Press release

Vallourec reports full year 2018 results

A year of strong rebound supported by a robust Q4

- **Full-year revenue of €3,921 million, up 11% at constant exchange rates**, driven by Oil & Gas (+14% at constant exchange rates), notably in North America, and in Q4 in EA-MEA[1] region
- **Significant improvement in EBITDA at €150 million** compared to €2 million in 2017
- **Cumulative gross savings of €445 million since 2016, two years ahead of plan**
- **Strong Q4 performance**
  - **EA-MEA revenue in Oil & Gas up 68% QoQ**
  - **Positive free cash flow at €76 million**
  - **EBITDA rebound at €89 million**, up €78 million year-on-year and up €46 million QoQ
- Net debt of €2,058 million as at 31 December 2018 and **banking covenant at 72%**
- **On 19 February 2019**, **extension up to February 2021 of €600m bank facilities maturing originally in 2020**

New initiatives to further accelerate the path to recovery

- **At least €200 million additional gross savings** identified, including
  - **Extensive savings plan** launched in Germany
  - **Additional actions in Brazil** to strengthen best-in class manufacturing base
- Launch of divestiture of assets dedicated to the coal-fired conventional power plants

Outlook for 2019

- **Continued recovery in the Oil and Gas activity primarily driven by international markets**
- **Strong increase in EBITDA targeted in 2019**, supported by market trends, additional savings as well as ongoing deployment from the Group's new competitive manufacturing routes
- **Continuous improvement in working capital requirement**[2], beyond usual seasonal movements (peak outflow in H1), **with a diminishing number of days of working capital requirement on both quarterly average and end of year**
- **Capex around €180 million**, consistent with the needs of our renewed industrial footprint
- Based on current market trends[3] and objectives outlined above, **the Group would respect its banking covenant at the end of the year**

[1] EA-MEA: Europe, Africa, Middle East, Asia.
[2] Refer to Definitions of non-GAAP financial data, page 18
[3] Cf paragraph Information and Forward-Looking Statements

Information

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

Boulogne-Billancourt (France), 20 February 2019 – Vallourec, a world leader in premium tubular solutions, today announces its results for full year 2018. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board on 19 February 2019.

Key figures

2018	2017	Change YoY	*In millions of euros*	Q4 2018	Q4 2017	Change YoY
2,364	**2,256**	*4.8%*	**Sales Volume (k tons)**	**694**	**655**	*6.0%*
3,921	**3,750**	*4.6%*	**Revenue**	**1,116**	**1,070**	*4.3%*
150	**2**	*+€148m*	**EBITDA**	**89**	**11**	*+€78m*
3.8%	*0.1%*	*+3.7pts*	*As % of revenues*	*8.0%*	*1.0%*	*+7.0pts*
(277)	**(483)**	*+€206m*	**Operating income (loss)**	**(43)**	**(206)**	*+€163m*
(502)	**(537)**	*+€35m*	**Net income (loss), Group share**	**(103)**	**(164)**	*+€61m*
(494)	**(423)**	*-€71m*	**Free cash flow**	**76**	**(26)**	*+€102m*
31 Dec. 2018	**31 Dec. 2017**	**Change YoY**	*In millions of euros*	**31 Dec. 2018**	**31 Dec. 2017**	**Change YoY**
2,058	**1,542**	*+€516 m*	**Net debt**	**2,058**	**1,542**	*+€516m*

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

"The rebound in profitability continued in 2018 supported by improved Oil and Gas activities in North America and recent restart of EA-MEA. We had a strong Q4, closing out the year with robust revenue and EBITDA growth, as well as a positive free cash flow for the first time since 2015. Our ability to achieve a cumulative amount of €445m of gross cost savings since 2016, two years ahead of schedule, evidences the progress accomplished in implementing our 4-year Transformation Plan.

In 2019, we expect further growth in our Oil and Gas activity. We will continue to take advantage of the North American Oil and Gas market while leveraging the ongoing rebound in EA-MEA, supported by our reshaped manufacturing routes allowing us to transfer part of our production to more competitive countries.

Looking ahead, the Group is also well positioned to capture volumes in the offshore Brazilian market, where we hold strong positions thanks to both our renewed long term agreement with Petrobras and our comprehensive offer, which will also support international oil companies launching E&P projects in this country.

