7.5%)	(13.8%)
China	76	4.9%	137	6.6%	80.6%	102.5%
Other Asia and Middle East	295	19.1%	273	13.2%	(7.5%)	(9.9%)
Total Asia and Middle East	371	24.0%	409	19.9%	10.5%	13.1%
CIS	10	0.7%	12	0.6%	16.7%	(38.6%)
Rest of the world	98	6.3%	77	3.7%	(21.8%)	(16.2%)
Total Rest of the world	108	7.0%	89	4.3%	(18.1%)	(18.3%)
Total	1,544	100%	2,060	100%	33.5%	22.0%

(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.

(b) Other European Union countries, excluding Germany and France.

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.

In € million	First-half 2021	As % of revenue	First-half 2022	As % of revenue	Change	At constant exchange rates ^(a)
Oil & Gas	801	51.9%	1,231	59.8%	53.7%	40.2%
Petrochemicals	86	5.6%	172	8.3%	99.4%	80.1%
Oil & Gas, Petrochemicals	887	57.5%	1,403	68.1%	58.2%	44.1%
Mechanicals	206	13.4%	291	14.2%	41.4%	33.8%
Automotive	40	2.6%	50	2.4%	24.8%	11.9%
Construction & Other	343	22.2%	244	11.8%	(28.9%)	(36.4%)
Industry & Other (b)	589	38.1%	585	28.4%	(0.6%)	(8.5%)
Power Generation	68	4.4%	72	3.5%	6.5%	(3.1%)
Total	1,544	100%	2,060	100%	33.5%	22.0%

(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.

(b) Including sales of iron ore.

OIL & GAS, PETROCHEMICALS (68% OF CONSOLIDATED REVENUE)

For the First Half Oil & Gas revenues totaled €1,231 million, a €430 million increase or 54% year-on-year (+40% at constant exchange rates), mainly thanks to North America and, to a lesser extent, EA-MEA.

In Q2 2022, Oil & Gas revenues amounted to €679 million, a 55% increase year-on-year and by 39% at constant exchange rates.

- In North America, Oil & Gas revenues more than doubled, thanks to both higher prices and volumes
- In EA-MEA, Oil & Gas revenues rose, driven by higher volumes
- In South America, revenues were stable while volumes increased, driven by a positive Oil & Gas drilling market and project line pipe activity

For the First Half Petrochemicals revenues doubled year-on-year to reach €172 million, (+80% at constant exchange rates).

In Q2 2022, Petrochemicals revenue was €102 million, a significant increase of 153% year-on-year (+124% at constant exchange rates) notably due to better prices and increased volumes, mainly in North America.

INDUSTRY & OTHER (28% OF CONSOLIDATED REVENUE)

For the First Half Industry & Other revenues totaled €585 million, stable year-on-year and down 8% at constant exchange rates; better prices in engineering and, to a lesser extent, in automotive, were insufficient to offset the impact of the mine shutdown.

In Q2 2022, Industry & Other revenues amounted to €323 million, slightly decreasing by 3% year-on-year (down 12% at constant exchange rates):

- In Europe, Industry revenues were up on the back of price increases.
- In South America, Industry & Other revenues declined, reflecting the lower iron ore mine activity.

POWER GENERATION (4% OF CONSOLIDATED REVENUE)

For the First Half 2022 revenue totaled €72 million, up 7% year-on-year and down by 3% at constant exchange rates).

In Q2 2022, Power Generation revenue amounted to €40 million, up 29% year-on-year (18% at constant exchange rates).

Revenue by quarter

In € million	1st quarter	2nd quarter	1st half
2021	702	842	1,544
2022	916	1 144	2,060
% change year-on-year			
Volume effect	+9%	+12%	+11%
Forex translation effect	+8%	+14%	+11%
Price/mix	+22%	+19%	+21%
Iron ore mine	(9%)	(9%)	(9%)

In the Second Quarter of 2022, Vallourec recorded revenues of €1,144 million, up 36% year-on-year and up 22% at constant exchange rates reflecting:

- 14% currency conversion effect mainly related to weaker EUR/USD and weaker EUR/BRL
- 12% volume increase mainly driven by Oil & Gas in North America and to a lesser extent in EA-MEA
- 19% price/mix effect
- (9)% iron ore mine

EBITDA

In H1 2022, EBITDA reached €205 million, a €23 million decrease year on year, to stand at 10% of revenue.

The following table shows the changes in the principal components of EBITDA in H1 2021 and H1 2022.

<i>In € million</i>	First-half 2021	First-half 2022	Change
Revenue	1,544	2,060	33,4%
Cost of sales ^(a)	(1,133)	(1,677)	48,0%
Industrial Margin	411	383	(6,8%)
<i>(as a % of revenue)</i>	26.6 %	18,6 %	(8,0)p.p.
Sales, general and administrative costs ^(a)	(158)	(183)	15,8%
Other	(25)	5	na
EBITDA	228	205	€(23)m

(a) Before depreciation and amortization.

Industrial margin

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

Industrial margin amounted to €383 million or 18.6% of revenue, down €28 million compared with H1 2021. The positive contribution of the Oil & Gas market in North America, both in prices and volumes, and to a lesser extent in EA-MEA as well as the higher contribution both in Industry in EA-MEA and South America was more than offset by the negative impact of the temporary suspension of the mine operations.

The following table shows the breakdown of cost of sales (excluding depreciation) in H1 2021 and H1 2022.

<i>In € million</i>	First-half 2021	First-half 2022	Change
Direct Cost of Sales	(72)	(123)	70.8%
Cost of raw materials consumed	(502)	(734)	46.2%
Labor costs	(271)	(334)	23.2%
Other manufacturing costs ^(a)	(344)	(538)	56.4%
Change in non-raw materials inventories	56	52	(7.1%)
Total	(1,133)	(1,677)	48.0%

(a) "Other manufacturing costs" mainly include the costs of energy and consumables, and the costs of outsourcing, maintenance and provisions.

Selling, general and administrative costs

Sales, general and administrative costs (SG&A) amounted to €183 million, or 8.9% of revenue, versus €158 million and 10.2% of revenue in H1 2021.

The following table shows the breakdown of SG&A expenses (excluding depreciation) in H1 2021 and in H1 2022.

<i>In € million</i>	First-half 2021	First-half 2022	Change
Research and Development expenses	(18)	(21)	16.7%
Selling and market costs	(30)	(33)	10%
General and administrative expenses	(110)	(129)	17.3%
Total	(158)	(183)	15.8%

Personnel expenses

Personnel expenses amounted to €461 million in H1 2022.

The following table shows the breakdown of personnel costs.

	First-half 2021	First-half 2022	Change
Wages and salaries	(291)	(352)	21.0%
Employee profit-sharing and bonuses	(18)	(22)	22.2%
Expenses related to share subscription and share purchase options and performance shares	(2)	(3)	-
Social security costs	(67)	(84)	25.4%
Total	(377)	(461)	22.3%

<i>Closing headcount of consolidated companies</i>	First-half 2021	12/31/2021	First-half 2022	Variation
Managers	2,600	2,808	2,844	+36
Technical and supervisory staff	2,446	2,136	2,078	(58)
Production staff	10,630	11,081	11,165	84
Total	15,676	16,025	16,087	62

Operating profit/(loss)

In H1 2022, Operating income was negative at €(375) million compared with a positive €227 million in H1 2021, 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 (H1 2021 was positively impacted by a non-recurring €70m gain related to the above-mentioned real estate asset disposals).

