Vallourec reports third quarter and first nine months 2016 results

Q3 2016 financial results

- Revenues of €693 million, down 20.5% year-on-year (-20.6% at constant exchange rates)
- EBITDA of €-52 million, improved by €14 million year-on-year
- Net result, Group share of €-160 million broadly stable year-on-year

9M 2016 financial results

- Revenues of €2,127 million, down 27.7% year-on-year (-25.3% at constant exchange rates)
- EBITDA of €-156 million compared with €0 million in 9M 2015
- Free Cash Flow of €-392 million compared with €+35 million in 9M 2015
- Net debt of €1,020 million, down €499 million compared with 31 December 2015
- Net result, Group share of €-575 million, compared with €-439 million in 9M 2015

Transformation plan: major steps achieved during Q3 2016

- Merger^1 of Vallourec Tubos do Brasil and Vallourec & Sumitomo Tubos do Brasil into Vallourec Soluções Tubulares do Brasil on 1 October 2016
- Clearance obtained from all local Chinese authorities to acquire a majority stake in Tianda Oil Pipe
- Cost reductions on track and Group headcount at the end of Q3 2016 down by c. 300 compared to the end of H1 2016 and down 22% since end 2014.

Outlook

- 2016 guidance confirmed

Boulogne-Billancourt (France), 8 November 2016 – Vallourec, world leader in premium tubular solutions, today announces its results for the third quarter and first nine months of 2016. The consolidated financial information was presented by Vallourec’s Management Board to its Supervisory Board on 8 November 2016.

Commenting on these results, Philippe Crouzet, Chairman of the Management Board, said:

“During this quarter, we have seen signs of improvement in the United States where the rig count and OCTG demand have increased for the first time since the end of 2014. On the other hand, in the Eastern Hemisphere, IOCs’ ordering activity remained very low and the order book to be delivered to NOCs over the next quarters reflects the very tough pricing environment of the past quarters.

^1 Through a contribution of Vallourec Tubos do Brasil (VBR) Pipe & Tube business to Vallourec & Sumitomo Tubos do Brasil (VSB).

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We have taken important steps forward in our Transformation Plan this quarter. As announced last month, we finalized the merger of our Brazilian operations into Vallourec Soluções Tubulares do Brasil allowing for significant industrial and administrative synergies. In China, Tianda acquisition should be finalized shortly as all clearances have been obtained. In Europe, the implementation of our reorganization is progressing well. Through these actions, we are addressing today’s challenges and preparing Vallourec to fully benefit from the oil and gas market recovery."

Key figures

<table>
<thead>
<tr>
<th>9M 2016</th>
<th>9M 2015</th>
<th>Change</th>
<th>In millions of euros</th>
<th>Q3 2016</th>
<th>Q3 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>905</td>
<td>1,091</td>
<td>-17.0%</td>
<td>Sales Volume (k tons)</td>
<td>333</td>
<td>317</td>
<td>+5.0%</td>
</tr>
<tr>
<td>2,127</td>
<td>2,942</td>
<td>-27.7%</td>
<td>Revenues</td>
<td>693</td>
<td>872</td>
<td>-20.5%</td>
</tr>
<tr>
<td>-156</td>
<td>na</td>
<td></td>
<td>EBITDA</td>
<td>(52)</td>
<td>(66)</td>
<td>-21.2%</td>
</tr>
<tr>
<td>-7.3%</td>
<td>0.0%</td>
<td>-7.3%</td>
<td>As % of revenues</td>
<td>-7.5%</td>
<td>-7.6%</td>
<td>+0.1pt</td>
</tr>
<tr>
<td>561</td>
<td>(393)</td>
<td>+42.7%</td>
<td>Operating income (loss)(1)</td>
<td>(143)</td>
<td>(165)</td>
<td>-13.3%</td>
</tr>
<tr>
<td>575</td>
<td>(439)</td>
<td>+31.0%</td>
<td>Net income (loss), Group share</td>
<td>(160)</td>
<td>(164)</td>
<td>-2.4%</td>
</tr>
<tr>
<td>392</td>
<td>+35</td>
<td>-427m</td>
<td>Free cash flow(2)</td>
<td>(75)</td>
<td>+32</td>
<td>-107m</td>
</tr>
</tbody>
</table>