These essential steps are encouraging but need to be further developed. We are pursuing our efforts to improve our cost competitiveness in identified areas. We will focus particularly on Germany, where an ambitious plan is being launched, as well as on Brazil. These new initiatives are planned to add at least €200m to our 2020 objective of gross savings, now at €650 million, with a significant part achievable as soon as 2019. We have in addition initiated the divestiture of our assets dedicated to coal-fired conventional power plants.

These elements will contribute to a targeted strong increase of our EBITDA in 2019. Free cash flow generation remains our top priority, with a renewed strong commitment to cash discipline. Based on current macroeconomic and market trends and the objectives outlined above, we would respect our banking covenant at the end of 2019."

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I - CONSOLIDATED REVENUE BY MARKET

2018	2017	Change YoY	At constant exchange rates	In millions of euros	Q4 2018	Q4 2017	Change YoY	At constant exchange rates
2,813	2,567	*9.6%*	16.2%	Oil & Gas, Petrochemicals	821	708	*16.0%*	*16.3%*
819	775	*5.7%*	13.1%	Industry & Other	235	237	*-0.1%*	*4.5%*
289	408	*-29.2%*	-27.6%	Power Generation	60	125	*-51.9%*	*-50.9%*
3,921	**3,750**	***4.6%***	**10.8%**	**Total**	**1,116**	**1,070**	***4.3%***	***5.7%***

In 2018, Vallourec revenue amounted to €3,921 million, up 4.6% compared with 2017**. The growth, even more remarkable at constant exchange rates at +10.8%**, was achieved thanks to the combination of +6.0% price/mix effect and +4.8% volume effect despite a strong decline in Powergen revenue.

In the fourth quarter of 2018, Vallourec recorded revenue of €1,116 million, up 4.3% compared with the fourth quarter of 2017, **and up 5.7% at constant exchange rates**, driven by a 5.9% volume increase, particularly in the EA-MEA Oil & Gas market. Lower Powergen revenue was largely offset by higher Oil & Gas revenue.

Q4 2018 Group revenue was up +16.1% or €155 million compared with Q3 2018, with Oil & Gas in EA-MEA as main contributor, up 67.7%.

Oil & Gas, Petrochemicals (72% of full year consolidated revenue)

In 2018, Oil & Gas revenue was €2,469 million, up 7.4% year-on-year, **with a strong increase of 14.0% at constant exchange rates**:

- In **North America**, Oil & Gas revenue increased strongly year-on-year. The rise in OCTG volumes sold benefitted primarily from the continued growth recorded in the drilling activity. Indeed, the average rig count was up 18% year-on-year. Prices rose significantly over the period, with an additional OCTG price increase passed through in Q3 2018.
- **In EA-MEA**, Oil & Gas revenue was up year-on-year, driven by a strong increase in OCTG sales to Middle East and Africa and particularly in Q4 when volumes doubled both year-on-year and QoQ, following a dynamic tendering activity registered in late 2017 and 2018.
- **In South America**, Oil & Gas revenue was up year-on-year supported by higher deliveries for line pipes.

In Q4 2018, Oil & Gas revenue amounted to €737 million, up 19.9% year-on-year and up 20.2% at constant exchange rates. The growth was sustained at +17.6% when compared with Q3 2018. The stronger contribution of EA-MEA (+67.7% QoQ), further to bookings recorded over the last months, has largely compensated lower sales in the US, where a softening demand due to temporary higher inventories in the US tubular market (built in anticipation of section 232), has been partly offset by price increases and a better mix.

In 2018, Petrochemicals revenue amounted to €344 million, a sharp increase of 28.4% year-on-year and 34.8% at constant exchange rates resulting from higher sales in line pipes deliveries in the US.

In Q4 2018, Petrochemicals revenue amounted to €84 million, down 10.2% year-on-year and 9.5% at constant exchange rates. Stronger volumes in line pipe deliveries in the US partially offset the lower revenue in China where deliveries were focused in Q4 on higher margin products.

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Industry & Other (21% of full year consolidated revenue)

In 2018, Industry & Other revenue amounted to €819 million, with growth remaining positive at + 5.7% and **more sustained at constant exchange rates with an increase of 13.1%**.

- In **Europe**, the Industry revenue growth was moderate year-on-year following a very strong 2017 year particularly for the Mechanical Engineering business. Nevertheless in 2018, the Group succeeded to pass on price increases.

- In **South America**, Industry & Other revenue increased year-on-year essentially as a result of higher volumes in Mechanical Engineering and Automotive Industry driven by the progressive recovery of the Brazilian economy. The mine activity benefitted in H2 from iron ore price increase after a lower H1.

