Press release

Vallourec reports second quarter and first half 2020 results

Boulogne-Billancourt (France), July 29th 2020 – Vallourec, a world leader in premium tubular solutions, today announces its results for the second quarter and first half of 2020. The consolidated financial information was presented by Vallourec's Management Board to its Supervisory Board on July 28th 2020.

Q2 results: impacted by unprecedented O&G market situation in North America, while Vallourec's results in other regions show strong resilience

- Revenue of €843 million, down 22% year-on-year, mainly driven by lower Oil & Gas
- EBITDA at €43 million, versus €102 million in Q2 2019, the decline being essentially located in North America, while other regions show solid resilience
- Free cash flow consumption of (€77) million versus €16 million in Q2 2019, including higher restructuring and financial charges
- Net income of (€493) million includes impairment charges recorded for (€441) million versus (€21) million in Q2 2019, reflecting mainly changes in discount rates, and in the long term market growth assumptions in O&G North America

Balance sheet, liquidity and refinancing

- Net debt at €2,326 versus €2,267 million at end of Q1 2020. Liquidity position at €1,543 million, versus €1,779 at the end of Q1 2020
- The Group announced on February 19, 2020 its intention to launch a capital increase of 800 million euros combined with a new credit line of €800 million.

  This operation was adopted by the Shareholders meeting on April 6, 2020. However due to new environment and adverse market conditions linked to Covid crisis, these refinancing operations were not carried out. Vallourec continues discussions, in particular with its reference shareholders and its banks, in order to define a new refinancing plan, taking into account the consequences of the Covid and oil markets crises on its activity and allowing it to deal with its upcoming maturities and rebalance its financial structure

Continued commercial momentum

- Frame-agreement with Petrobras extended by two years, until mid-2023, reaffirming our historic partnership
- Large awards in Africa and Middle East for deliveries in 2021

Leading ESG performance

- Part of CDP Climate "A list" since 2019 (i.e. among the 2% best performing companies worldwide)
- Carbon emission targets compliance with Paris agreement provisions approved by the Scientific Based Target initiative (SBTi) in June 2020. First O&G company to obtain this recognition

2020 Outlook confirmed

- Outlook supported by resilience levers despite the sharp drop in North America onshore activity and Industry markets:
  - Brazil: offshore activity to accelerate in H2
  - Sustained activity from our highly profitable iron ore mine
  - EA-MEA: strong deliveries of high alloys tubes
- Extensive cost cutting actions across the Group
  - Full adaptation of variable costs (including direct labor)
  - Acceleration of the savings in H2, confirming the full year target of €130 million savings announced in Q1 2020, o/w €51 million achieved in H1
- Free cash flow targeted positive in H2, including a significant release of working capital

Information
Half-year financial statements were subject to limited review by statutory auditors.
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

H1 2020	H1 2019	Change	*In € million*	Q2 2020	Q2 2019	Change
872	**1,176**	-25.9%	**Production shipped (k tons)**	**422**	**605**	-30.2%
1,696	**2,109**	-19.6%	**Revenue**	**843**	**1,084**	-22.2%
111	**169**	-€58m	**EBITDA**	**43**	**102**	-€59m
6.5%	*8.0%*	*-1.5p.p.*	*(as a % of revenue)*	*5.1%*	*9.4%*	*-4.3p.p.*
(514)	**(18)**	-€496m	**Operating income (loss)**	**(485)**	**1**	-€486m
(567)	**(167)**	-€400m	**Net income, Group share**	**(493)**	**(77)**	-€416m
(258)	**(143)**	-€115m	**Free cash-flow**	**(77)**	**16**	-€93m
2,326	**2,111**	+€215m	**Net debt**	**2,326**	**2,111**	+€215m

Edouard Guinotte, Chairman of the Management Board, declared:

"As anticipated, the Covid-19 crisis and the associated drop in oil price significantly impacted our activity in the second quarter. Oil & Gas onshore in the US was by far the most affected as well as Industry markets. This was partially offset by our deliveries of high alloy products in EA-MEA, sustained output from our iron ore mine, and Oil & Gas activity in Brazil. In this adverse environment, while our utmost priority remained to ensure the health and safety of our teams, we kept a relentless focus on adaptation, cost savings and cash management, which enabled us to contain cash consumption during the quarter.

In such market conditions, the commercial momentum initiated in 2019 continued and translated into a solid hit ratio on most of our product lines. In Brazil, we signed the extension of our long-term contract with Petrobras demonstrating the quality of the products and services offered by Vallourec. We were also awarded large orders in Middle East and Africa.