Financial income/(loss)

Financial result was negative at €(21) million, compared with €(175) million in H1 2021; net interest expenses in H1 2022 at €(45) million, reflecting the new balance sheet structure, were partially offset by other financial income.

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

<i>In € million</i>	First-half 2021	First-half 2022	Change
Financial income	2	3	-
Interest expenses	(105)	(48)	(54.3%)
Net interest expenses	(103)	(45)	(56.7%)
Other financial income and expenses	(42)	20	(147.6%)
Financial Restructuring costs	(40)	-	-
Interest expenses on leases	(13)	(4)	(69.2%)
Other discounting expenses	22	8	(63.6%)
Financial income/(loss)	(175)	(21)	(88.0%)

Income tax expense

Income tax amounted to €(51) million mainly related to Brazil and North America.

Net income/(loss)

As a result, net income, Group share, amounted to €(450) million, compared to €(42) million in H1 2021.

Liquidity and capital resources

Cash flow

Simplified statement of cash flows

In € million	First-half 2021	First-half 2022
Cash flow from operating activities	(2)	61
Change in Operating Working Capital Requirements under the cash flow statement	(139)	(403)
Net cash flow from operating activities (1)	(141)	(342)
Net cash from (used in) investing activities (2)	37	(66)
Cash flow from financing activities (3)	(109)	126
Effect of changes in exchange rates (4)	13	25
Change in Cash (1+2+3+4)	(199)	(258)

CASH FLOW FROM OPERATING ACTIVITIES

H1 2022 cash flow from operating activities was positive at €61 million compared to €(2) million in H1 2021. The improvement was related to lower income tax and adaptation measures cash-out, as well as reduced financial expenses.

NET CASH FLOW FROM OPERATING ACTIVITIES

Net cash flow from operating activities was negative at €(342) million for the six months ended 30 June 2022, a deterioration of €(201) million compared with €(141) million in H1 2021.

For H1, operating working capital requirement increased by €(403) million versus an increase of €(139) million in H1 2021.

NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow used in investing activities was €(66) million in H1 2022, as compared with €37 million in H1 2021.

NET CASH FLOW FROM FINANCING ACTIVITIES

Net cash flow from financing activities totaled €126 million for H1 2022, as compared with €(109) million in H1 2021.

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

The capital expenditures in H1 2022 totaled €(59) million, an increase of €3 million versus H1 2021 that stood at €(56) million. The investments completed during H1 2022 aimed at improving efficiency of existing assets notably located in Brazil and North America.

In € million	First-half 2021	First-half 2022
Europe	(6.5)	(6.6)
North America	(10.6)	(11.8)
Central & South America ^(a)	(27.4)	(29.0)
Asia	(2.6)	(4.1)
Other	(0.2)	(0.2)
TOTAL INDUSTRIAL CAPITAL EXPENDITURE ^(b)	(47.3)	(51.6)
Capital expenditure payments during the fiscal year	(56.1)	(59.0)

(a) Including €2.7 million in biological assets as of June 2021 and €3,5 million as of June 2022

(b) The difference between capital expenditure payments made during the fiscal year and the total of industrial capital expenditure corresponds to the change in amounts payable on fixed assets.

Free cash flow

Free cash flow for H1 2022 was negative €(401) million after €403 million working capital build in H1, compared with €(197) million in H1 2021.

The following table shows the calculation of free cash flow in H1 2021 and H1 2022.

<i>In € million</i>	First-half 2021	First-half 2022	Change
Cash flow from operating activities (A)	(2)	61	€63m
Change in operating WCR [+ decrease, (increase)] (B)	(139)	(403)	€(264)m
Gross capital expenditure (C)	(56)	(59)	€(3)m
Free cash flow (A)+(B)+(C)	(197)	(401)	€(204)m

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. Market financing is arranged exclusively by Vallourec.

The liquidity position was strong at €752 million, with cash amounting to €365 million and an undrawn committed Revolving Credit Facility of €387 million.

The following table shows the Group's principal financial indebtedness as at 30 June 2022.

<i>In € million</i>	As at 30 June 2022
Bond issue – maturing in June 2026	1,150
PGE	216
RCF drawing	75
ACC ACE	264
Other	49
TOTAL GROSS FINANCIAL INDEBTEDNESS	1,754

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

The Group's equity, Group share, totaled €1,627 million as at 30 June 2022, a decrease of €(136) million compared with €1,763 million as at 31 December 2021. This decrease is mainly explained by:

- the Group's negative net result recorded in H1 2022 for an amount of €(450) million;
- a change in foreign currency translation reserve of €317 million.

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Vallourec Group interim condensed consolidated financial statements for the six months ended June 30, 2022

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1.1 Vallourec Group consolidated income statement

<i>In € thousands</i>	Notes	First-half 2021	First-half 2022
Revenue	3.1	1,543,635	2,060,279
Cost of sales ^(a)		(1,133,289)	(1,676,966)
Selling, general and administrative expenses ^(a)		(158,265)	(182,812)
Other		(23,661)	4,510
EBITDA	3.2	228,420	205,011
Depreciation and amortization	3.3	(100,166)	(113,072)
Impairment of assets and goodwill		-	-
Asset disposals, restructuring costs and non-recurring items	3.4	99,024	(467,494)
Operating income (loss)	3.1	227,278	(375,555)
Interest income	8.1.1	2,176	3,023
Interest expense	8.1.1	(104,695)	(47,920)
Net interest expense	8.1.1	(102,519)	(44,897)
Other financial income and expenses	8.1.1	(32,491)	23,889
Net expense attributable to financial restructuring	8.1.1	(40,248)	-
Financial income (loss)	8.1.1	(175,258)	(21,008)
Pre-tax income (loss)		52,020	(396,563)
Income tax	4	(99,956)	(50,651)
Share in net income (loss) of equity-accounted companies		(3,010)	(1,645)
Net income (loss) from continuing operations		(50,946)	(448,859)
Net income from assets held for sale		-	-
Net income (loss)		(50,946)	(448,859)
Attributable to non-controlling interests		(8,655)	1,119
Group share		(42,291)	(449,978)
Basic earnings per share	7.3	(3.3)	(2.0)
Diluted earnings per share	7.3	(3.3)	(2.0)

^(a) Before depreciation and amortization

1.2 Statement of comprehensive income

<i>In € thousands</i>	First-half 2021	First-half 2022
Net income (loss)	(50,946)	(448,859)
Other comprehensive income	-	-
Actuarial gains and losses on post-employment benefits	23,565	35,186
Tax attributable to actuarial gains and losses on post-employment benefits	(1,497)	2,257
Items that will not be reclassified to profit or loss	22,068	37,443
Translation differences on translating net assets of foreign operations	138,236	321,049
Change in fair value of hedging instruments	(17,360)	(44,899)
Tax attributable to the change in fair value of hedging instruments	(442)	1,279
Items that may be reclassified subsequently to profit or loss	120,434	277,429
Other comprehensive income (net of tax)	142,502	314,872
Total comprehensive income (loss)	91,556	(133,987)
Attributable to non-controlling interests	(635)	5,293
Group share	92,191	(139,280)