In Q4 2018, Industry & Other revenue amounted to €235 million stable year on year but up 4.5% at constant exchange rates. The main contributor to growth was Mechanical engineering thanks to increased revenues in China and Brazil, where price increases have been passed through. The mine activity continued to be robust.

Power Generation (7% of full year consolidated revenue)

In 2018, Power Generation revenue amounted to €289 million, down 29.2% year-on-year (down 27.6% at constant exchange rates) with conventional power generation sales significantly down compared to 2017, due to a decline in demand from conventional Powergen industry, most notably in Asia, as well as a low level of deliveries in nuclear applications. The Group closed end of 2018 the finishing line for tubes dedicated to conventional power plants in Saint-Saulve.

In Q4 2018, Power Generation revenue was €60 million, down 51.9% year-on-year (down 50.9% at constant exchange rates).

II – Q4 AND FY 2018 CONSOLIDATED RESULTS ANALYSIS

2018 consolidated results analysis

In 2018, EBITDA significantly improved by €148 million year-on-year to €150 million with:

- **An industrial margin of €579 million, up €126 million or an improvement from 12.1% to 14.8% as a percentage of revenue**, reflecting (i) the increase in revenue, (ii) the positive impact from the Transformation Plan, largely offsetting (iii) the increase in raw material prices and negative currency impact.

- **Sales, general and administrative costs (SG&A) of €405 million, down 8.0%**, reflecting tight cost control. As a result, SG&A represented 10.3% of revenue compared to 11.7% in 2017.

Total gross savings amounted to €130 million for the full-year, highlighting the solid execution of our Transformation Plan.

Excluding changes in provisions, EBITDA improved by €173 million compared to prior year, with net reversal of €56 million in 2018 and €81 million in 2017.

Operating loss has been reduced by €206 million to (€277) million, thanks to the €148 million EBITDA contribution as well as lower depreciation and amortization charges.

In 2018, non-recurring charges were recorded: impairment charges for (€53) million compared to (€65) million in 2017 and "Assets disposal, restructuring, and other" charges for (€74) million compared to (€79) million in 2017. These non-recurring items essentially resulted from (i) restructuring measures undertaken in Europe including €26 million of provisions related to German restructuring initiatives announced to the staff representative bodies, (ii) the divestiture of French Drilling Products entities and (iii) impairment charges mainly related to some European assets.

The financial income was negative at (€220) million versus (€174) million in 2017. The increase was mainly attributable to higher interest charges, as a result of the bonds issued in October 2017 and April 2018.

Income tax amounted to (€5) million compared to a gain of €100 million, due to the recognition of deferred tax assets notably in Brazil in Q4 2017, combined with an income tax accounted in 2018 in North America reflecting the recovery of our business in the region.

The share attributable to non-controlling interests amounted to €2 million, compared to (€23) million in 2017.

This resulted in a net loss, Group share of (€502) million in 2018, compared to a loss of (€537) million in 2017.

Vallourec will propose that no dividend be paid for fiscal year 2018. This is subject to the approval of the Shareholders' Meeting to be held on 23 May 2019.

Q4 2018 consolidated results analysis

In Q4 2018, EBITDA stood at €89 million, up €78 million year-on-year, with:

- **An industrial margin of €206 million, up €80 million or +6.7p.p** reflecting (i) the increase in revenue, particularly in O&G EA-MEA, (ii) the positive impact of the Transformation Plan, largely offsetting (iii) the increase in raw material prices. Currency impact was almost neutral.
- **Sales, general and administrative costs (SG&A) of €106 million, down 9.4%**, reflecting tight cost control. As a result, SG&A represented 9.5% of revenue compared to 10.9% in Q4 2017.

Operating result improved by +€163 million to a loss of (€43) million, compared to a loss of (€206) million in Q4 2017, as a result of higher EBITDA and lower impairment charges as well as lower "Assets disposal, restructuring, and other" charges, which includes provisions related to German restructuring initiatives announced to the staff representative bodies.

Financial income was negative at (€55) million versus (€34) million in Q4 2017, mainly as a result of the €400 million senior notes issued in April 2018.

Income tax amounted to **(€3) million** compared to a gain of €76 million in Q4 2017, which resulted from the recognition of deferred tax assets notably in Brazil.

This resulted in a net loss, Group share of (€103) million, compared to a loss of (€164) million in Q4 2017.

III - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In 2018, **cash flow from operating activities reached (€210) million** compared to (€332) million in 2017, **a strong increase by €122 million, of which €111 million contributed by Q4. This acceleration reflects in particular the recent restart in O&G activity in EA-MEA.**

Operating working capital requirement

Operating working capital requirement increased by €155 million compared to a decrease of €61 million in 2017. It reflected a net working capital requirement which represented 94 days of sales at the end of 2018, to be compared with an exceptionally low 84 days at end of 2017.
In the second half of the year, as expected, operating working capital requirement decreased by €81 million. As a reminder, working capital requirement days are highly seasonal, with the highest level usually recorded in Q1 and the lowest in Q4.

Capex

Capital expenditure stood at (€129) million, compared to (€152) million in 2017, a level consistent with the needs of the Group's recently reshaped industrial footprint.

Free cash flow

As a result, in 2018, the Group generated **a negative free cash flow of (€494) million.** It included the non-recurring effect of the rebuild in working capital requirement in days of sales, following its exceptionally low level at end of 2017.

Net debt

As at 31 December 2018, Group net debt stood at €2,058 million compared to €2,097 million on 30 September 2018 and €1,542 million on 31 December 2017.

The Company continues to benefit from a sound liquidity position. Its cash position as at 31 December 2018 amounted to €740 million. Its medium and long-term committed facilities amounted to €2,150 million, and were undrawn. At the same date, short-term debt amounted to €1,001 million, including €400 million of private bonds.

As at 31 December 2018, the adjusted debt ratio, as defined in the banking contracts[4], was 72%.

In order to refinance its debt due August 2019, the Group issued in April 2018 a €400 million senior notes.

On 19 February 2019, €600 million bank facilities maturing originally in 2020 were extended up to February 2021.

[4] This indebtedness ratio is defined in the banking agreements as the ratio of the Group's consolidated net debt (including 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 the 31st December, and must be below a limit of 100% on this date.

IV - TRANSFORMATION PLAN

Gross savings targets over-achieved two years ahead of plan

As part of our Transformation Plan, we had announced a target of €400 million gross savings over a four-year period (2016-2020). We have over-achieved this target two years ahead of plan with €445 million cumulative gross savings generated at the end of 2018, of which €130 million in 2018.

The gross savings program included far reaching measures actively pursued over the past two years:

- Foster competitiveness of our production based in Brazil
  - Merger of Vallourec Soluçoes Tubulares do Brasil (VSB) and Vallourec Tubos do Brasil SA resulting in strong synergies
  - Shut down of Belo Horizonte blast furnaces and steel mill, initiated in 2017 and completed in July 2018, as planned

- Reduce capacity in Europe by closing mills or lines
  - Closure of a threading line in Mülheim, Germany (2016)
  - Closure of the heat treatment line in Bellshill, Scotland (2016)
  - Closure of two rolling mills in Déville-lès-Rouen (2016) and in Saint-Saulve (2017)
  - Closure of the boiler line in Saint-Saulve for tubes dedicated to conventional power plants (end of 2018).

- Reduce SG&A cost, down -28.7% in 2018 compared to 2014

Exit from non-core, underperforming businesses

In addition to active savings measures, we have exited a series of underperforming activities.

- Sale of Vallourec Heat Exchanger Tubes, a subsidiary producing titanium and stainless steel welded tubes for secondary systems in conventional and nuclear power plants (April 2016)
- Sale of a controlling share in the Saint-Saulve steel mill (January 2017), followed in February 2019 by the takeover by Altifort of all the steel mill assets
- Divestiture of Vallourec Fittings (April 2018)
- Sale of the Drilling Products business (Avril 2018), followed by the divestiture of the two remaining plants of Cosne-sur-Loire and Tarbes (July 2018)

Headcount was reduced significantly

The headcount was reduced by approximately 24% (5,600 employees) since 2014 (based on Group historical perimeter, excluding Tianda), of which c.3,000 in Europe (i.e.-31%) and c.1,600 in Brazil (i.e. - 20%).

New routes benefits are increasing, anchored in renewed, efficient production assets

On top of the savings initiatives, the Group started to deploy its new, more competitive manufacturing routes, VSB (Brazil) and Tianda (China), which now represent c.50% of the total rolling capacity, compared to c.30% in 2014, while Europe represents c.25% of total rolling capacity compared to c.45% in 2014.
The Group has recorded a continued growth in the utilization of its new routes, which offer a step change in competitiveness on recovering international O&G markets.

New initiatives

Additional targeted gross savings of at least €200 million by 2020

Going forward, additional gross savings initiatives have been identified and will be implemented over 2019-2020, to further accelerate the path to recovery. These new initiatives focus on European operations, notably Germany, and also on Brazil to further reinforce its best-in-class profile.

