Press release

Vallourec reports third quarter and first nine months 2020 results

Boulogne-Billancourt (France), November 18th 2020 – Vallourec, a world leader in premium tubular solutions, today announces its results for the third quarter and nine first months of 2020. The consolidated financial information was presented by Vallourec's Management Board to its Supervisory Board on November 17th 2020.

Q3 results: solid EBITDA generation despite unprecedented drop in O&G market

- Revenue of €716 million, down 32% year-on-year or 22% at constant exchange rates, mainly driven by lower demand in global Oil & Gas market
- Strong EBITDA resilience at €71 million with margin up at 9.9% of sales, versus €84 million in Q3 2019 or 7.9% of sales
- Positive free cash flow of €35 million versus €26 million in Q3 2019
- Net debt unchanged at €2,329 versus end of Q2 2020
- Strong liquidity position at €1,361 million

Financial Restructuring engaged

- Financial Restructuring to embrace all borrowings at Vallourec S.A. level and to reduce debt level significantly as well as its interest cash burden
- The objective of the Company is to negotiate an agreement with its creditors on the terms of the Financial Restructuring
- As part of its Mandat Ad Hoc, Vallourec SA confirmed on November 17, 2020 that it sought to reduce its debt amounting to €3.5 bn by slightly over 50% by way of a debt-to-equity conversion

Continued commercial momentum

- After extending our historic partnership with Petrobras in July, our frame-agreement with Total was extended by five years

Launching structural measures to foster competitiveness

- In Europe, adaptation of the production capacity and SG&A streamlining with:
  - in France, a reduction of c.350 positions including the closure of Déville heat treatment facility[1]
  - in Germany, further on-going headcount reduction with c.200 positions over 2021-2022, and intensive use of short time work before implementation of working time reduction up to 20%
- In Brazil: comprehensive savings plan including a structural reduction of c.500 positions in support functions in 2020

2020 Outlook confirmed

- Full year outlook supported by solid resilience levers despite depressed North America onshore activity:
  - o EA-MEA: impact of delayed IOCs and NOCs projects offset by strong deliveries of special alloy tubes
  - o Brazil: increased pre-salt offshore activity as anticipated and stable sales to Industry markets
  - o Increased profitability of our iron ore mine
- Confirmed full year target of €130 million gross savings on top of the full adaptation of variable costs (including direct labor)
- Free cash flow targeted positive in H2, including a significant release of working capital

1 The implementation of these measures is subject to consultation of the work's councils

Information

Quarterly financial statements are unaudited and not subject to any review.

Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.

Key figures

9 Months 2020	9 Months 2019	Change	*In € million*	Q3 2020	Q3 2019	Change
1,191	**1,771**	-32.7%	**Production shipped (k tons)**	**319**	**595**	-46.4%
2,412	**3,169**	-23.9%	**Revenue**	**716**	**1,060**	-32.5%
182	**253**	-€71m	**EBITDA**	**71**	**84**	-€13m
7.5%	*8.0%*	*-0.5p.p.*	*(as a % of revenue)*	*9.9%*	*7.9%*	*+2.0p.p.*
(507)	**(8)**	-€499m	**Operating income (loss)**	**7**	**10**	-€3m
(636)	**(227)**	-€409m	**Net income, Group share**	**(69)**	**(60)**	-€9m
(223)	**(117)**	-€106m	**Free cash-flow**	**35**	**26**	+€9m
2,329	**2,104**	+€225m	**Net debt**	**2,329**	**2,104**	+€225m

Edouard Guinotte, Chairman of the Management Board, declared:

While the Covid-19 pandemic continued to strongly impact the world economy and the activity of our customers worldwide, we generated over the third quarter a solid EBITDA and a positive free cash flow, in line with our expectations. This performance rewards our continuous efforts to improve competitiveness and the decided execution of strong adaptation measures launched in 2020 to face this unprecedented crisis.

Our markets remain more volatile than ever and their evolution highly uncertain, and despite some recent slight signs of improvement in North America on-shore, we don't rely on activity being materially different in the coming quarters.