1.3 Statement of cash flows

<i>In € thousands</i>	Notes	First-half 2021	First-half 2022
Net income (loss)		(50,946)	(448,859)
Net additions to depreciation, amortization and provisions	3.5	95,466	496,998
Unrealized gains and losses on changes in fair value		(30,089)	(20,884)
Capital gains and losses on disposals		(78,123)	27,641
Share in net income (loss) of equity-accounted companies		3,009	1,645
Other cash flows from operating activities		(171)	(542)
Cash flow from (used in) operating activities after cost of net debt and taxes		(60,854)	55,999
Cost of net debt		102,519	44,897
Tax expense (including deferred taxes)		99,956	50,651
- Accelerated amortization of finance costs		14,334	-
- Net expense attributable to financial restructuring		(29,301)	-
Cash flow from operating activities before cost of net debt and taxes		126,654	151,547
Interest paid		(63,462)	(55,588)
Tax paid		(67,680)	(37,754)
Interest received		2,102	2,943
Cash flow from (used in) operating activities		(2,386)	61,148
Change in operating working capital	3.6	(139,043)	(402,852)
Net cash used in operating activities (1)		(141,429)	(341,704)
Acquisitions of property, plant and equipment and intangible assets	5.2	(56,068)	(59,007)
Disposals of property, plant and equipment and intangible assets		84,082	2,848
Impact of acquisitions (changes in scope)		(2,800)	(2,869)
Impact of disposals (changes in scope)		11,694	(1,121)
Net cash of subsidiaries acquired/sold (changes in scope)		266	(6,791)
Other cash flows from investing activities		177	1,153
Net cash from (used in) investing activities (2)		37,351	(65,787)
Repayment of shareholder loan		(9,066)	-
Increase or decrease in equity		284,244	(706)
Dividends paid to non-controlling interests		(752)	79
Movements in treasury shares		(475)	-
Proceeds from new borrowings		5,190	168,830
Repayments of borrowings		(362,443)	(21,593)
Repayment of lease liabilities		(13,427)	(10,638)
Other cash flows used in financing activities		(11,978)	(10,134)
Net cash from (used in) financing activities (3)		(108,707)	125,838
Impact of changes in exchange rates (4)		13,435	24,833
Impact of reclassification to assets held for sale and discontinued operations (5)		(15)	(1,297)
Change in net cash (1 + 2 + 3 + 4 + 5)		(199,365)	(258,117)
Opening net cash		1,386,418	615,949
Closing net cash		1,187,053	357,832
Change		(199,365)	(258,117)

The statement of cash flows has been prepared on the basis of cash and equivalents as defined 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, 2022

<i>In € thousands</i>	<i>Notes</i>	Dec. 31, 2021	Change	June 30, 2022
Cash and cash equivalents (1)	8.1	619,358	(254,067)	365,291
Short-term bank facilities (2)	8.1	3,409	4,050	7,459
Net cash (3) = (1) – (2)		615,949	(258,117)	357,832

Reconciliation of net cash in the statements of cash flows and financial position – June 30, 2021

<i>In € thousands</i>	Dec. 31, 2020	Change	June 30, 2021
Cash and cash equivalents (1)	1,389,533	(200,259)	1,189,274
Short-term bank facilities (2)	3,115	(894)	2,221
Net cash (3) = (1) – (2)	1,386,418	(199,365)	1,187,053

1.4 Vallourec Group statement of financial position

<i>In € thousands</i>	Notes	Published Dec. 31, 2021	Restated Dec. 31, 2021*	June 30, 2022
Non-current assets				
Net intangible assets	5.1	44,517	45,583	43,402
Goodwill	5.1	37,549	37,549	42,937
Net property, plant and equipment		1,665,905	1,752,735	1,883,826
Biological assets		37,733	37,733	49,710
Investments in equity-accounted companies		35,311	35,311	32,331
Other non-current financial assets	8.3	70,803	77,549	101,348
Other non-current assets		91,022	91,022	97,854
Deferred taxes		239,467	239,467	241,259
Total non-current assets		2,222,307	2,316,949	2,492,667
Current assets				
Inventories		856,136	1,015,319	1,470,898
Trade and other receivables	3.1	541,333	571,325	692,418
Other current financial assets	8.3.1	12,499	20,379	29,943
Other current assets		124,860	152,101	213,567
Cash and cash equivalents		619,358	620,474	365,291
Total current assets		2,154,186	2,379,598	2,772,117
Assets held for sale and discontinued operations	11	371,728	51,674	13,167
Total assets		4,748,221	4,748,221	5,277,951
Equity				
Equity attributable to owners of the parent	7	1,763,044	1,763,044	1,626,588
Non-controlling interests		44,663	44,663	47,552
Total equity		1,807,707	1,807,707	1,674,140
Shareholder loan				
		-	-	-
Non-current liabilities				
Loans and other borrowings	8.1	1,387,281	1,387,281	1,379,393
Employee benefits	9	14,471	136,873	87,345
Long-term provisions	10	80,998	92,632	357,366
Deferred taxes		29,100	29,100	24,108
Other non-current financial liabilities	8.2	33,389	50,325	44,593
Other non-current liabilities		58,607	60,082	70,300
Total non-current liabilities		1,603,846	1,756,293	1,963,105
Current liabilities				
Overdrafts and other short-term bank facilities	8.1	189,662	189,662	374,788
Short-term provisions	10	40,356	68,926	220,128
Trade payables	3.6	456,854	601,000	691,809
Other current financial liabilities	8.2	34,495	43,450	87,831
Other current liabilities		241,144	258,667	261,236
Total current liabilities		962,511	1,161,705	1,635,792
Liabilities related to assets held for sale and discontinued operations	11	374,157	22,516	4,914
Total equity and liabilities		4,748,221	4,748,221	5,277,951

(*) Assets and liabilities of VAD are no longer presented as assets or liabilities held for sale since the disposal process has been stopped - Note 11

1.5 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 December 31, 2020	229	2,333,644	(225,915)	(1,111,512)	22,629	(44)	(1,206,131)	(187,100)	320,777	133,677
Change in foreign currency translation reserve	-	-	-	130,835	-	-	-	130,835	7,401	138,236
Financial instruments	-	-	-	-	(17,665)	-	-	(17,665)	(137)	(17,802)
Actuarial gains and losses on retirement commitments	-	-	21,312	-	-	-	-	21,312	756	22,068
Other comprehensive income	-	-	21,312	130,835	(17,665)	-	-	134,482	8,020	142,502
Net income (loss) for first-half 2021	0	0	0	0	0	0	(42,291)	(42,291)	(8,655)	(50,946)
Total comprehensive income (loss)	-	-	21,312	130,835	(17,665)	-	(42,291)	92,191	(635)	91,556
Appropriation of 2020 net income (loss)	-	-	(1,206,131)	-	-	-	1,206,131	-	-	-
Capital increase with pre-emptive subscription rights (52,954,807 shares at €5.66)	1,059	298,665	-	-	-	-	-	299,724	-	299,724
Capital increase reserved for creditors (164,523,927 shares at €8.09)	3,291	1,327,708	-	-	-	-	-	1,330,999	-	1,330,999
Fair value of gross debt	-	-	(74,034)	-	-	-	-	(74,034)	-	(74,034)
Issuance of share subscription warrants	-	303	58,607	-	-	-	-	58,910	-	58,910
Change in treasury shares	-	-	(202)	-	-	(273)	-	(475)	-	(475)
Share-based payments	-	-	1,773	-	-	-	-	1,773	-	1,773
Changes in scope and other ^(*)	-	(8,791)	88,533	(82)	43	-	-	79,703	(88,846)	(9,143)
As at June 30, 2021	4,579	3,951,529	(1,336,058)	(980,759)	5,007	(317)	(42,291)	1,601,690	231,296	1,832,986
As at December 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 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

(*) "Changes in scope and other" in first-half 2021 mainly correspond to the acquisition of non-controlling interests in Brazilian subsidiary VSB, as well as costs incurred in connection with the capital increase with pre-emptive subscription rights, deducted from issue premiums.