(1) Comprises €92 million of restructuring charges and €70 million of impairment charges mainly related to the Transformation Plan.
(2) Free cash flow (FCF) is a non-GAAP measure and is defined as cash flow from operating activities minus gross capital expenditure and plus/minus change in operating working capital requirement

I - CONSOLIDATED REVENUES BY MARKET

<table>
<thead>
<tr>
<th>9M 2016</th>
<th>9M 2015</th>
<th>Change</th>
<th>In millions of euros</th>
<th>Q3 2016</th>
<th>Q3 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,370</td>
<td>2,021</td>
<td>-32.2%</td>
<td>Oil &amp; Gas, Petrochemicals</td>
<td>439</td>
<td>582</td>
<td>-24.6%</td>
</tr>
<tr>
<td>335</td>
<td>402</td>
<td>-16.6%</td>
<td>Power Generation</td>
<td>108</td>
<td>149</td>
<td>-27.5%</td>
</tr>
<tr>
<td>422</td>
<td>519</td>
<td>-18.7%</td>
<td>Industry &amp; Other</td>
<td>146</td>
<td>141</td>
<td>+3.5%</td>
</tr>
<tr>
<td>2,127</td>
<td>2,942</td>
<td>-27.7%</td>
<td>Total</td>
<td>693</td>
<td>872</td>
<td>-20.5%</td>
</tr>
</tbody>
</table>

For the third quarter of 2016, Vallourec recorded revenues of €693 million, down 20.5% compared with the third quarter of 2015 (down 20.6% at constant exchange rates). The positive volume impact (+5.0%) was offset by a significantly negative price/mix effect (-25.6%).

For the first nine months of 2016, Vallourec recorded revenues of €2,127 million, down 27.7% compared with the first nine months of 2015 (down 25.3% at constant exchange rates) mainly resulting from the volume decrease (-17.0%) and a negative price/mix effect (-8.3%). This negative price/mix effect mainly results from a positive customer mix in EAMEA in H1 2016, more than offset by the sharp deterioration of prices in the course of the period in EAMEA and the USA.

Information
To date, third quarter 2016 financial information has not been audited nor subject to limited review by Statutory Auditors. Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.
Oil & Gas, Petrochemicals (64.4% of revenues)

In Q3 2016, Oil & Gas revenues amounted to €411 million, down 22.8% year-on-year (down 22.4% at constant exchange rates).

Over the first 9M of 2016, Oil & Gas revenues were €1,273 million, down 31.7% year-on-year (down 29.3% at constant exchange rates):

- In the USA, Q3 volumes and revenues increased sequentially driven by the beginning of inventory replenishment and the gradual recovery of OCTG consumption resulting from increases in rig count and rig efficiencies, while prices have stabilized in H2 at a low level. Compared to Q3 2015, revenues were down due to the price decline.
  Over the first nine months of 2016, revenues were significantly down, impacted by lower volumes and important price decreases.

- In the EAMEA\(^2\) region, although Q3 OCTG volumes were broadly stable year-on-year, Q3 revenues were down due to a significantly negative price effect.
  Over the first nine months of 2016, revenues were down year-on-year reflecting the intense pricing pressure on more recent orders.

- In Brazil, in order to ensure a smooth transition towards the new entity Vallourec Soluções Tubulares do Brasil, H2 volumes planned deliveries were heavily concentrated over Q3. This resulted in Q3 revenues being up year-on-year.
  Over the first nine months of 2016, revenues were significantly down due to lower drilling activity.

In Q3 2016, Petrochemicals revenues were €28 million, down 42.9% year-on-year (down 44.9% at constant exchange rates) due to a persistent low demand in a highly competitive environment.

Over the first 9M of 2016, Petrochemicals revenues were €97 million, down 38.2% year-on-year (down 36.9% at constant exchange rates).

Power Generation (15.8% of revenues)

In Q3 2016, Power Generation revenues amounted to €108 million, down 27.5% year-on-year at current perimeter\(^3\) (down 26.2% at constant exchange rates)

Over the first 9M of 2016, Power Generation revenues amounted to €335 million, down 16.6% year-on-year at current perimeter\(^3\) (down 15.2% at constant exchange rates):

- Conventional power generation revenues were broadly stable year-on-year both in Q3 2016 and over the first nine months of 2016, supported by deliveries for coal-fired power plants in China in a still very competitive environment.

- In nuclear, as expected, revenues were significantly down year-on-year both in Q3 2016 and over the first nine months of 2016.