Turning to H2 2020, we don't expect material improvement in the US or in Industry markets. However, we will continue to benefit from our levers of resilience. Over the second half, our backlog of high alloy products in EA-MEA will continue to support our deliveries of premium OCTG. In Brazil, we should also continue to benefit from stable volumes and prices of iron ore while high-end deliveries for offshore will accelerate.

We will also pursue our internal efforts and expect to reap the benefits of our adaptation and cost savings measures, we will continue to enforce tight working capital management and strict capex discipline. As a result, we target a positive free cash flow in the second half.

I am confident in our ability to get through this unprecedented crisis notably thanks to the impressive and untiring commitment demonstrated by our teams."

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I – A REINFORCED RESILIENCE ENHANCED BY ADAPTATION MEASURES TO FACE AN UNPRECEDENTED CRISIS

The unprecedented fall in oil demand caused by Covid-19 (c.-20% in Q2 yoy) was not immediately offset by supply restrictions from OPEC+ and non OPEC+. This led to a fall in oil price and sharp cuts in capex from operators (c -50% in 2020 in US onshore, -25% for IOCs/listed companies, less for NOCs).

After its drop in Q2, oil demand is now rebounding (even if a full recovery will take time) and the reduced supply is there to stay longer (OPEC+ supply cuts until April 2022). According to IEA, the oil market is expecting to be undersupplied as from H2 2020, allowing to start reducing inventories accumulated in H1 2020.

In order to face this unprecedented crisis and in addition to a restored competitiveness thanks to the successful implementation of its Transformation Plan, Vallourec launched extensive costs cutting in order to achieve €130m gross savings in 2020 on top of the full adaptation of variable costs.

In North America, the workforce reduction of more than 1/3 (more than 900 positions) across all plants as well as support functions is effective since May 2020.

€51 million of gross savings were already achieved in H1.

The Group benefits from solid areas of resilience such as in EA-MEA where our diversified customer base and our restored competitiveness allow the confirmation of the commercial momentum initiated in 2019. Brazil still shows a growing offshore activity in 2020, with Petrobras and IOCs having confirmed their focus on highly prolific pre-salt projects. Finally, the mine activity remains highly profitable with resilient iron ore prices and expected output slightly higher than in 2019.

II - CONSOLIDATED REVENUE BY MARKET

H1 2020	H1 2019	Change	At constant exchange rates	*In € million*	Q2 2020	Q2 2019	Change	At constant exchange rates
1,198	1,525	-21.4%	-19.8%	Oil & Gas, Petrochemicals	585	787	-25.6%	-22.7%
393	482	-18.5%	-7.9%	Industry & Other	200	246	-18.6%	-3.6%
105	102	2.6%	4.3%	Power Generation	57	52	11.2%	13.4%
1,696	**2,109**	**-19.6%**	**-15.9%**	**Total**	**843**	**1,084**	**-22.2%**	**-16.7%**

Over the second quarter of 2020, Vallourec recorded revenue of €843 million, down 22% compared with the second quarter of 2019 (-17% at constant exchange rates) with:

- a major volume impact of -30% mainly driven by Oil & Gas in North America and EA-MEA
- a positive price/mix effect of +14% reflecting a better price/mix in Oil & Gas in EA-MEA and South America, despite lower prices in North America
- a currency conversion effect of -6% mainly related to EUR/BRL.

Over the first half 2020, revenue totaled €1,696 million, down 20% versus the first half 2019 (-16% at constant exchange rate). Volume effect was -26%, price/mix effect +10% and currency conversion effect -4%.

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Oil & Gas, Petrochemicals (69% of Q2 2020 consolidated revenue)

Oil & Gas revenue reached **€518 million in Q2 2020, a (€205) million decrease or -28% year-on-year (-26% at constant exchange rates),** reflecting lower revenue from 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 shipments, partially offset by a better price-mix related notably to high alloy deliveries.
- **In South America**, Oil & Gas revenue strong increase reflected a pick-up in offshore deliveries as well as better price-mix, despite unfavorable currency conversion effect.

Over the first half 2020, **Oil & Gas** revenue totaled €1,070 million, **a (€325) million decrease or -23% year-on-year** (-22% at constant exchange rates).

Petrochemicals revenue was **€67 million in Q2 2020, up 6% year-on-year** (+10% at constant exchange rates) notably due to higher sales in Middle East Asia and North America.
Over the first half 2020, Petrochemicals revenue totaled €128 million, down 1% year-on-year (+1% at constant exchange rates).