1.6 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 December 31, 2020	475,155	(33,005)	893	(122,266)	320,777
Change in foreign currency translation reserve	-	7,401	-	-	7,401
Financial instruments	-	-	(137)	-	(137)
Actuarial gains and losses on retirement commitments	756	-	-	-	756
Other comprehensive income	756	7,401	(137)	-	8,020
Net income (loss) for first-half 2021	-	-	-	(8,655)	(8,655)
Total comprehensive income (loss)	756	7,401	(137)	(8,655)	(635)
Appropriation of 2020 net income (loss)	(122,266)	-	-	122,266	-
Dividends paid	-	-	-	-	-
Changes in scope and other	(159,230)	70,473	(89)	-	(88,846)
As at June 30, 2021	194,415	44,869	667	(8,655)	231,296
As at December 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 (loss)	230	3,947	(3)	1,119	5,293
Appropriation of 2021 net income (loss)	(8,108)	-	-	8,108	-
Dividends paid	-	-	-	-	-
Changes in scope and other	(2,152)	(252)	-	-	(2,404)
As at June 30, 2022	38,251	7,344	838	1,119	47,552

Notes to the consolidated financial statements for the six months ended June 30, 2022

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, 2022 together with the explanatory notes were approved for issue by the Board of Directors of Vallourec on July 26, 2022.

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, 2022 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 2021 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, 2022.

The interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Information". They therefore do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021

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, 2021 and June 30, 2022, as well as the main transactions contributing to the Group's results for first-half 2022. 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, 2021, filed with the French securities regulator (*Autorité des marchés financiers* – AMF) on April 19, 2022 (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, 2022 are as follows:

- amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use";
- amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract".

These standards and 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, 2022.

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, 2021.

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.

Translation of foreign currency

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

	USD	GBP	BRL	CNY
As at June 30, 2021				
Average rate	1.21	0.87	6.49	7.80
Closing rate	1.19	0.86	5.91	7.67
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

1.3. Features specific to the preparation of interim financial statements

Seasonality

The Group's business is subject to a seasonality effect, particularly as regards working capital days: working capital is generally highest in the first quarter and lowest in the fourth quarter.

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 and strengthening of the Executive Committee

Vallourec's Board of Directors met on March 20, 2022 and appointed Philippe Guillemot to succeed Edouard Guinotte as Chairman and Chief Executive Officer of Vallourec, for a four-year term, effective immediately.

As of the date of this report, the Executive Committee had been strengthened with the following appointments:

- Sascha Bibert as Group Chief Financial Officer and member of the Executive Committee;
- Ulrika Wising as Senior Vice President Energy Transition and member of the Executive Committee;
- Enrico Schiappacasse as Senior Vice President Group Strategy and Development and member of the Executive Committee;
- Nathalie Joannes as General Counsel;
- Ludovic Oster as Chief Human Resources Officer;
- Pierre d'Archemont as Senior Vice President South America.

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, resulting in the interruption of traffic on the nearby highway. The structure of the dam was not affected, and there were no casualties. As a result of this incident, the mine's operations were temporarily suspended.

On May 4, 2022, Vallourec partially restarted operations, using an alternative waste pile. Under these conditions, volumes extracted in H1 2022 amounted to approximately 1.1 million tonnes.

2.3. Continued footprint reshaping and overhead streamlining

- Continued industrial footprint reshaping

In May 2022, Vallourec announced it was launching the process to discontinue its operations in Germany and relocate its German rolling activity for the Oil & Gas markets to Brazil. The process will take place over the next two years and will include the sale of the land and buildings. The transfer will require €120 million of capex at the Brazil operations to support the transfer from Europe of premium tubular volumes by end-2023.

The closure of the German assets implies a further streamlining of the other European assets involved in the finishing of tubes rolled in Germany. This streamlining will give rise to the consolidation of all European threading activities in a single location at Aulnoye, France. The Group has launched the closure process of the Saint-Saulve heat treatment line in France and of the threading line in Bellshill, Scotland. In addition, Vallourec completed the sale of Vallourec Bearing Tubes during the period. The Aulnoye Competence Center will also lead the Group's "one R&D" organization.

- Overhead streamlining to lower break-even and increase efficiency

Vallourec intends to streamline its corporate structure in all geographic areas (North America, South America and the Eastern Hemisphere) by further downsizing the headquarters functions, which will be primarily focused on strategy and expertise.

The Group's efforts to automate all its transactional processes and consolidate support functions in larger Shared Service Centers to leverage its scale will also drive higher productivity.

Lastly, the support functions will be located close to production sites and the Group will focus on value-creating projects.

3. Operating activities

The Vallourec Group is a world leader in premium tubular solutions, primarily for the Oil & Gas, Industry, and Energy markets. 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.

3.1. Segment information

The following tables provide information on the revenue and results of each operating segment for first-half 2022 and 2021, as well as on assets, liabilities and capital expenditure as of the reporting date.

Results, assets and liabilities by operating segment

AS AT JUNE 30, 2022	Seamless tubes	Specialty products	Holding companies and other	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue ^(*)	2,049,869	9,495	915	-	2,060,279
EBITDA	232,934	130	(28,053)	-	205,011
Depreciation of industrial assets	(108,828)	(1,935)	(2,309)	-	(113,072)
Impairment of assets and goodwill	-	-	-	-	-
Asset disposals, restructuring costs and non-recurring items	(97,338)	(249)	(369,907)	-	(467,494)
Operating income (loss)	26,768	(2,054)	(400,269)	-	(375,555)
Unallocated income					3,022
Unallocated expenses					(24,030)
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	2,492,112	34,050	3,693,315	(3,726,810)	2,492,667
Current assets	2,414,222	1,681	78,399	(87,476)	2,406,826
Cash and cash equivalents	400,560	1,231	558,681	(595,181)	365,291
Assets held for sale and discontinued operations	13,167	-	-	-	13,167
TOTAL ASSETS	5,320,061	36,962	4,330,395	(4,409,467)	5,277,951
CASH FLOWS					
Investments in property, plant and equipment, intangible assets and biological assets	51,137	-	480	-	51,617

(*) Sales to external customers.