Industry & Other (19.8% of revenues)

In Q3 2016, Industry & Other revenues amounted to €146 million, up 3.5% year-on-year (up 0.7% at constant exchange rates).

Over the first 9M of 2016, Industry & Other revenues amounted to €422 million, down 18.7% year-on-year (down 15.2% at constant exchange rates):

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\(^2\) EAMEA: Europe, Africa, Middle East, Asia

\(^3\) Vallourec Heat Exchanger Tubes has been deconsolidated on 1 May 2016.

Information
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II - Q3 AND 9M 2016 CONSOLIDATED RESULTS ANALYSIS

Q3 2016 consolidated results analysis

In Q3 2016, EBITDA stood at €-52 million, up by €14 million year-on-year, with:

- Consolidated revenues down 20.5% compared with Q3 2015 to €693 million, mostly driven by a negative price/mix effect;
- A slightly lower industrial margin at €56 million, down €4 million compared with Q3 2015, the impact of revenues decline being almost offset by the concentration of H2 2016 deliveries to Petrobras in Q3 2016, and lower costs as a result of the Valens plan and ongoing adaptation in the mills;
- Reduced sales, general and administrative costs (SG&A) at €106 million, down 11.3% compared with Q3 2015.

Operating result was a loss of €143 million, compared to a loss of €165 million in Q3 2015, resulting mostly from improved EBITDA.

Financial result was negative at €-31 million versus €-15 million in Q3 2015, resulting mainly from the evolution of the forex result.

Income tax was a gain of €6 million in Q3 2016 compared to €3 million in Q3 2015, mainly related to recognition of deferred tax assets.

The share attributable to non-controlling interests amounted to €-10 million in Q3 2016, compared to €-14 million in Q3 2015.

This resulted in a net loss of €160 million in Q3 2016, comparable to Q3 2015 at €-164 million.

9M 2016 consolidated results analysis

For the first nine months of 2016, EBITDA stood at €-156 million, down by €156 million year-on-year, with:

- Consolidated revenues down 27.7% compared to the first nine months of 2015 (-25.3% at constant exchange rates) to €2,127 million;
- A lower industrial margin at €178 million, down €218 million mainly affected by: (i) the drop in activity and, to a lower extent, (ii) inefficiencies of low load in the mills, despite high adaptation of costs;
- Reduced sales, general and administrative costs (SG&A) at €331 million, down 13.7% compared with the first nine months of 2015.

Information
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Operating result was a loss of €561 million, compared to a loss of €393 million in 9M 2015, resulting primarily from (i) lower EBITDA and from (ii) restructuring charges of €92 million and impairment charges of €70 million mainly related to the strategic initiatives announced on 1 February 2016 and accounted for in H1 2016.

For the first nine months of 2016, financial result was negative at €-99 million versus €-52 million in 9M 2015, resulting mainly from the evolution of the forex result.

Income tax was a gain of €52 million in 9M 2016 compared to a charge of €-12 million in 9M 2015, mainly related to recognition of deferred tax assets.

The share attributable to non-controlling interests amounted to €-37 million in 9M 2016, compared to €-19 million in 9M 2015.

Net result, Group share was a loss of €575 million in 9M 2016, compared to a loss of €439 million in 9M 2015.

III - CASH FLOW & FINANCIAL POSITION

Vallourec generated a negative free cash flow of €-75 million in Q3 2016.

Over 9M 2016, negative free cash flow amounted to €-392 million, compared to a positive €35 million in 9M 2015. This is mainly explained by:

- Negative cash flow from operating activities at €-275 million, mainly resulting from the drop in EBITDA;
- A slight increase in operating working capital requirement (€-17 million), compared with a reduction of €279 million in 9M 2015;
- Lower capital expenditure at €-100 million, compared to €-159 million in 9M 2015.

As at 30 September 2016, Group net debt decreased by €499 million compared to 31 December 2015 to reach €1,020 million, resulting in a gearing ratio of 29.1% compared with 50.0% at the end of 2015.

The decrease in net debt during the first nine months of 2016 is due to the €959 million net proceeds of the capital increase in H1 2016, partly offset by cash outflows from operations over the period.