In this context, Vallourec is launching structural actions across the Group, including headcount reductions in France, Germany and Brazil and permanent working time reduction in Germany. This, combined with the financial restructuring process aiming at significantly reducing our debt level and addressing upcoming debt maturities, will enable the Group to roll out its Strategic roadmap and unleash its full potential.

Finally, I would like to sincerely thank all our customers and partners, who continue to support us despite this unprecedented context as well as our teams across all regions for their continuous and exemplary commitment and dedication.

I - CONSOLIDATED REVENUE BY MARKET

9 Months 2020	9 Months 2019	Change	At constant exchange rates	*In € million*	Q3 2020	Q3 2019	Change	At constant exchange rates
1,641	2,280	-28.0%	-24.5%	Oil & Gas, Petrochemicals	443	755	-41.3%	-33.9%
601	734	-18.1%	-3.7%	Industry & Other	208	253	-17.8%	4.3%
170	155	9.7%	12.3%	Power Generation	65	52	25.0%	28.8%
2,412	**3,169**	**-23.9%**	**-17.9%**	**Total**	**716**	**1,060**	**-32.5%**	**-21.7%**

Over the third quarter of 2020, Vallourec recorded revenue of €716 million, down 32% compared with the third quarter of 2019 (-22% at constant exchange rates) with:

- a volume impact of -46% mainly driven by Oil & Gas in North America and EA-MEA
- a positive price/mix effect of +25% reflecting a better price/mix in Oil & Gas in EA-MEA and South America, more than offsetting lower prices in North America
- a currency conversion effect of -11% mainly related to EUR/BRL.

Over the first nine months of 2020, revenue totaled €2,412 million, down 24% versus the first nine months of 2019 (-18% at constant exchange rate). Volume effect was -33%, price/mix effect +15% and currency conversion effect -6%.

Oil & Gas, Petrochemicals (62% of Q3 2020 consolidated revenue)

Oil & Gas revenue reached **€410 million in Q3 2020, a (€261) million decrease or -39% year-on-year (-31% at constant exchange rates),** reflecting lower revenue in North America and EA-MEA.

- **In North America**, Oil & Gas revenue decrease was driven by lower deliveries due to the unprecedented decrease in rig count, as well as to lower prices.
- **In EA-MEA**, Oil & Gas revenue decrease reflected lower volumes while high alloy deliveries positively impacted the price/mix
- **In South America**, Oil & Gas revenue strong increase reflected the forecast increase in deliveries of premium OCTG for pre-salt offshore, despite an unfavorable currency conversion effect.

Over the first nine months of 2020, **Oil & Gas** revenue totaled €1,480 million, **a (€586) million decrease or -28% year-on-year** (-25% at constant exchange rates).

Petrochemicals revenue was **€33 million in Q3 2020, down 61% year-on-year** (-54% at constant exchange rates) notably due to lower sales of line pipes in North America as well as pressure on prices.
Over the first nine months of 2020, Petrochemicals revenue totaled €161 million, down 25% year-on-year (-21% at constant exchange rates).

In Q3 2020, revenue for Oil & Gas and Petrochemicals amounted to €443 million, down 41% compared with Q3 2019 (-34% at constant exchange rates) due to lower O&G volumes in North America and EA-MEA.
Over the first nine months 2020, revenue for Oil & Gas and Petrochemicals totaled €1,641 million, down 28% compared with 9M 2019 (-24% at constant exchange rates).

Industry & Other (29% of Q3 2020 consolidated revenue)

Industry & Other revenue amounted to €208 million in Q3 2020, down 18% year-on-year (+4% at constant exchange rates):

- In Europe, Industry revenue was down year on year reflecting lower volumes and prices.
- In South America, Industry & Other revenue was up, as a result of higher revenue from the iron ore mine reflecting both higher volumes and prices, and of the overall stability of our sales to the Industry market before unfavorable currency conversion effect.

Over the first nine months of 2020, Industry & Other revenue totaled €601 million, down 18% year-on-year (-4% at constant exchange rates) primarily as a result of unfavorable conversion currency effect and lower shipments.