AS AT JUNE 30, 2021	Seamless tubes	Specialty products	Holding companies and other	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue ^(*)	1,531,434	11,398	803	-	1,543,635
EBITDA	247,306	(3,092)	(15,794)	-	228,420
Depreciation of industrial assets	(97,815)	-	(2,351)	-	(100,166)
Impairment of assets and goodwill	-	-	-	-	-
Asset disposals, restructuring costs and non-recurring items	99,708	7,016	(7,700)	-	99,024
Operating income (loss)	249,199	3,924	(25,845)	-	227,278
Unallocated income	-	-	-	-	2,176
Unallocated expenses	-	-	-	-	(177,434)
Pre-tax income (loss)	-	-	-	-	52,020
Income tax	-	-	-	-	(99,956)
Share in net income (loss) of equity-accounted companies	-	-	-	-	(3,010)
Net income (loss)	-	-	-	-	(50,946)
STATEMENT OF FINANCIAL POSITION					
Non-current assets	2,278,670	19,329	3,396,902	(3,453,063)	2,241,838
Current assets	1,700,468	8	75,128	(48,679)	1,726,925
Cash and cash equivalents	575,823	-	1,106,995	(493,544)	1,189,274
Assets held for sale and discontinued operations	11,165	30,882	-	-	42,047
TOTAL ASSETS	4,566,126	50,219	4,579,025	(3,995,286)	5,200,084
CASH FLOWS					
Investments in property, plant and equipment, intangible assets and biological assets	46,455	444	429	-	47,328

(*) Sales to external customers.

Geographic areas

The following tables provide information by geographic area on revenue (by location of customers) and capital expenditure as well as on assets (by location of assets).

First-half 2022	Europe	North America	South America	Asia	Rest of the World	Inter-segment transactions	Total
Revenue							
Sales to external customers	284,664	807,270	470,243	409,400	88,702	N/A	2,060,279
Statement of financial position							
Property, plant and equipment, intangible assets and biological assets (net)	168,993	932,248	789,799	127,700	1,135	N/A	2,019,875
Trade and other receivables	254,669	167,660	252,724	216,991	11,913	(211,539)	692,418
Total assets	4,777,895	1,788,390	1,927,059	741,928	23,748	(3,981,068)	5,277,951
Cash flows							
Investments in property, plant and equipment, intangible assets and biological assets	(6,583)	(11,817)	(28,977)	(4,056)	(184)	N/A	(51,617)
Net additions to depreciation, amortization and provisions	333,853	57,774	93,054	12,015	(798)	-	496,998

First-half 2021	Europe	North America	South America	Asia	Rest of the World	Inter-segment transactions	Total
Revenue							
Sales to external customers	247,365	308,928	508,567	370,447	108,328	N/A	1,543,635
Statement of financial position							
Property, plant and equipment, intangible assets and biological assets (net)	203,956	887,118	668,744	96,438	710	N/A	1,856,966
Trade and other receivables	197,818	102,979	224,395	154,943	9,210	(101,416)	587,929
Total assets	4,958,345	1,317,432	1,644,261	624,073	28,186	(3,372,213)	5,200,084
Cash flows							
Investments in property, plant and equipment, intangible assets and biological assets	(6,541)	(10,634)	(27,445)	(2,590)	(118)	N/A	(47,328)
Net additions to depreciation, amortization and provisions	9,331	52,319	30,064	3,268	484	N/A	95,466

3.2. EBITDA

EBITDA breaks down as follows:

	First-half 2021	First-half 2022
Revenue	1,543,635	2,060,279
Cost of sales	(1,133,289)	(1,676,966)
of which direct cost of sales	(72,145)	(122,666)
of which cost of raw materials consumed	(501,821)	(733,805)
of which labor costs	(270,869)	(334,185)
of which other manufacturing costs ^(a)	(344,243)	(537,991)
of which change in non-raw-material inventories	55,789	51,681
Selling, general and administrative expenses	(158,265)	(182,812)
of which research and development costs	(18,155)	(20,612)
of which selling and marketing costs	(29,856)	(33,212)
of which general and administrative costs	(110,254)	(128,988)
Other	(23,661)	4,510
of which employee profit-sharing, bonuses and other	(16,480)	(19,206)
of which other income and expenses	(7,181)	23,716
Total gross operating expenses	(1,315,215)	(1,855,268)
EBITDA	228,420	205,011

^(a) "Other manufacturing costs" mainly include energy and consumables, sub-contracting and maintenance, and provisions.

Personnel expenses

Personnel expenses amounted to €460 million in the first half of 2022, versus €377 million in first-half 2021.

3.3. Depreciation and amortization

Depreciation and amortization breaks down as follows:

	First-half 2021	First-half 2022
Depreciation of industrial assets	(77,766)	(89,619)
Depreciation of right-of-use assets	(11,313)	(8,753)
Amortization of capitalized research and development costs	(2,894)	(5,243)
Depreciation and amortization – contract and selling and marketing costs	(507)	(602)
Depreciation and amortization – general and administrative costs	(7,686)	(8,855)
Total depreciation and amortization	(100,166)	(113,072)

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

	First-half 2021	First-half 2022
Reorganization measures (net of expenses and provisions)	(13,552)	(357,235)
Gains and losses on disposals of non-current assets and other non-recurring items	112,576	(110,259)
Total	99,024	(467,494)

The Group's restructuring plan announced on May 18, 2022, which is currently subject to negotiation with the employee representative bodies of the entities concerned, has given rise to the recognition of a provision in the consolidated financial statements for the estimated severance costs. In this context, the Group terminated certain contracts in the first half of the year and recognized provisions for the associated costs. Taken together, the Group recognized €345 million in additions to provisions for the period.

Non-recurring items for first-half 2022 mainly comprise:

- provisions for non-recurring expenses for site clean-up costs and penalties further to January's exceptionally heavy rainfall in Minas Gerais State (Brazil).
- updates to the depreciable periods of industrial assets to reflect their provisional decommissioning dates, which resulted in the recognition of charges to accelerated depreciation;
- capital losses on disposals and scrapped assets;
- other restructuring costs.

3.5. Reconciliation of net additions to provisions with the statement of cash flows

	Notes	First-half 2021	First-half 2022
Depreciation and amortization	2.4	(100,166)	(113,072)
Impairment of assets and goodwill	2.5	-	-
Additions to provisions net of reversals included in EBITDA		(8,139)	1,655
Additions to provisions net of reversals included in asset disposals, restructuring costs and non-recurring items		13,486	(387,280)
Additions to provision net of reversals included in financial income (loss)		(647)	1,699
Total		(95,466)	(496,998)
Net additions to depreciation, amortization and provisions in the statement of cash flows		95,466	496,998

3.6. Reconciliation of working capital

Changes in working capital during first-half 2022 were as follows:

<i>Gross amounts (in € thousands)</i>	Dec. 31, 2021	Translation difference	Change	Reclassification and other	Reclassification of elements held for sale	June 30, 2022
Inventories	939,844	99,337	335,962	(15,599)	218,441	1,577,985
Trade receivables and supplier advances	553,516	53,811	69,456	(8,285)	39,599	708,097
Trade payables	(456,854)	(42,731)	(37,859)	(2,096)	(152,269)	(691,809)
Working capital	1,036,506	110,417	367,559	(25,980)	105,771	1,594,273
Other receivables and payables	(81,075)	1,192	34,932	7,464	6,776	(30,711)
Operating working capital	955,432	111,609	402,491	(18,516)	112,547	1,563,563
Impact of hedging instruments			361			
Total			402,852			
Change in operating working capital in the statement of cash flows			(402,852)			