In Q2 2020, revenue for Oil & Gas and Petrochemicals amounted to €585 million, down 26% compared with Q2 2019 (-23% at constant exchange rates) due to lower O&G volumes in North America and EA-MEA.
Over the first half 2020, revenue for Oil & Gas and Petrochemicals totaled €1,198 million, down 21% compared with H1 2019 (-20% at constant exchange rates).

Industry & Other (24% of Q2 2020 consolidated revenue)

Industry & Other revenue amounted to €200 million in Q2 2020, down 19% 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 down, reflecting lower Automotive volumes and unfavorable currency conversion effect, partially offset by higher volumes in Mechanical Engineering.
- In Brazil, the increase in iron ore mine revenue reflected both higher volumes sold (+18% compared to Q2 2019) and resilient prices, despite an unfavorable conversion currency effect.

Over the first half 2020, Industry & Other revenue totaled €393 million, down 19% year-on-year (-8% at constant exchange rates) primarily as a result of lower shipments as well as unfavorable conversion currency effect.

Power Generation (7% of Q2 2020 consolidated revenue)

Power Generation revenue amounted to €57 million in Q2 2020, up 11% year-on-year (+13% at constant exchange rates), as a result of timing of project deliveries.

As a reminder, the closure of the Reisholz site in Germany, dedicated to coal-fired conventional power plants, will be effective in H2 2020.

For the first half 2020, revenue totaled €105 million, up 3% year-on-year (+4% at constant exchange rates).

III – CONSOLIDATED RESULTS ANALYSIS

Q2 2020 consolidated results analysis

In Q2 2020, EBITDA reached €43 million (compared with €102 million in Q2 2019), with a margin at 5.1% of revenue, as a result of:

- An industrial margin of €136 million, at 16.1% of revenue, reflecting the lower activity in Oil & Gas notably in North America and to a smaller extent in Industry, partially offset by i) savings ii) positive contribution of high alloy deliveries in EA-MEA and iii) higher mine contribution
- A 21% decrease in sales, general and administrative costs (SG&A) at €83 million or 9.8% of revenues, reflecting our adaptation plan

Operating result was negative at (€485) million compared to €1 million in Q2 2019, notably impacted by i) an impairment charge of the total amount of the CGUs North America and Europe goodwills for (€337) million, ii) an impairment charge for (€104) million related to tangible assets in Europe. These impairment charges, which are entirely non cash, were driven by an increase in discount rates for our North America and European businesses and a downward revision of long term perspectives in North America O&G, in the context of difficulties to predict long term market conditions. And iii) restructuring costs of (€22) million mainly related to the closure of the Reisholz site in Germany and to Brazil.

Financial result was negative at (€80) million, **a (€19) million increase** compared to (€61) million in Q2 2019, reflecting higher financial expenses.

Income tax amounted to (€10) million mainly related to Brazil, compared to (€14) million in Q2 2019.

This resulted in a net loss, Group share, of (€493) million, compared to (€77) million in Q2 2019.

H1 2020 consolidated results analysis

In H1 2020, EBITDA reached €111 million, a €58 million decrease year on year, at 6.5% of revenue, including:

- An industrial margin of €297 million, down €84 million compared with H1 2019, reflecting primarily lower activity in Oil & Gas in North America and in Industry, partially offset by i) savings ii) positive contribution of high alloy deliveries in EA-MEA and iii) higher mine contribution.
- Sales, general and administrative costs (SG&A) down 13% at €173 million, reflecting our adaptation plan, and representing 10.2% of revenue.

Operating result decreased by (€496) million to a loss of (€514) million, reflecting mainly the impairment charge recorded in Q2 2020. Higher “asset disposal, restructuring costs and other” charges (increased by €35 million) included restructuring provisions related to the closure of the Reisholz site in Germany, the adaptation plan in North America and Brazil. Lower depreciation of industrial assets was recorded.

Financial result was negative at (€115) million, compared to (€122) million in H1 2019, reflecting higher financial expenses being offset by other financial income, including mainly the settlement of a dispute in Brazil for €24 million.

Income tax amounted to (€30) million mainly related to Brazil**.**

As a result, net loss, Group share, amounted to (€567) million, compared to (€167) million in H1 2019.