IV - LIQUIDITY

On 4 July 2016, Vallourec successfully extended the maturity of c. €1.5 billion of its medium and long-term credit lines as follows:

- €90 million revolving bilateral credit line maturing in February 2021, instead of February 2019;
- €400 million revolving credit facility maturing in July 2020, instead of July 2019;
- €1.1 billion revolving credit facility maturing in February 2020 extended to February 2021 for €989 million.

The Company’s cash position as at 30 September 2016 amounted to €1.316 billion.

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As at 30 September 2016, short-term debt amounted to €1.242 billion, including the €650 million bond maturing in February 2017.

As at 30 September 2016, Vallourec’s medium and long-term undrawn committed credit facilities amounted to €2.110 billion and €0.2 billion undrawn committed credit facilities maturing in July 2017.

**V - TRANSFORMATION PLAN**

Implementation of Vallourec’s Transformation plan to rationalize its industrial footprint and enhance its competitiveness is progressing well:

As previously announced, Vallourec Soluções Tubulares do Brasil was created on 1 October 2016 following the merger of Vallourec Tubos do Brasil and Vallourec Sumitomo Tubos do Brasil. This merger is an important step towards the rationalisation of Vallourec’s Brazilian industrial footprint which will generate significant industrial and administrative synergies.

In China, Vallourec has obtained all clearances from local authorities to acquire control of Tianda Oil Pipe. The closing is expected to be finalized before the end of 2016, enabling Vallourec to develop a highly competitive offer combining VAM® technology and very competitive production costs.

In France, the last production campaign at the Déville-Lès-Rouen rolling mill took place in September 2016. Closure of the mill is scheduled by year-end. In Saint-Saulve, the rolling mill is planned to be closed in Q1 2017. In Scotland, the heat treatment line located in Bellshill is planned to be closed by the end of 2016.

Exclusive negotiations initiated with Ascometal to sell a majority stake in the steel mill are progressing according to plan and a final agreement is expected to be signed by the end of 2016.

Cost cuttings as part of the Valens Plan are on track, and Group headcount at the end of September 2016 is down by c. 300 compared to the end of H1 2016. The total headcount reduction since December 2014 amounts to 22% of the Group workforce.

**VI - STRATEGIC PARTNERSHIP BETWEEN SERIMAX AND TECHNIP**

Following the announcement of 11 January 2016, Serimax, Vallourec’s wholly-owned subsidiary, world leader in offshore & onshore welding solutions, and Technip, a world leader in project management, engineering and construction for the energy industry, and a long-lasting customer of Serimax, finalized a strategic partnership agreement in the domain of pipeline welding on 28 October 2016.

In this respect, Technip, has acquired a 20% stake in Serimax. Technip and Serimax will combine their expertise and will deploy Serimax’s welding technology at all Technip’s spoolbases⁴ and S-lop⁵ vessels.

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⁴ A spoolbase is primarily used for the fabrication and spooling of rigid pipe onto vessels with Reel-lay capability. Technip owns and operates four rigid pipe spoolbase facilities located close to clients’ deepwater developments. Reel-lay refers to a pipeline laying method for which the pipes are assembled in an onshore spoolbase and then spooled onto reels on vessels or at quay side. The pipe is then unspooled from reels during offshore activities.

⁵ S-lay refers to a pipeline laying method for which all assembly activity of the pipe is done onboard the vessel and laid simultaneously offshore.
VII - MARKET TRENDS & OUTLOOK

Vallourec confirms its targets for 2016 as published in its Full Year 2015 financial results, namely:
- EBITDA lower than in 2015;
- Negative free cash flow of approximately €-600 million (assuming same working capital level and exchange rates as end of 2015);
- Net debt not exceeding €1.5 billion at the end of the year, after the acquisition of Tianda and full consolidation of VSB.

The Group expects its Oil & Gas deliveries and results to still be impacted by mixed market conditions in the next quarters:

- In the USA, the rebound in deliveries experienced in Q3 2016, which resulted from restocking at Vallourec’s distributors and progressive market recovery, should be confirmed in Q4. Over the next quarters, OCTG deliveries should be similar. Prices which have been under pressure in H1 2016 have stabilized at a low level in H2.

- In the EAMEA region, current backlog is made of tenders awarded by NOCs in the past quarters, at prices which continued their decline, combined with very low orders from IOCs, which have not yet started to sanction new projects. As a result, the low volumes and margins recorded in Q3 2016 should not materially improve in the next quarters.