4. Income tax

RECONCILIATION OF THEORETICAL AND EFFECTIVE TAX EXPENSE

	First-half 2021	First-half 2022
Current tax expense	(102,298)	(29,750)
Deferred taxes	2,342	(20,901)
Net expense (-), Net benefit (+)	(99,956)	(50,651)
Net income (loss)	(47,936)	(447,214)
Tax expense	(99,956)	(50,651)
Pre-tax income (loss)	52,020	(396,563)
Statutory tax rate applicable to the parent	28.40%	25.83%
Theoretical tax	(14,774)	102,432
Impact of main tax loss carryforwards	(22,497)	(18,620)
Impact of permanent differences	(8,030)	(56,574)
Other impacts	(35,855)	(89,114)
Impact of differences in tax rates	(18,800)	11,225
Net expense (-), Net benefit (+)	(99,956)	(50,651)
Effective tax rate	192%	-13%

The effective tax rate of -13% mainly reflects the items detailed below:

- the impact of tax loss carryforwards and timing differences mainly concerns the non-recognition of deferred tax assets (DTAs) during the period in France, Germany and China;

- 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

At June 30, 2022, the Group's analysis of its various cash-generating units (CGUs) did not identify any internal or external indications of impairment that would require the Group to perform an impairment test, with the exception of Vallourec Deutschland. The sales volume assumptions used as a basis for the CGUs' future cash flows for the purposes of preparing the 2021 consolidated financial statements were not called into question for any of the three CGUs (EA-MEA, Vallourec North America and Vallourec do Brazil).

The decision to close the Vallourec Deutschland sites (EA-MEA CGU) represents an indication that the entity's property, plant and equipment and intangible assets may be impaired. At June 30, 2022, the Group ensured that the recoverable amount of these assets, i.e., fair value less costs to sell, exceeds their carrying amount. Accordingly, no impairment loss was recognized as of the reporting date.

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

	First-half 2021		First-half 2022	
	Property, plant and equipment and intangible assets	Biological assets	Property, plant and equipment and intangible assets	Biological assets
Acquisitions of intangible assets	470	-	442	-
Acquisitions of property, plant and equipment	44,145	2,713	47,726	3,449
Total capital expenditure	44,615	2,713	48,168	3,449
Changes in liabilities on non-current assets and partner contributions	8,740	-	7,390	-
Total	53,355	2,713	55,558	3,449
Cash outflows in respect of capital expenditure during the period amounted to:	56,068		59,007	

6. Related-party transactions

Related-party transactions mainly concern purchases of steel rounds from HKM, used as raw materials by the European rolling mills of Vallourec Deutschland and Vallourec Tubes France, amounting to €42 million during the first half of 2022.

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

7.1. Equity attributable to owners of the parent

Share capital

At June 30, 2022, Vallourec's share capital comprised 228,928,428 ordinary shares with a nominal value of €0.02 per share, 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, which 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, 2020	196,633	(14,821)	(1,270,157)	11,780	(34,947)	(1,111,512)
Change	94,503	3,074	11,109	18,021	6,156	132,863
As at December 31, 2021	291,136	(11,747)	(1,259,048)	29,801	(28,791)	(978,649)
Change	131,108	(795)	172,387	5,940	12,429	321,069
As at June 30, 2022	422,244	(12,542)	(1,086,661)	35,741	(16,362)	(657,580)

7.2. Share-based payment

Share subscription plans

Characteristics of the plans

The characteristics of plans agreed prior to December 31, 2021, are described in the Group's consolidated financial statements for the year ended December 31, 2021.

The Group introduced share subscription plans on June 4, 2022 for certain Vallourec Group employees.

Valuation of the new plan introduced during the period^(a)

	2022 Plan
Share price on the allocation date	€12.88
Volatility ^(b)	40%
Risk-free rate ^(c)	1.42%
Exercise price	€12.65
Dividend rate ^(d)	3%
Fair value of the option ^(e)	€4.67

^(a) The binomial pricing model has been used to measure the fair value of the options allocated.

^(b) Volatility corresponds to historical volatility observed over a period corresponding to the duration of the plans.

^(c) The risk-free rate corresponds to the zero-coupon rate (source: French Institute of Actuaries – Institut des Actuaire).

^(d) The expected dividend rates have been determined on the Group's dividend policy.

Change in number of unexpired options

In number of options	2021	First-half 2022
Options outstanding as at January 1	143,877	254,288
Options exercised	-	-
Options lapsed	(22,782)	(8,776)
Options canceled	(7,396)	(8,427)
Options distributed over the period	123,518	58,425
Impact of the capital increase on plans awarded prior to 2020	17,071	-
Options outstanding as at June 30, 2022	254,288	295,510
Options available for exercise	25,607	19,294

Performance share plans

Characteristics of the plans

The characteristics of plans agreed prior to December 31, 2021, are described in the Group's consolidated financial statements for the year ended December 31, 2021.

The Group introduced share subscription plans on June 4, 2022 for certain Vallourec Group employees. The characteristics of the plan allocated in the first half of 2022 are as follows:

Measurement of plans ^(a)	2022 Plan
Share price on the allocation date	€12.88
Risk-free rate ^(b)	0.62%
Dividend rate ^(c)	3%
Fair value of the share	€11.76
Number of shares allocated	231,410

^(a) The binomial pricing model has been used to measure the fair value of the shares allocated. The employee benefit corresponds to the fair value of the shares allocated, taking into account the loss of dividend rights during the vesting period and the cost to the employee of the non-transferability of shares during the holding period.

^(b) The risk-free rate corresponds to the zero-coupon rate (source: French Institute of Actuaries – Institut des Actuaire).

^(c) The expected dividend rates were determined based on the Group's dividend policy.

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

In number of shares	2021	First-half 2022
Number of shares not yet vested as at January 1	78,664	398,664
Shares delivered over the period	(24,923)	(38,940)
Outperformance	-	9,447
Shares canceled	(9,434)	(6,687)
Impact of the capital increase on plans awarded prior to 2020	64,961	
Shares allocated over the period	289,396	231,410
Number of shares not yet vested as at June 30, 2022	398,664	593,894

Management Equity Plan

The characteristics of plans agreed prior to December 31, 2021, are described in the Group's consolidated financial statements for the year ended December 31, 2021.

On June 4, 2022, as part of the new Management Equity Plan (MEP), shares were allocated to certain Vallourec Group senior executives, corporate officers and employees. The characteristics of the plan allocated in the first half of 2022 are as follows:

Ordinary shares

Valuation of plans	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Share price on the allocation date	€12.88	€12.88	€12.88	€12.88	€12.88
	30%	30%	30%	30%	30%
	(06/04/2023)	(06/04/2024)	(06/04/2025)	(06/04/2026)	(06/04/2027)
	70%	70%	70%	70%	70%
Vesting date	(06/04/2027)	(06/04/2027)	(06/04/2027)	(06/04/2027)	(06/04/2027)
Holding period ^(a)	5 years	5 years	5 years	5 years	5 years
Performance conditions ^(b)	Yes	Yes	Yes	Yes	Yes
Volatility ^(c)	51%	52%	50%	48%	45%
Risk-free rate ^(d)	-0.08%	0.38%	0.62%	0.80%	0.94%
Dividend rate ^(e)	3.00%	3.00%	3.00%	3.00%	3.00%
Fair value of the share	€9.20	€8.96	€8.93	€8.85	€8.80
Number of shares allocated	11,472	11,472	11,472	11,472	11,471

(a) The "legal" vesting period is between one and five years, depending on the tranche. However, if Apollo still holds a minimum of 5% of the capital at the end of this period, the shares are not transferable. For as long as the shares are not transferable, they will only be bought back from the beneficiaries in the event of retirement, death or disability at 30% or less of their market value. Consequently, based on IFRS 2, beneficiaries vest 30% of their shares at the end of the legal vesting period and 70% at the end of the non-transferability period, estimated at five years.