IV - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q2 2020, cash flow from operating activities reached (€65) million, compared to €39 million in Q2 2019, reflecting mainly the lower EBITDA and higher financial expenses and restructuring cash-out. **In H1 2020, cash flow from operating activities was negative at (€96) million** compared to €10 million in H1 2019, mainly due to the lower EBITDA and to a lesser extent to higher restructuring cash-out and income taxes paid.

Operating working capital requirement

Operating working capital requirement decreased by €20 million in Q2 2020, versus an increase of (€4) million in Q2 2019, as a result of activity decline. Net working capital requirement increased to 115 days of sales, compared to 108 days in Q2 2019, reflecting customer mix and fixed inventories.
In H1 2020, operating working capital requirement increased by (€99) million versus an increase of (€117) million in H1 2019.

Capex

Capital expenditure was (€32) million in Q2 2020, in line with full year envelope, compared to (€19) million in Q2 2019, and was (€63) million in H1 2020 compared to (€36) million in H1 2019.

Free cash flow

As a result, **in Q2 2020, free cash flow was negative at (€77) million** versus a generation of €16 million in Q2 2019. Free cash flow **for H1 2020 was negative at (€258) million**, a decrease of €115 million compared with (€143) million in H1 2019.

Asset disposals & other items

Asset disposals & other items amounted to €17 million in Q2 2020 and were mostly related to a positive currency effect on net debt. For H1 2020, they amounted to (€38) million as a result of negative currency effects on net debt and of the repayment of leasing debts (IFRS16).

Net debt and liquidity

As at June 30th 2020, net debt stood at €2,326 million, compared with €2,267 million on March 31st 2020.
As at June 30th 2020, lease debt stood at €122 million, compared with €115 million on March 31st 2020.
Cash as at June 30th 2020 amounted to €1,420 million, and €123 million of the €1,934 million committed bank facilities were unused.

At the same date, long term debt amounted to €1,746 million and short-term debt to €2,000 million, including €18 million of commercial paper and €1,811 million drawn from the €1,934 million committed banking facilities, of which €100 million maturing in July 2020 and €1,724 million in February 2021.

Based on June 30, 2020 financial results, the banking covenant ratio, as defined in the banking contracts, would be at 124%. As it is tested once a year on December 31st, according to the contracts, this does not affect Vallourec's ability to draw down its committed banking facilities in 2020.

V – REFINANCING PLAN

The Group announced on February 19, 2020 its intention to launch a capital increase of 800 million euros combined with a new credit line of €800 million.

This operation was adopted by the Shareholders meeting on April 6, 2020. However due to new environment and adverse market conditions linked to Covid crisis, these refinancing operations were not carried out. Vallourec continues discussions, in particular with its reference shareholders and its banks, in order to define a new refinancing plan, taking into account the consequences of the Covid and oil markets crises on its activity and allowing it to deal with its upcoming maturities and rebalance its financial structure.

VI – 2020 OUTLOOK

Outlook confirmed and supported by resilience levers.

Oil & Gas

- **In EA-MEA,** Middle East and North Africa NOC's generally maintain sustained activity. Delayed projects mainly from IOC's are offset by strong deliveries of high alloys.
- **In North America**, after the sharp drop in drilling activity of shale operators (rig count down 70% since December 19), the rig count is expected to stabilize close to current level and OCTG prices to remain at a low level.
- In **Brazil,** the number of drilled wells is forecasted to increase. As anticipated, deliveries of premium OCTG are planned to continue to accelerate in H2.

Industry & Other

- In **Europe and Brazil**, demand from Industry is expected to continue being impacted by Covid-19 crisis.
- Volume of **iron ore** produced in Brazil is expected to be slightly higher than in 2019, while iron ore prices are so far staying at favourable levels.

Adaptation Measures

- Adjustment of working hours to the activity in each country (short-time work, furlough,…)
- €130 million gross savings targeted in 2020 of which €51 million already achieved in H1 2020 (In addition to full adaptation of variable costs, including direct labor).
- 2020 capex envelope reduced by 20% compared to initial envelope, to c. €160 million.
- Working capital requirements reduction reflecting activity decline, ongoing action plans and usual seasonality towards the end of the year.

Free cash flow targeted 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.

This press release does not constitute an offer of the securities to the public in the United Kingdom. The distribution of this press release is not made, and has not been approved, by an authorized person ("authorized person") within the meaning of Article 21(1) of the Financial Services and Markets Act 2000. As a consequence, this press release is directed only at (x) persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (iii) are high net worth entities falling within Article 49(2) of the Order and (y) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). The securities are directed only at Relevant Persons and no invitation, offer or agreements to subscribe, purchase or acquire the securities may be proposed or made other than with Relevant Persons. Any person other than a Relevant Person may not act or rely on this document or any provision thereof. This press release is not a prospectus which has been approved by the Financial Conduct Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

This press release does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. Vallourec shares may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Vallourec does not intend to register in the United States any portion of the offering mentioned in this press release or to conduct a public offering of the shares in the United States.