- In Brazil, H2 2016 deliveries were concentrated in Q3, which will result in a low level of deliveries in Q4 2016. According to Petrobras’ Strategic & Business Management Plan released on 20 September 2016, the consumption of OCTG tubes should remain approximately stable, compared to H2 level, over the next quarters.

Power Generation revenues are expected to be down in 2016 compared to 2015 at current perimeter\(^6\) with the nuclear power generation activity experiencing a slowdown in 2016. No marked evolution is expected in the next quarters.

Industry & Other revenues are expected to be down in 2016 compared to 2015 with activity in Europe being affected by the weakness of global investments and pricing pressure while in Brazil, operations are expected to be broadly stable. No marked evolution is expected in the next quarters.

As a result of these elements, the conditions in which Vallourec is operating in this semester should stay broadly comparable in the first half of 2017. Group results should benefit as from mid-2017 from the expected re-balancing of Oil and Gas markets, and from the continuing effects of the Transformation Plan.

\(^6\) Vallourec Heat Exchanger Tubes has been deconsolidated on 1 May 2016.

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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 Registration Document filed with the AMF on 16 March 2016 (N° D.16-0141).

Presentation of Q3 and first 9M 2016 financial results

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

- To listen to the audio webcast: http://edge.media-server.com/m/go/vallourecQ32016

- To participate in the conference call, please dial:
  +44 20 3427 1902 (UK)
  +33 1 76 77 22 30 (FR)
  +1212 444 0896 (USA)
  +44 20 3427 1902 (other countries)
  Conference ID: 6160086

- Audio webcast and slides will be available on the website at: http://www.vallourec.com/EN/GROUP/FINANCE

Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 February 2017</td>
<td>Release of fourth quarter and full year 2016 results</td>
</tr>
</tbody>
</table>

Information

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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. Operating in more than 20 countries, its 20,000 dedicated and passionate people work hand-in-hand with their customers to offer more than just tubes: they deliver innovative, safe, competitive and smart tubular solutions, to make every project possible.

Listed on Euronext in Paris (ISIN code: FR0000120354, 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.

vallourec.com
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Individual shareholders
Toll Free Number (from France): 0 800 505 110
actionnaires@vallourec.com

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Appendices

Documents accompanying this release:
- Sales volume
- Forex
- Revenues by geographic region
- Revenues by market
- Cash flow statement
- Free cash flow
- Summary consolidated income statement
- Summary consolidated balance sheet

Sales volume

<table>
<thead>
<tr>
<th>In thousands of tons</th>
<th>2016</th>
<th>2015</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>251</td>
<td>412</td>
<td>-39.1%</td>
</tr>
<tr>
<td>Q2</td>
<td>321</td>
<td>362</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Q3</td>
<td>333</td>
<td>317</td>
<td>+5.0%</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td>320</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>905</td>
<td>1,411</td>
<td></td>
</tr>
</tbody>
</table>

Forex

<table>
<thead>
<tr>
<th>Average exchange rate</th>
<th>9M 2016</th>
<th>9M 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR / USD</td>
<td>1.12</td>
<td>1.11</td>
</tr>
<tr>
<td>EUR / BRL</td>
<td>3.96</td>
<td>3.53</td>
</tr>
<tr>
<td>USD / BRL</td>
<td>3.54</td>
<td>3.16</td>
</tr>
</tbody>
</table>

Information
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Revenues by geographic region

<table>
<thead>
<tr>
<th>Region</th>
<th>9M 2016</th>
<th>As % of revenues</th>
<th>9M 2015</th>
<th>As % of revenues</th>
<th>Change</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>461</td>
<td>21.7%</td>
<td>679</td>
<td>23.1%</td>
<td>-32.1%</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>366</td>
<td>17.2%</td>
<td>881</td>
<td>29.9%</td>
<td>-58.5%</td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td>378</td>
<td>17.7%</td>
<td>524</td>
<td>17.8%</td>
<td>-27.9%</td>
<td></td>
</tr>
<tr>
<td>Asia &amp; Middle East</td>
<td>559</td>
<td>26.3%</td>
<td>618</td>
<td>21.0%</td>
<td>-9.5%</td>
<td></td>
</tr>
<tr>
<td>Rest of World</td>
<td>363</td>
<td>17.1%</td>
<td>240</td>
<td>8.2%</td>
<td>+51.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,127</td>
<td><strong>100.0%</strong></td>
<td>2,942</td>
<td><strong>100.0%</strong></td>
<td>-27.7%</td>
<td></td>
</tr>
</tbody>
</table>