(b) Each tranche will only vest if, on the vesting date, the market price of the Vallourec share is above €8.09.

(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 (French Bond Association [CNO] zero-coupon yield curve).

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

Performance shares

Valuation of plans	Tranche 1	Tranche 2	Tranche 3
Share price on the allocation date	€12.88	€12.88	€12.88
	30%: 1.60	30%: 1.96	30%: 2.43
	years	years	years
	70%: 4.07	70%: 4.07	70%: 4.07
	years	years	years
Vesting period ^(a)			
Holding period ^(a)	4.07 years	4.07 years	4.07 years
Performance conditions ^(b)	Yes	Yes	Yes
Volatility ^(c)	48%	48%	48%
Risk-free rate ^(d)	0.80%	0.80%	0.80%
Dividend rate ^(e)	3.00%	3.00%	3.00%
Fair value of the share	€7.55	€5.96	€4.01
Number of shares allocated	1,723,917	1,723,918	295,253

(a) The "legal" vesting period is one year for all tranches. However, if Apollo still holds a minimum of 5% of the capital at the end of a 4.07-year period, the shares are not transferable. For as long as the shares are not transferable, they will only be bought back from the beneficiaries in the event of retirement, death or disability at 30% or less of their market value. Consequently, based on IFRS 2, beneficiaries vest 30% of their shares at the end of the average vesting period (see performance conditions) and 70% at the end of the non-transferability period, estimated at 4.07 years.

(b) Tranches 1, 2 and 3 of the performance share award will be convertible into ordinary shares if the volume-weighted average price (VWAP) of the Vallourec share is equal to or above €16.19, €20.22 and €28.32, respectively, for 90 consecutive business days over a period of five years following the financial restructuring. The valuation models show average vesting periods of 1.60 years, 1.96 years and 2.43 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 (French Bond Association [CNO] zero-coupon 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 Plan is as follows:

<i>In number of shares</i>	Ordinary shares	Performance shares
Number of shares not yet vested as at January 1, 2022	1,595,700	3,575,621
Shares delivered over the period	-	-
Shares canceled	(38,924)	(77,848)
Shares allocated over the period	57,359	3,743,088
Number of shares not yet vested as at June 30, 2022	1,614,135	7,240,861

Vallourec did not purchase any treasury shares in the first half of 2022.

7.3. Basic earnings per share

Basic earnings per share amounted to a loss of €2 in first-half 2022, versus a basic loss per share of €3.3 reported in first-half 2021. Diluted earnings per share (taking into account the dilutive impact of stock options, performance shares, the Management Equity Plan and share subscription warrants) amounted to a loss of €2 per share in first-half 2022, versus a diluted loss per share of €3.3 reported in first-half 2021.

8. Financing and financial instruments

8.1. Net debt

	Dec. 31, 2021			June 30, 2022		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	1,164,259	1,164,259	-	1,150,224	1,150,224	-
Bank borrowings	223,912	222,485	1,427	303,415	227,594	75,821
Other financial liabilities	185,363	537	184,826	293,083	1,575	291,507
Short-term bank facilities	3,409	-	3,409	7,460	-	7,460
Total current and non-current loans and borrowings	1,576,943	1,387,281	189,662	1,754,181	1,379,393	374,788
Marketable securities	293,729	-	293,729	66,328	-	66,328
Cash at bank and in hand	325,628	-	325,628	298,964	-	298,964
Cash and cash equivalents	619,358	-	619,358	365,291	-	365,291
Net debt	957,585	1,387,281	(429,696)	1,388,890	1,379,393	9,497

The Group's debt instruments break down as follows:

<i>In € millions</i>	Nominal amount	Maturity	Rate	Fair value interest rate	Amount in the SOFP as of June 30, 2022
Bond issue – June 2021 ^(a)	1,023	June 2026	8.500%	5.000%	1,150
State-guaranteed loan – June 2021 ^(b)	262	June 2027	1.837%	6.000%	216
Committed credit facility – June 2021	462	June 2026	5.000%	5.000%	75
Total	1,747				1,441

(a) Includes a redemption option for the borrower exercisable from June 30, 2023.

(b) Presented at an effective interest rate of 1.8370%, including the underwriting fee.

8.1.1. Financial income (loss)

	First-half 2021	First-half 2022
Interest income		
Income from marketable securities	2,261	3,320
Proceeds from disposals of marketable securities	(85)	(297)
Total	2,176	3,023
Interest expense	(104,695)	(47,920)
Net interest expense	(102,519)	(44,897)
Other financial income and expenses		
Income from securities, loans and receivables	312	869
Exchange (losses) and gains and changes in premiums/discounts	(4,884)	11,858
Additions to provisions, net of reversals	587	(33)
Other financial income and expenses	(37,432)	6,863
Net expense attributable to financial restructuring	(40,248)	0
Total	(81,665)	19,557
Interest expenses on leases	(13,376)	(4,082)
Other discounting expenses		
Interest expense on discounting pension obligations	(693)	2,120
Interest income (expense) on discounting assets and liabilities	22,995	6,294
Total	22,302	8,414
Financial income (loss)	(175,258)	(21,008)

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

	Dec. 31, 2021	Translation difference	Proceeds from new borrowings	Repayments of borrowings	Financial restructuring	Current/non-current reclassifications and other	June 30, 2022
Non-current financial liabilities	1,387,281	3,011	2,789	(15,163)	-	1,475	1,379,393
Current financial liabilities	189,662	24,243	164,537	(6,430)	-	12,967	374,788
Financial liabilities (1)	1,576,943	27,254	167,326	(21,593)		14,442	1,754,181
Impact of hedging instruments and other (2)			1,504	-			
Total (1) + (2)			168,830	(21,593)			
Change in financial liabilities in the statement of cash flows			168,830	(21,593)			

8.2. Other financial liabilities

Other financial liabilities consist primarily of lease liabilities and derivatives.