Power Generation (9% of Q3 2020 consolidated revenue)

Power Generation revenue amounted to €65 million in Q3 2020, up 25% year-on-year (+29% at constant exchange rates), as a result of timing of project deliveries.

The closure of the Reisholz site in Germany, dedicated to coal-fired conventional power plants, is effective since summer 2020.

For the first nine months of 2020, revenue totaled €170 million, up 10% year-on-year (+12% at constant exchange rates).

II – CONSOLIDATED RESULTS ANALYSIS

Q3 2020 consolidated results analysis

In Q3 2020, EBITDA reached €71 million compared with €84 million in Q3 2019, at 9.9% of revenue versus 7.9% in Q3 2019, as a result of:

- An industrial margin of €154 million, compared with €177 million in 2019, at 21.5% of revenue (versus 16.7% year on year), reflecting the lower activity in Oil & Gas in North America and to a lower extent in Industry in Europe, partially offset by (i) savings, (ii) a higher mine contribution and (iii) a positive contribution of Oil & Gas in South America, while lower Oil & Gas volumes in EA-MEA were offset by higher price/mix.
- A 17% decrease in sales, general and administrative costs (SG&A) at €77 million or 10.8% of revenues, reflecting our strong cost savings measures.

Operating result was positive at €7 million, compared with €10m in Q3 2019, including lower depreciation and amortization charges.

Financial result was negative at (€64) million, compared to (€56) million in Q3 2019, reflecting mainly higher net financial expenses.

Income tax amounted to (€21) million mainly related to Brazil, compared to (€17) million in Q3 2019.

This resulted in a net loss, Group share, of (€69) million, compared to (€60) million in Q3 2019.

9M 2020 consolidated results analysis

For the first nine months of 2020, EBITDA reached €182 million, a (€71) million decrease year on year, at 7.5% of revenue versus 8% for the first nine months of 2019, including:

- An industrial margin of €451 million, down (€107) million compared with 9M 2019, reflecting primarily lower activity in Oil & Gas in North America, and to a smaller extent in Industry in Europe. This was partially offset by (i) savings, (ii) a higher mine contribution, and (iii) a positive contribution of Oil & Gas in South America, while the impact of lower volumes in O&G EA-MEA was offset by high alloys deliveries.
- Sales, general and administrative costs (SG&A) down 14% at €250 million, reflecting our savings and adaptation plan, and representing 10.4% of revenue.

Operating result decreased by (€499) million to a loss of (€507) million, reflecting mainly the impairment charge recorded in Q2 2020. "Asset disposal, restructuring costs and other" charges increased by (€49) million and included restructuring provisions related to the closure of the Reisholz site in Germany, and the adaptation plans in North America and Brazil. Lower depreciation of industrial assets was recorded.

Financial result was negative at (€179) million, stable compared to (€178) million in 9M 2019. It included higher interest expenses partially offset by other financial income of which notably the settlement in Q1 of a dispute in Brazil for €23 million.

Income tax amounted to (€51) million mainly related to Brazil**.**

As a result, net loss, Group share, amounted to (€636) million, compared to (€227) million in the first nine months of 2019.

III - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q3 2020, cash flow from operating activities reached (€32) million, compared to (€2) million in Q3 2019, reflecting mainly the lower EBITDA as well as higher restructuring cash-out.
For the first nine months of 2020, cash flow from operating activities was negative at (€128) million compared to €8 million for the first nine months of 2019, mainly due to the lower EBITDA and to a lesser extent to higher taxes paid, financial expenses and restructuring cash-out.

Operating working capital requirement

Operating working capital requirement decreased by €94 million in Q3 2020, versus a decrease of €71 million in Q3 2019, as a result of activity decline. Net working capital requirement increased to 120 days of sales, compared to 105 days in Q3 2019, impacted notably by customer mix and fixed inventories.
For the first nine months of 2020, operating working capital requirement increased by (€5) million versus an increase of (€46) million for the first nine months of 2019.

Capex

Capital expenditure was (€27) million in Q3 2020, compared to (€43) million in Q3 2019, and was (€90) million for the first nine months of 2020 compared to (€79) million for the first nine months of 2019.