Revenues by market

<table>
<thead>
<tr>
<th>Market</th>
<th>9M 2016</th>
<th>As % of revenues</th>
<th>9M 2015</th>
<th>As % of revenues</th>
<th>Change</th>
<th>YoY</th>
<th>Q3 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>1,274</td>
<td>59.9%</td>
<td>1,864</td>
<td>63.4%</td>
<td>-31.7%</td>
<td></td>
<td>411</td>
<td>-22.8%</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>96</td>
<td>4.5%</td>
<td>157</td>
<td>5.3%</td>
<td>-38.2%</td>
<td></td>
<td>28</td>
<td>-42.9%</td>
</tr>
<tr>
<td>Oil &amp; Gas, Petrochemicals</td>
<td>1,370</td>
<td>64.4%</td>
<td>2,021</td>
<td>68.7%</td>
<td>-32.2%</td>
<td></td>
<td>439</td>
<td>-24.6%</td>
</tr>
<tr>
<td>Power Generation</td>
<td>335</td>
<td>15.8%</td>
<td>402</td>
<td>13.7%</td>
<td>-16.6%</td>
<td></td>
<td>108</td>
<td>-27.5%</td>
</tr>
<tr>
<td>Mechanicals</td>
<td>206</td>
<td>9.7%</td>
<td>281</td>
<td>9.5%</td>
<td>-26.7%</td>
<td></td>
<td>73</td>
<td>-5.2%</td>
</tr>
<tr>
<td>Automotive</td>
<td>76</td>
<td>3.5%</td>
<td>90</td>
<td>3.1%</td>
<td>-15.5%</td>
<td></td>
<td>27</td>
<td>+8.0%</td>
</tr>
<tr>
<td>Construction &amp; Other</td>
<td>140</td>
<td>6.6%</td>
<td>148</td>
<td>5.0%</td>
<td>-5.4%</td>
<td></td>
<td>46</td>
<td>+17.9%</td>
</tr>
<tr>
<td>Industry &amp; Other</td>
<td>422</td>
<td>19.8%</td>
<td>519</td>
<td>17.6%</td>
<td>-18.7%</td>
<td></td>
<td>146</td>
<td>+3.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,127</td>
<td><strong>100.0%</strong></td>
<td>2,942</td>
<td><strong>100.0%</strong></td>
<td>-27.7%</td>
<td></td>
<td>693</td>
<td>-20.5%</td>
</tr>
</tbody>
</table>
## Cash flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(275)</td>
<td>(85)</td>
<td>9M Cash flow from operating activities</td>
<td>(72)</td>
<td>(66)</td>
<td>(68)</td>
<td>(135)</td>
</tr>
<tr>
<td>(17)</td>
<td>+279</td>
<td>Change in operating WCR + decrease, (increase)</td>
<td>+24</td>
<td>+168</td>
<td>+20</td>
<td>(61)</td>
</tr>
<tr>
<td>(292)</td>
<td>+194</td>
<td>Net cash flow from operating activities</td>
<td>(48)</td>
<td>+102</td>
<td>(48)</td>
<td>(196)</td>
</tr>
<tr>
<td>(100)</td>
<td>(159)</td>
<td>9M Gross capital expenditure</td>
<td>(27)</td>
<td>(70)</td>
<td>(30)</td>
<td>(43)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Financial investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>959</td>
<td>-</td>
<td>Capital increase</td>
<td>-</td>
<td>-</td>
<td>959</td>
<td>-</td>
</tr>
<tr>
<td>(2)</td>
<td>(68)</td>
<td>Dividends paid</td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>(66)</td>
<td>(53)</td>
<td>Asset disposals &amp; other items</td>
<td>-</td>
<td>7</td>
<td>(35)</td>
<td>(31)</td>
</tr>
<tr>
<td>499</td>
<td>(86)</td>
<td>Change in net debt + decrease, (increase)</td>
<td>(76)</td>
<td>+37</td>
<td>845</td>
<td>(270)</td>
</tr>
<tr>
<td>1,020</td>
<td>1,633</td>
<td>Net debt (end of period)</td>
<td>1,020</td>
<td>1,633</td>
<td>944</td>
<td>1,789</td>
</tr>
</tbody>
</table>