	December 31, 2021			June 30, 2022		
	Total	Non-current	Current	Total	Non-current	Current
Lease liabilities	48,828	33,389	15,439	61,454	44,593	16,861
Call option on non-controlling interests	-	-	-	-	-	-
Derivatives	19,056	-	19,056	70,970	-	70,970
Total	67,884	33,389	34,495	132,424	44,593	87,831

8.3. Financial instruments

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

During first-half 2022, 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, 2022	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	660,907	-	-	-	660,907	660,907
Other current and non-current financial assets	99,631	-	24,242	7,418	131,291	131,291
Other current and non-current assets	311,421	-	-	-	311,421	311,421
Cash and cash equivalents	-	365,291	-	-	365,291	365,291
Total financial assets	1,071,959	365,291	24,242	7,418	1,468,910	1,468,910
Total non-financial assets	-	-	-	-	3,809,041	3,809,041
Total assets	-	-	-	-	5,277,951	5,277,951
Liabilities						
Borrowings	1,754,181	-	-	-	1,754,181	1,681,800
Trade payables	691,809	-	-	-	691,809	691,809
Other current and non-current financial liabilities	61,454	-	-	70,970	132,424	132,424
Other current and non-current liabilities	331,536	-	-	-	331,536	331,536
Total financial liabilities	2,838,980	-	-	70,970	2,909,950	2,837,569
Total non-financial liabilities	-	-	-	-	2,368,001	2,368,001
Total liabilities	-	-	-	-	5,277,951	5,205,570

8.3.2. Hedge accounting

As at June 30, 2022, hedging instruments had a net negative fair value of €64 million, versus a net negative fair value of €21.8 million as at December 31, 2021.

	Accounting classification	OCI reserves ⁽¹⁾	June 30, 2022	Dec. 31, 2021
Currency forward contracts on commercial transactions	Cash flow hedge	(41,123)	(55,933)	(14,810)
Currency forward contracts on commercial transactions	Fair value hedge	126	(6,375)	(7,063)
Currency forward contracts on financial transactions	Fair value hedge	-	(1,706)	(201)
Hedging instruments set up in the context of employee share ownership plans	Fair value hedge	27	461	279
Sub-total derivatives		(40,970)	(63,552)	(21,795)
<i>Of which derivatives – positive fair value</i>		-	7,418	4,253
<i>Of which derivatives – negative fair value</i>		-	(70,970)	(19,056)
		-	0	(6,992)
Receivables (payables) used for commercial hedges	Cash flow hedge	(3,929)	(7,648)	(3,720)
Receivables (payables) used for commercial hedges	Fair value hedge	-	1,815	(1,848)
Total		(44,899)	(69,385)	(27,363)

(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 2022. For risks not listed below, please refer to the notes to the consolidated financial statements for the year ended December 31, 2021.

Liquidity risk

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

The vast majority of bank financing has been put in place in Europe via Vallourec SA and to a lesser extent via the subsidiaries in Brazil. 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. As at June 30, 2022, €75 million had been drawn on this credit facility.

Bond financing is arranged exclusively by Vallourec SA.

9. Employee benefits

Employee benefits increased by €73 million over the period, mainly due to the fact that the assets and liabilities in Germany are no longer presented as "held for sale". This effect was partially offset by the increase in discount rates in the first-half 2022 (3.3% in Germany and France versus 0.8% in 2021 and 3.75% in the United Kingdom versus 1.9% in 2021), and the impact of restructuring plans.

At January 1	14,471
Current service cost	2,099
Benefits paid (employer)	(19,364)
Benefits paid (fund)	(2,816)
Change in actuarial gains and losses	(35,121)
Impact of changes in exchange rates	5,468
Reclassifications and other changes	(1,789)
Liabilities related to assets held for sale and discontinued operations ⁽¹⁾	124,397
At period end	87,345

(1) Mainly attributable to the reclassification of the Group's German operations from assets and liabilities held for sale (see Note 11).

10. Provisions for risks, charges and contingent liabilities

	December 31, 2021			June 30, 2022		
	Total	Non-current	Current	Total	Non-current	Current
Disputes and commercial commitments	12,565	8,653	3,912	14,594	11,055	3,539
Backlog – losses on completion	15,351	-	15,351	58,369	-	58,369
Reorganization and restructuring measures	36,667	21,300	15,367	386,670	281,868	104,802
Tax risks (income tax, other levies, inspections, etc.)	9,580	9,580	-	11,428	11,428	-
Other	47,191	41,465	5,726	106,433	53,015	53,418
Total	121,354	80,998	40,356	577,494	357,366	220,128
At January 1	214,600	110,328	104,272	121,354	80,998	40,356
Additions	54,090	17,408	36,682	438,179	261,306	176,873
Utilizations	(94,704)	(18,997)	(75,707)	(35,441)	(5,402)	(30,039)
Reversals of surplus provisions	(13,594)	(6,078)	(7,516)	(145)	(63)	(82)
Impact of changes in exchange rates	1,568	689	879	12,380	9,284	3,096
Reclassifications and other changes	(498)	(11,048)	10,550	867	(391)	1,258
Liabilities related to assets held for sale and discontinued operations	(40,108)	(11,304)	(28,804)	40,300	11,634	28,666
At period end	121,354	80,998	40,356	577,494	357,366	220,128

Contingent liabilities

In 2021, Vallourec has decided to terminate the cooperation and supply agreements with HKM, including the "Take or Pay" provisions, which will take effect on December 31, 2028 after seven years' contractual notice.

In May 2022, Vallourec announced the initiation of the closure process of its German tube plants and the transfer of the German rolling activity for Oil & Gas to Brazil, this decision does not prevent Vallourec to benefitting from this supply contract and to perform its obligations until the contractual term. On June 30, 2022, the Vallourec is able to continue buying steel to allocate to its activity or resell them on the market.

In addition, the termination of cooperation and supply agreements may incur to generate possible additional costs which probability and amount cannot be reliably estimated at end of June.

11. Assets held for sale, liabilities related to assets held for sale, and discontinued operations

The disposal process launched in 2021 for the Group's German manufacturing assets has been completed and no credible buyer has been identified. As a result, Vallourec is launching a closure process for its German assets and accordingly, the related assets and liabilities are no longer presented as held for sale.

The Group has decided to discontinue the operations of Valinox Nucléaire in China and accordingly, the related assets and liabilities are no longer presented as held for sale.

Assets and liabilities held for sale are presented in the table below:

Net values	Dec. 31, 2021	June 30, 2022
Intangible assets	1,066	-
Property, plant and equipment	105,750	-
Right-of-use assets	616	-
Biological assets	10,448	12,157
Deferred tax assets	-	-
Other non-current assets	7,890	1,010
Total non-current assets	125,770	13,167
Current assets		
Inventories	170,909	-
Trade receivables	37,856	-
Other current assets	37,193	-
Total current assets	245,958	
TOTAL ASSETS HELD FOR SALE	371,728	13,167
Pensions	124,397	-
Long-term provisions for risks and charges	11,634	-
Deferred tax liabilities	-	-
Other non-current liabilities	19,869	-
Total non-current liabilities	155,900	
Trade payables	156,875	4,914
Short-term provisions for risks and charges	28,804	-
Other current liabilities	32,578	-
Total current liabilities	218,257	4,914
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	374,157	4,914
Net assets (liabilities) held for sale and discontinued operations	(2,429)	8,253

12. Scope of consolidation

The sale of Vallourec Bearing Tubes was completed on May 31, 2022.

13. 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, 2022 to June 30th, 2022

This is a free translation into English of the Statutory Auditors' review report on the 2022 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, 2022 to June 30th, 2022,
- 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 26, 2022

The statutory auditors
French original signed by

KPMG S.A.

Deloitte & Associés

Alexandra SAASTAMOINEN

Véronique LAURENT



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A French limited company (société anonyme)
with a Board of Directors with share capital of €4,578,568.56