<u>In Europe</u>
In order to restore the competitiveness and the profitability of its German activities, the Group has decided to launch an extensive savings action plan. This plan includes a large headcount reduction in Germany (c.600 employees out of c.3,400), reduction of pre-material, industrial and SG&A costs, as well as production flow optimization. The restructuring measures are subject to prior consultation of the relevant staff representative bodies, and are expected to be implemented from 2019.

<u>In Brazil</u>
To further develop efficiencies of its already best-in-class Brazilian facilities, the Group will continue to focus its on-going improvement program on productivity improvement, sourcing efficiencies and inventory management.

Thus, by 2020, the Group targets to achieve additional gross savings of at least €200 million on top of the €445 million already delivered at the end of 2018.

Measures for conventional Powergen activities

Other measures include the search for a partner for the Powergen activities dedicated to the coal-fired conventional power plants, including the Reisholz (Germany) and VCHA (China) mills.

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V – MAIN MARKET TRENDS

Market fundamentals

Market fundamentals remain supportive of a continued recovery in the Oil & Gas market. After the major over-supply crisis in 2014-2016, oil demand and offer have been overall balanced since 2017, despite short term volatility. After 4 years of under-investment, depletion of existing oil fields has to be compensated by new E&P investments.

Vallourec's O&G markets to benefit from staged three waves of recovery

- **First to restart**, in 2017, **the US market** (36% of Vallourec's O&G revenues on average over 2014-2018) sharply rebounded and saw sustained activity in 2018. Average rig count was up 18% compared to 2017 and tube consumption per well remained high, materially above 2014 levels. While volatile in nature, the US market is expected to remain solid over the coming years.

- **Activity in Middle East Asia and Europe Africa** (52% of Vallourec's O&G revenues on average over 2014-2018) **is now recording a strong increase**. Final investment decisions taken by IOCs and tenders issued by NOCs in 2017 and 2018 translated in a material increase in tendering activity throughout the course of 2018. Vallourec's bookings from these markets more than doubled in 2018 compared to 2017 level. They led to the sharp rebound in deliveries starting in Q4 2018.

- **Lastly, the Brazilian market** (12% of Vallourec's O&G revenues on average over 2014- 2018) **is expected to restart from 2020.** Petrobras announced this year the upgrade of its E&P program, with over $69 billion of investments planned over the 2019-2023 period (versus $60 billion over 2018-2022 announced at end of 2017). Petrobras targets an average annual production growth at 5% over the period, and has announced a strong restart of exploratory activity. Furthermore IOCs, which have now access to the pre-salt fields, are starting exploration. Vallourec is uniquely positioned to take advantage of this market opportunity.

Entering 2019

In 2019, assuming current macro-economic and market conditions, Vallourec anticipates continued market recovery in the O&G market albeit with varying profiles in our key regional areas.

Oil & Gas

North America

Based on current WTI prices, we anticipate demand for OCTG tubes to remain at a high level. The Group would fully benefit from the full year effect of 2018 price increases, despite some pressure on H1 as a result of the market softness in Q4 2018. The Group should also benefit from increased shipments through debottlenecking.

EA-MEA

The Group should benefit from the continued increase in activity for Oil & Gas projects, as well as the further deployment of its competitive new routes, with in particular higher activity in North Sea, South East Asia, Middle East and Africa.

Brazil

Drilling activity is expected to remain broadly stable throughout the year.

Industry
EA-MEA
We should see flattening volumes and some pressure on prices after a positive price increase in 2018.

Brazil
Industry market should benefit from the Brazilian economy recovery, particularly in Automotive, Outlook for the mine is positive, and an extension of its capacity is under study.

After unfavorable **raw materials** prices evolution faced in H1 2018, they have progressively stabilized in the course of H2 2018.
Similarly, the unfavorable **currency** impact experienced in 2018 would not replicate in 2019, assuming a stabilization at their current levels of the currencies in which the Group operates.

VI – OUTLOOK 2019

Based on current economic and market trends[5], the Group targets:

- A strong increase in EBITDA, supported by the continuous growth in its Oil & Gas activity, additional savings as well as on-going deployment of its new competitive manufacturing routes

- A continuous improvement in working capital requirement, beyond usual seasonal movements (peak outflow in H1), with a diminishing number of days of working capital requirement on both quarterly average and end of year

- Capex around €180 million, consistent with the needs of its renewed industrial footprint

Based on these current market trends and the objectives outlined above, the Group would respect its banking covenant at the end of the year.