Free cash flow

As a result, **in Q3 2020, free cash flow was positive at €35 million** versus €26 million in Q3 2019.
Free cash flow **for the first nine months of 2020 was negative at (€223) million** compared with (€117) million for the first nine months of 2019.

Asset disposals & other items

Asset disposals & other items amounted to (€37) million in Q3 2020 and were mostly related to negative currency effects on net debt as well as cash collateral related to bid and performance bonds. For the first nine months of 2020, they amounted to (€75) million as a result mainly of negative currency effects on net debt as well as the repayment of leasing debts (IFRS16), and as cash collateral related to bid and performance bonds.

Net debt and liquidity

As at September 30th 2020, net debt stood at €2,329 million, compared with €2,326 million on June 30th 2020.
As at September 30th 2020, lease debt stood at €112 million, compared with €122 million on June 30th 2020.
Cash as at September 30th 2020 amounted to €1,349 million, and €12 million of the €1,724 million committed bank facilities were unused.

At the same date, long term debt amounted to €1,749 million and short-term debt to €1,929 million, including €1,712 million drawn from the €1,724 million committed banking facilities maturing in February 2021. In July 2020, €99 million of drawn banking facilities were repaid at their maturity.

Based on September 30th 2020 financial results, the banking covenant ratio, as defined in the banking contracts, would be at 129%. It is tested once a year on December 31st.

IV – LAUNCHING STRUCTURAL MEASURES TO FOSTER COMPETITIVENESS

In addition to the 1/3 workforce reduction already implemented in North America, Vallourec launches structural measures across the Group to foster competitiveness.
In Europe, the Group will pursue the permanent adaptation of its footprint and streamlining of SG&A:

- In France, this will imply a reduction of c.350 positions in production facilities as well as in support functions, including the closure of Déville heat treatment facility. The implementation of these measures is subject to consultation of the work's councils.
- In Germany, on top of the previous plan, the Group will implement a full set of additional measures including further on-going headcount reduction with c.200 positions over 2021-2022 and intensive use of short time work before implementation of working time reduction thanks to an existing company agreement.

In Brazil, our comprehensive action plan will result in particular in a structural reduction of c.500 positions in support functions in 2020, and the insourcing of subcontracted activities and activity variation, a specific focus on optimization of steel cost and the redesign of maintenance and S&OP processes.

V –OUTLOOK CONFIRMED FOR 2020

Oil & Gas

- **In North America**, after the sharp drop in drilling activity of shale operators (rig count down 75% since December 19), the rig count has bottomed out since mid-August. Average 2020 OCTG prices, significantly below 2019 levels, are expected to start recovering in early 2021.

- **In EA-MEA,** delayed projects mainly from IOCs and NOCs are offset in 2020 by the positive effect of the backlog of high alloys products delivered this year.

- In **Brazil,** the 2020 drilling activity in pre-salt is increasing yoy, as anticipated.

Industry & Other

- In **Europe**, demand from Industry is still impacted by Covid-19 crisis.
- In **Brazil**, the overall level of Industry activity is expected to remain stable in 2020 compared to 2019.

- Volume of **iron ore** produced in Brazil is expected to be higher than in 2019, notably thanks to the use of mobile processing units. Iron ore prices have so far stayed at favorable levels, but a limited decline is expected in Q4.

Costs savings

- Confirmation of the full year target of €130 million gross savings on top of the full adaptation of variable costs (including direct labor).
- Strict cash control with capex envelope of c.€160m.

Free cash flow

- Targeted to be positive in H2, including a significant release of working capital.

Information and Forward-Looking Statements

This press release contains forward-looking statements. These statements include financial forecasts and estimates as well as assumptions on which they are based, statements related to projects, objectives and expectations concerning future operations, products and services or future performance. Although Vallourec's management believes that these forward-looking statements are reasonable, Vallourec cannot guarantee their accuracy or completeness and these forward-looking statements are subject to numerous risks and uncertainties that are difficult to foresee and generally beyond Vallourec's control, which may mean that the actual results and developments may differ significantly from those expressed, induced or forecasted in the statements. These risks include those developed or identified in the public documents filed by Vallourec with the AMF, including those listed in the "Risk Factors" section of the Universal Registration Document filed with the AMF on March 20th 2020.