## Free cash flow

<table>
<thead>
<tr>
<th>9M 2016</th>
<th>9M 2015</th>
<th>Change</th>
<th>In millions of euros</th>
<th>Q3 2016</th>
<th>Q3 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(275)</td>
<td>(85)</td>
<td>-190</td>
<td>Cash flow from operating activities (FFO) (A)</td>
<td>(72)</td>
<td>(66)</td>
<td>-6</td>
</tr>
<tr>
<td>(17)</td>
<td>+279</td>
<td>-296</td>
<td>Change in operating WCR (B) [+ decrease, (increase)]</td>
<td>+24</td>
<td>+168</td>
<td>-144</td>
</tr>
<tr>
<td>(100)</td>
<td>(159)</td>
<td>+59</td>
<td>Gross capital expenditure (C)</td>
<td>(27)</td>
<td>(70)</td>
<td>+43</td>
</tr>
<tr>
<td>(392)</td>
<td>+35</td>
<td>-427</td>
<td>Free cash flow (A)+(B)+(C)</td>
<td>(75)</td>
<td>+32</td>
<td>-107</td>
</tr>
</tbody>
</table>

*Information*

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## Summary consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>9M 2016</th>
<th>9M 2015</th>
<th>Change YoY</th>
<th>In millions of euros</th>
<th>Q3 2016</th>
<th>Q3 2015</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>2,127</td>
<td>2,942</td>
<td>-27.7%</td>
<td></td>
<td>693</td>
<td>872</td>
<td>-20.5%</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(1,949)</td>
<td>(2,546)</td>
<td>-23.4%</td>
<td></td>
<td>(637)</td>
<td>(812)</td>
<td>-21.6%</td>
</tr>
<tr>
<td><strong>Industrial margin</strong></td>
<td>178</td>
<td>396</td>
<td>-55.1%</td>
<td>8.4% 13.5% -5.1 pt (as % of revenues)</td>
<td>56</td>
<td>60</td>
<td>-6.7%</td>
</tr>
<tr>
<td><strong>SG&amp;A costs</strong></td>
<td>(331)</td>
<td>(383)</td>
<td>-13.7%</td>
<td></td>
<td>(106)</td>
<td>(119)</td>
<td>-11.3%</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>(4)</td>
<td>(13)</td>
<td>na</td>
<td></td>
<td>(3)</td>
<td>(7)</td>
<td>na</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>(156)</td>
<td>0</td>
<td>na</td>
<td></td>
<td>(52)</td>
<td>(66)</td>
<td>-21.2%</td>
</tr>
<tr>
<td><strong>EBITDA as % of revenues</strong></td>
<td>-7.3%</td>
<td>0.0%</td>
<td>-7.3 pt</td>
<td></td>
<td>-7.5%</td>
<td>-7.6%</td>
<td>+0.1 pt</td>
</tr>
<tr>
<td><strong>Depreciation of industrial assets</strong></td>
<td>(210)</td>
<td>(228)</td>
<td>-7.9%</td>
<td></td>
<td>(69)</td>
<td>(79)</td>
<td>-12.7%</td>
</tr>
<tr>
<td><strong>Amortization and other depreciation</strong></td>
<td>(33)</td>
<td>(32)</td>
<td>+3.1%</td>
<td></td>
<td>(11)</td>
<td>(9)</td>
<td>+22.2%</td>
</tr>
<tr>
<td><strong>Impairment of assets</strong></td>
<td>(70)</td>
<td>(16)</td>
<td>na</td>
<td></td>
<td>(2)</td>
<td>1</td>
<td>na</td>
</tr>
<tr>
<td><strong>Asset disposals, restructuring and other</strong></td>
<td>(92)</td>
<td>(117)</td>
<td>na</td>
<td></td>
<td>(9)</td>
<td>(12)</td>
<td>na</td>
</tr>
<tr>
<td><strong>OPERATING INCOME (LOSS)</strong></td>
<td>(561)</td>
<td>(393)</td>
<td>+42.7%</td>
<td></td>
<td>(143)</td>
<td>(165)</td>
<td>-13.3%</td>
</tr>
<tr>
<td><strong>Financial income (loss)</strong></td>
<td>(99)</td>
<td>(52)</td>
<td>na</td>
<td></td>
<td>(31)</td>
<td>(15)</td>
<td>na</td>
</tr>
<tr>
<td><strong>PRE-TAX INCOME (LOSS)</strong></td>
<td>(660)</td>
<td>(445)</td>
<td>+48.3%</td>
<td></td>
<td>(174)</td>
<td>(180)</td>
<td>-3.3%</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>52</td>
<td>(12)</td>
<td>na</td>
<td></td>
<td>6</td>
<td>3</td>
<td>na</td>
</tr>
<tr>
<td><strong>Share in net income (loss) of associates</strong></td>
<td>(4)</td>
<td>(1)</td>
<td>na</td>
<td></td>
<td>(2)</td>
<td>(1)</td>
<td>na</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS) FOR THE CONSOLIDATED ENTITY</strong></td>
<td>(612)</td>
<td>(458)</td>
<td>+33.6%</td>
<td></td>
<td>(170)</td>
<td>(178)</td>
<td>-4.5%</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>(37)</td>
<td>(19)</td>
<td>na</td>
<td></td>
<td>(10)</td>
<td>(14)</td>
<td>na</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS), GROUP SHARE</strong></td>
<td>(575)</td>
<td>(439)</td>
<td>+31.0%</td>
<td></td>
<td>(160)</td>
<td>(164)</td>
<td>-2.4%</td>
</tr>
<tr>
<td><strong>EARNINGS PER SHARE (in €)</strong></td>
<td>(3.4)</td>
<td>(3.4)</td>
<td>na</td>
<td></td>
<td>(0.9)</td>
<td>(1.3)</td>
<td>na</td>
</tr>
</tbody>
</table>