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 Q2 & H1 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/webcast/vallourec-en/20200729_1/

- To participate in the conference call, please dial (password to use is "Vallourec"):
    - +44 (0) 20 3003 2666 (UK)
    - +33 (0) 1 7099 4740 (France)
    - +1 212 999 6659 (USA)

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

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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

November 18th 2020	Release of third quarter and nine-month 2020 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		595	
Q4		520	
Total	**-**	**2,291**	

Forex

Average exchange rate	**H1 2020**	**H1 2019**
EUR / USD	1.10	1.13
EUR / BRL	5.41	4.34
USD / BRL	4.92	3.84

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Revenue by geographic region

In € million	H1 2020	As % of revenue	H1 2019	As % of revenue	Change	Q2 2020	As % of revenue	Q2 2019	As % of revenue	Change
Europe	266	15.7%	311	14.7%	-14.4%	126	14.9%	157	14.5%	-20.0%
North America (Nafta)	482	28.4%	668	31.7%	-27.9%	211	25.1%	330	30.4%	-35.9%
South America	323	19.1%	329	15.6%	-1.9%	172	20.4%	162	15.0%	5.9%
Asia and Middle East	467	27.5%	549	26.1%	-15.1%	241	28.6%	303	27.9%	-20.4%
Rest of the world	158	9.3%	252	11.9%	-37.1%	93	11.0%	132	12.2%	-29.6%
Total	**1,696**	**100%**	**2,109**	**100%**	**-19.6%**	**843**	**100%**	**1,084**	**100%**	**-22.2%**

Revenue by market

H1 2020	As % of revenue	H1 2019	As % of revenue	Change	*In € million*	Q2 2020	As % of revenue	T2 2019	As % of revenue	Variation
1,070	63.1%	1,395	66.2%	-23.3%	Oil & Gas	518	61.5%	724	66.8%	-28.4%
128	7.5%	130	6.2%	-1.5%	Petrochemicals	67	8.0%	63	5.8%	6.4%
1,198	**70.6%**	**1,525**	**72.3%**	**-21.4%**	**Oil & Gas, Petrochemicals**	**585**	**69.5%**	**787**	**72.6%**	**-25.6%**
153	9.0%	202	9.6%	-23.9%	Mechanicals	74	8.8%	88	8.2%	-15.8%
27	1.6%	63	3.0%	-57.3%	Automotive	9	1.1%	32	3.0%	-70.6%
212	12.5%	217	10.3%	-2.2%	Construction & Other	116	13.8%	125	11.5%	-7.2%
393	**23.2%**	**482**	**22.9%**	**-18.5%**	**Industry & Other**	**200**	**23.7%**	**245**	**22.7%**	**-18.6%**
105	**6.2%**	**102**	**4.8%**	**2.6%**	**Power Generation**	**57**	**6.8%**	**52**	**4.8%**	**11.2%**
1,696	**100%**	**2,109**	**100%**	**-19.6%**	**Total**	**843**	**100%**	**1,084**	**100%**	**-22.2%**

Summary consolidated income statement

H1 2020	H1 2019	Change	*In € million*	Q2 2020	Q2 2019	Change
1,696	**2,109**	-19.6%	**Revenue**	**843**	**1,084**	-22.2%
(1,399)	**(1,728)**	-19.0%	Cost of sales	**(707)**	**(871)**	-18.8%
297	**381**	-22.0%	**Industrial Margin**	**136**	**213**	-36.2%
17.5%	*18.1%*	*-0.6p.p.*	*(as a % of revenue)*	*16.1%*	*19.6%*	*-3.5p.p.*
(173)	(198)	-12.6%	Sales, general and administrative costs	(83)	(105)	-21.0%
(13)	(14)	na	Others	(10)	(6)	na
111	**169**	-€58m	**EBITDA**	**43**	**102**	-€59m
6.5%	*8.0%*	*-1.5p.p.*	*(as a % of revenue)*	*5.1%*	*9.4%*	*-4.3p.p.*
(111)	(126)	-11.9%	Depreciation of industrial assets	(52)	(60)	-13.3%
(27)	(29)	na	Amortization and other depreciation	(13)	(14)	na
(441)	(21)	na	Impairment of assets	(441)	(21)	na
(46)	(11)	na	Asset disposals, restructuring costs and non-recurring items	(22)	(6)	na
(514)	**(18)**	-€496m	**Operating income (loss)**	**(485)**	**1**	-€486m
(115)	(122)	-5.7%	Financial income/(loss)	(80)	(61)	31.1%
(629)	**(140)**	-€489m	**Pre-tax income (loss)**	**(565)**	**(60)**	-€505m
(30)	(22)	na	Income tax	(10)	(14)	na
(1)	(1)	na	Share in net income/(loss) of equity affiliates	-	-	na
(660)	**(163)**	-€497m	**Net income**	**(575)**	**(74)**	-€501m
(93)	4	na	Attributable to non-controlling interests	(82)	3	na
(567)	**(167)**	-€400m	**Net income, Group share**	**(493)**	**(77)**	-€416m
(49.6)	**(0.4)**	na	**Net earnings per share (in €) ***	**(43.1)**	**(0.2)**	na