Cautionary Statement

This press release does not, and shall not, in any circumstances constitute a public offering or an invitation to the public in connection with any offer.

No communication and no information in respect of this transaction may be distributed to the public in any jurisdiction where a registration or approval is required. No steps have been or will be taken in any jurisdiction (other than France) where such steps would be required. The issue, the subscription for or the purchase of Vallourec's shares may be subject to specific legal or regulatory restrictions in certain jurisdictions. Vallourec assumes no responsibility for any violation of any such restrictions by any person.

This announcement is not a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and the Council of June 14, 2017 (as amended or superseded, the "Prospectus Regulation"). No securities offering will be opened to the public in France before the delivery of the visa on a prospectus prepared in compliance with the Prospectus Regulation, as approved by the AMF.

In France, an offer of securities to the public may only be made pursuant to a prospectus approved by the AMF. With respect to the member States of the European Economic Area (each, a "relevant member State"), other than France, no action has been undertaken or will be undertaken to make an offer to the public of the shares requiring a publication of a prospectus in any relevant member State. Consequently, the securities cannot be offered and will not be offered in any member State (other than France), except in accordance with the exemptions set out in Article 1(4) of the Prospectus Regulation, or in the other case which does not require the publication by Vallourec of a prospectus pursuant to the Prospectus Regulation and/or applicable regulation in the member States.

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The distribution of this press release in certain countries may constitute a breach of applicable law. The information contained in this press release does not constitute an offer of securities for sale in the United States, Canada, Australia or Japan.

Presentation of Q3 & 9M 2020 results

Analyst conference call / audio webcast at 6:30 pm (Paris time) to be held in English.

- To listen to the audio webcast:
  https://channel.royalcast.com/vallourec-en/#!/vallourec-en/20201118_1

- To participate in the conference call, please dial (password to use is "Vallourec"):
  - +44 (0) 20 3003 2666 (UK)
  - +33 (0) 1 7037 7166 (France)
  - +1 212 999 6659 (USA)

- Audio webcast replay and slides will be available on the website 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 19,000 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) and eligible for the Deferred Settlement System (SRD), Vallourec is included in the following indices: SBF 120 and Next 150.

In the United States, Vallourec has established a sponsored Level 1 American Depositary Receipt (ADR) program (ISIN code: US92023R2094, Ticker: VLOWY). Parity between ADR and a Vallourec ordinary share has been set at 5:1.

Calendar

February 17th 2021	Release of 2020 full year results

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Appendices

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

Documents accompanying this release:

- Sales volume
- Forex
- Revenue by geographic region
- Revenue by market
- Summary consolidated income statement
- Summary consolidated balance sheet
- Banking covenant
- Free cash flow
- Cash flow statement
- Definitions of non-GAAP financial data

Sales volume

In thousands of tons	2020	2019	Change
Q1	450	571	-21.2%
Q2	422	605	- 30.2%
Q3	319	595	- 46.4%
Total	**1,191**	**1,771**	

Forex

Average exchange rate	9 Months 2020	9 Months 2019
EUR / USD	1.13	1.12
EUR / BRL	5.71	4.36
USD / BRL	5.08	3.88

Revenue by geographic region

In € million	9 Months 2020	As % of revenue	9 Months 2019	As % of revenue	Change	Q3 2020	As % of revenue	Q3 2019	As % of revenue	Change
Europe	406	16.8%	457	14.4%	-11.2%	141	19.7%	146	13.8%	-3.4%
North America (Nafta)	581	24.1%	981	31.0%	-40.8%	99	13.8%	313	29.5%	-68.4%
South America	532	22.1%	508	16.0%	4.7%	209	29.2%	179	16.9%	16.8%
Asia and Middle East	664	27.5%	883	27.9%	-24.8%	197	27.5%	334	31.5%	-41.0%
Rest of the world	229	9.5%	340	10.7%	-32.6%	71	9.9%	88	8.3%	-19.3%
Total	**2,412**	**100%**	**3,169**	**100%**	**-23.9%**	**716**	**100%**	**1,060**	**100%**	**-32.5%**