(1) Before depreciation and amortization

**Information**

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## Summary consolidated balance sheet

In millions of euros

<table>
<thead>
<tr>
<th>Assets</th>
<th>30-Sept 2016</th>
<th>31-Dec 2015</th>
<th>Liabilities</th>
<th>30-Sept 2016</th>
<th>31-Dec 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net intangible assets</td>
<td>130</td>
<td>149</td>
<td>Equity, Group share</td>
<td>3,171</td>
<td>2,646</td>
</tr>
<tr>
<td>Goodwill</td>
<td>322</td>
<td>329</td>
<td>Non-controlling interests</td>
<td>337</td>
<td>392</td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>3,041</td>
<td>3,161</td>
<td>Total equity</td>
<td>3,508</td>
<td>3,038</td>
</tr>
<tr>
<td>Biological assets</td>
<td>175</td>
<td>155</td>
<td>Bank loans and other borrowings</td>
<td>1,094</td>
<td>1,763</td>
</tr>
<tr>
<td>Associates</td>
<td>170</td>
<td>177</td>
<td>Employee benefits</td>
<td>282</td>
<td>224</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>257</td>
<td>233</td>
<td>Deferred tax liabilities</td>
<td>174</td>
<td>216</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>183</td>
<td>149</td>
<td>Provisions and other long-term liabilities</td>
<td>131</td>
<td>43</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>4,278</td>
<td>4,353</td>
<td>Total non-current liabilities</td>
<td>1,681</td>
<td>2,246</td>
</tr>
<tr>
<td>Inventories and work-in-progress</td>
<td>951</td>
<td>1,066</td>
<td>Provisions</td>
<td>262</td>
<td>238</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>498</td>
<td>545</td>
<td>Overdrafts and other short-term borrowings</td>
<td>1,242</td>
<td>387</td>
</tr>
<tr>
<td>Derivatives - assets</td>
<td>44</td>
<td>20</td>
<td>Trade payables</td>
<td>421</td>
<td>523</td>
</tr>
<tr>
<td>Other current assets</td>
<td>403</td>
<td>307</td>
<td>Derivatives - liabilities</td>
<td>92</td>
<td>152</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,316</td>
<td>631</td>
<td>Tax and other current liabilities</td>
<td>305</td>
<td>347</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,212</td>
<td>2,569</td>
<td>Total current liabilities</td>
<td>2,322</td>
<td>1,647</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>48</td>
<td>69</td>
<td>Liabilities disposal for sale</td>
<td>27</td>
<td>60</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>7,538</td>
<td>6,991</td>
<td>TOTAL EQUITY AND LIABILITIES</td>
<td>7,538</td>
<td>6,991</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,020</td>
<td>1,519</td>
<td>Net income (loss), Group share</td>
<td>(575)</td>
<td>(865)</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>29.1%</td>
<td>50.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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