na = not applicable
** H1 and Q2 2020 figures adjusted for new number of shares following reverse stock split effective on May 25 2020*

Summary consolidated balance sheet

In € million

Assets	6/30/2020	12/31/2019	Liabilities	6/30/2020	12/31/2019
			Equity - Group share *	561	1,467
			Non-controlling interests	386	513
Net intangible assets	58	63	**Total equity**	**947**	**1,980**
Goodwill	26	364	**Shareholder loan**	**16**	**21**
Net property, plant and equipment	2,266	2,642	Bank loans and other borrowings (A)	1,746	1,747
Biological assets	45	62	Lease debt (D)	95	104
Equity affiliates	128	129	Employee benefit commitments	220	228
Other non-current assets	110	132	Deferred taxes	10	9
Deferred taxes	207	249	Provisions and other long-term liabilities	73	61
Total non-current assets	**2,840**	**3,641**	**Total non-current liabilities**	**2,144**	**2,149**
Inventories	963	988	Provisions	93	121
Trade and other receivables	600	638	Overdraft and other short-term borrowings (B)	2,000	2,077
Derivatives - assets	11	7	Lease debt (E)	27	30
Other current assets	193	237	Trade payables	504	580
Cash and cash equivalents (C)	1,420	1,794	Derivatives - liabilities	17	18
			Other current liabilities	279	329
Total current assets	**3,187**	**3,664**	**Total current liabilities**	**2,920**	**3,155**
Total assets	**6,027**	**7,305**	**Total equity and liabilities**	**6,027**	**7,305**

*** Net income (loss), Group share**	**(567)**	**(338)**
Net debt (A+B-C)	**2,326**	**2,031**
Lease debt (D+E)	**122**	**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)	6/30/2020	12/31/2019
Net debt (excluding financial lease debt)	2,326	2,031
Financial lease debt	35	50
Net debt	2,361	2,081
Shareholder loan	16	21
Restated net debt (1)	2,376	2,102
Equity	947	1,980
Foreign currency translation reserve - Group share (a)	968	608
Reserves - changes in fair value of financial instruments (a)	4	(4)
Equity restated (2)	1,919	2,584
Ratio of banking covenant restated (1)/(2)	124%	81%

(a) Including minority interests.

Free cash flow

H1 2020	H1 2019	Change	*In € million*	Q2 2020	Q2 2019	Change
(96)	10	-€106m	Cash flow from operating activities (A)	(65)	39	-€104m
(99)	(117)	+€18m	Change in operating WCR [+ decrease, (increase)] (B)	20	(4)	+€24m
(63)	(36)	-€27m	Gross capital expenditure (C)	(32)	(19)	-€13m
(258)	**(143)**	**-€115m**	**Free cash flow (A)+(B)+(C)**	**(77)**	**16**	**-€93m**

Cash flow statement

H1 2020	H1 2019	*In € million*	Q2 2020	Q2 2019
(96)	10	Cash flow from operating activities	(65)	39
(99)	(117)	Change in operating WCR [+ decrease, (increase)]	20	(4)
(195)	(107)	Net cash flow from operating activities	(45)	35
(63)	(36)	Gross capital expenditure	(32)	(19)
(38)	31	Asset disposals & other items	17	(2)
(296)	(112)	Change in net debt [+ decrease, (increase)]	(60)	14
2,326	**2,111**	**Financial net debt (end of period)**	**2,326**	**2,111**

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).