Revenue by market

9 Months 2020	As % of revenue	9 Months 2019	As % of revenue	Change	*In € million*	Q3 2020	As % of revenue	Q3 2019	As % of revenue	Variation
1,480	61.4%	2,066	65.2%	-28.4%	Oil & Gas	410	57.3%	671	63.3%	-38.9%
161	6.7%	214	6.8%	-24.8%	Petrochemicals	33	4.6%	84	7.9%	-60.7%
1,641	**68.0%**	**2,280**	**71.9%**	**-28.0%**	**Oil & Gas, Petrochemicals**	**443**	**61.9%**	**755**	**71.2%**	**-41.3%**
220	9.1%	291	9.2%	-24.4%	Mechanicals	66	9.2%	90	8.5%	-26.7%
41	1.7%	92	2.9%	-55.4%	Automotive	14	2.0%	29	2.7%	-51.7%
340	14.1%	351	11.1%	-3.1%	Construction & Other	128	17.9%	134	12.6%	-4.5%
601	**24.9%**	**734**	**23.2%**	**-18.1%**	**Industry & Other**	**208**	**29.1%**	**253**	**23.9%**	**-17.8%**
170	**7.0%**	**155**	**4.9%**	**9.7%**	**Power Generation**	**65**	**9.1%**	**52**	**4.9%**	**25.0%**
2,412	**100%**	**3,169**	**100%**	**-23.9%**	**Total**	**716**	**100%**	**1,060**	**100%**	**-32.5%**

Summary consolidated income statement

9 Months 2020	9 Months 2019	Change	*In € million*	Q3 2020	Q3 2019	Change
2,412	**3,169**	-23.9%	**Revenue**	**716**	**1,060**	-32.5%
(1,961)	**(2,611)**	-24.9%	Cost of sales	**(562)**	**(883)**	-36.4%
451	**558**	-19.2%	**Industrial Margin**	**154**	**177**	-13.0%
18.7%	*17.6%*	*+1.1p.p.*	*(as a % of revenue)*	*21.5%*	*16.7%*	*+4.8p.p.*
(250)	(291)	-14.1%	Sales, general and administrative costs	(77)	(93)	-17.2%
(19)	(14)	na	Other	(6)	-	na
182	**253**	-€71m	**EBITDA**	**71**	**84**	-€13m
7.5%	*8.0%*	*-0.5p.p.*	*(as a % of revenue)*	*9.9%*	*7.9%*	*+2.0p.p.*
(158)	(183)	-13.7%	Depreciation of industrial assets	(47)	(57)	-17.5%
(37)	(44)	na	Amortization and other depreciation	(10)	(15)	na
(441)	(30)	na	Impairment of assets	-	(9)	na
(53)	(4)	na	Asset disposals, restructuring costs and non-recurring items	(7)	7	na
(507)	**(8)**	-€499m	**Operating income (loss)**	**7**	**10**	-€3m
(179)	(178)	0.6%	Financial income/(loss)	(64)	(56)	14.3%
(686)	**(186)**	-€500m	**Pre-tax income (loss)**	**(57)**	**(46)**	-€11m
(51)	(39)	na	Income tax	(21)	(17)	na
(2)	(2)	na	Share in net income/(loss) of equity affiliates	(1)	(1)	na
(739)	**(227)**	-€512m	**Net income**	**(79)**	**(64)**	-€15m
(103)	-	na	Attributable to non-controlling interests	(10)	(4)	na
(636)	**(227)**	-€409m	**Net income, Group share**	**(69)**	**(60)**	-€9m
(55.6)	**(0.5)**	na	**Net earnings per share (in €) ***	**(6.0)**	**(0.1)**	na

na = not applicable

** 9M 2020 and Q3 2020 figures adjusted for new number of shares following reverse stock split effective on May 25 2020* vallourec

Summary consolidated balance sheet

In € million

Assets	9/30/2020	12/31/2019	Liabilities	9/30/2020	12/31/2019
			Equity - Group share *	378	1,467
			Non-controlling interests	354	513
Net intangible assets	53	63	**Total equity**	**732**	**1,980**
Goodwill	24	364	**Shareholder loan**	**8**	**21**
Net property, plant and equipment	2,136	2,642	Bank loans and other borrowings (A)	1,749	1,747
Biological assets	43	62	Lease debt (D)	87	104
Equity affiliates	125	129	Employee benefit commitments	213	228
Other non-current assets	99	132	Deferred taxes	19	9
Deferred taxes	205	249	Provisions and other long-term liabilities	64	61
Total non-current assets	**2,685**	**3,641**	**Total non-current liabilities**	**2,132**	**2,149**
Inventories	855	988	Provisions	80	121
Trade and other receivables	533	638	Overdraft and other short-term borrowings (B)	1,929	2,077
Derivatives - assets	29	7	Lease debt (E)	25	30
Other current assets	176	237	Trade payables	445	580
Cash and cash equivalents (C)	1,349	1,794	Derivatives - liabilities	13	18
			Other current liabilities	263	329
Total current assets	**2,942**	**3,664**	**Total current liabilities**	**2,755**	**3,155**
Total assets	**5,627**	**7,305**	**Total equity and liabilities**	**5,627**	**7,305**

*** Net income (loss), Group share**	**(636)**	**(338)**
Net debt (A+B-C)	**2,329**	**2,031**
Lease debt (D+E)	**112**	**134**

Banking covenant

As defined in the banking agreements, the "banking covenant" ratio is the ratio of the Group's consolidated net debt including the "financial lease debt" and the shareholder loan in Brazil to the Group's equity, restated for reserves of changes in fair value of financial instruments and foreign currency translation reserve. This indebtedness ratio is tested once a year on December 31st, and must be below a limit of 100% on this date.

Banking covenant (in € million)	9/30/2020	12/31/2019
Net debt (excluding financial lease debt)	2,329	2,031
Financial lease debt	30	50
Net debt	2,359	2,081
Shareholder loan	8	21
Restated net debt (1)	2,367	2,102
Equity	732	1,980
Foreign currency translation reserve - Group share (a)	1,122	608
Reserves - changes in fair value of financial instruments (a)	(13)	(4)
Equity restated (2)	1,841	2,584
Ratio of banking covenant restated (1)/(2)	128.6%	81.3%

(a) Including minority interests.

Free cash flow

9 Months 2020	9 Months 2019	Change	*In € million*	Q3 2020	Q3 2019	Change
(128)	8	-€136m	Cash flow from operating activities (A)	(32)	(2)	-€30m
(5)	(46)	+€41m	Change in operating WCR [+ decrease, (increase)] (B)	94	71	+€23m
(90)	(79)	-€11m	Gross capital expenditure (C)	(27)	(43)	+€16m
(223)	**(117)**	**-€106m**	**Free cash flow (A)+(B)+(C)**	**35**	**26**	**+€9m**

Cash flow statement

9 Months 2020	9 Months 2019	*In € million*	Q3 2020	Q3 2019
(128)	8	Cash flow from operating activities	(32)	(2)
(5)	(46)	Change in operating WCR [+ decrease, (increase)]	94	71
(133)	(38)	Net cash flow from operating activities	62	69
(90)	(79)	Gross capital expenditure	(27)	(43)
(75)	12	Asset disposals & other items	(37)	(19)
(298)	(105)	Change in net debt [+ decrease, (increase)]	(2)	7
2,329	**2,104**	**Financial net debt (end of period)**	**2,329**	**2,104**

Definitions of non-GAAP financial data

Banking covenant: as defined in the banking agreements, the "banking covenant" ratio is the ratio of the Group's consolidated net debt including the "financial lease debt" and the shareholder loan in Brazil to the Group's equity, restated for reserves of changes in fair value of financial instruments and foreign currency translation reserve. This indebtedness ratio is tested once a year on December 31st, and must be below a limit of 100% on this date.

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.

Free cash flow: Free cash-flow (FCF) is defined as cash flow from operating activities minus gross capital expenditure and plus/minus change in operating working capital requirement.

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.

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: defined as the present value of unavoidable future lease payments

Net debt: consolidated net 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: 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.

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

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