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

[5] Cf paragraph Information and Forward-Looking Statements

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 21 March 2018.

Presentation of FY 2018 financial results

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

- To listen to the audio webcast: https://channel.royalcast.com/webcast/vallourec-en/20190220_2/

- To participate in the conference call, please dial:
  +44 (0) 20 3003 2666 (UK)
  +33 (0) 1 7099 4740 (France)
  +1 212 999 6659 (USA)
  No password required

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

Calendar

16 May 2019	Release of first quarter 2019 results
23 May 2019	Shareholders' Annual Meeting

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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: 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.

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Appendices

Documents accompanying this release:

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

Sales volume

In thousands of tons	2018	2017	Change YoY
Q1	**515**	475	*8.4%*
Q2	**572**	538	*6.3%*
Q3	**583**	588	*-0.9%*
Q4	**694**	655	*6.0%*
Total	**2,364**	**2,256**	*4.8%*

Forex

Average exchange rate	2018	2017
EUR / USD	**1.18**	1.13
EUR / BRL	**4.31**	3.61
USD / BRL	**3.65**	3.19

Revenue by geographic region

In millions of euros	2018	*As % of revenues*	2017	*As % of revenues*	*Change YoY*
Europe	587	*15.0%*	594	*15.8%*	*-1.2%*
North America	1,281	*32.7%*	1,033	*27.6%*	*24.0%*
South America	625	*15.9%*	612	*16.3%*	*2.1%*
Asia & Middle East	1,088	*27.7%*	1,175	*31.3%*	*-7.4%*
Rest of World	340	*8.7%*	336	*9.0%*	*1.2%*
Total	**3,921**	***100.0%***	**3,750**	***100.0%***	***4.6%***

Revenue by market

In millions of euros	Q4 2018	*Change YoY*	2018	*As % of revenues*	2017	*As % of revenues*	*Change YoY*
Oil & Gas	737	*19.9%*	2,469	*63.0%*	2,299	*61.3%*	*7.4%*
Petrochemicals	84	*-10.2%*	344	*8.8%*	268	*7.1%*	*28.4%*
Oil & Gas, Petrochemicals	**821**	***15.9%***	**2,813**	***71.7%***	**2,567**	***68.5%***	***9.6%***
Mechanicals	146	*18.7%*	469	*11.9%*	368	*9.8%*	*27.4%*
Automotive	34	*-12.8%*	148	*3.8%*	144	*3.8%*	*2.8%*
Construction & Other	55	*-26.7%*	202	*5.2%*	263	*7.0%*	*-23.2%*
Industry & Other	**235**	***-0.8%***	**819**	***20.9%***	**775**	***20.6%***	***5.7%***
Power Generation	**60**	***-51.9%***	**289**	***7.4%***	**408**	***10.9%***	***-29.2%***
Total	**1,116**	***4.3%***	**3,921**	***100.0%***	**3,750**	***100.0%***	***4.6%***

Summary consolidated income statement

Q4 2018	Q4 2017	*Change YoY*	*In millions of euros*	2018	2017	*Change YoY*
1,116	**1,070**	*4.3%*	**REVENUE**	**3,921**	**3,750**	*4.6%*
(910)	(944)	*-3.6%*	Cost of sales(1)	(3,342)	(3,297)	*1.4%*
206	**126**	*63.5%*	***Industrial margin***	**579**	**453**	*27.8%*
18.5%	*11.8%*	*+6.7pts*	*(as % of revenue)*	*14.8%*	*12.1%*	*+2.7pts*
(106)	(117)	*-9.4%*	SG&A costs(1)	(405)	(440)	*-8.0%*
(11)	2	*na*	Other income (expense), net	(24)	(11)	*na*
89	**11**	*+€78m*	**EBITDA**	**150**	**2**	*+€148m*
8.0%	*1.0%*	*+7,0pts*	*EBITDA as % of revenues*	*3.8%*	0.1%	*+3.7pts*
(69)	(76)	*+€7m*	Depreciation of industrial assets	(266)	(297)	*+€31m*
(8)	(11)	*na*	Amortization and other depreciation	(34)	(44)	*na*
(38)	(64)	*na*	Impairment of assets	(53)	(65)	*na*
(17)	(66)	*na*	Asset disposals, restructuring and other	(74)	(79)	*na*
(43)	**(206)**	*+€163m*	**OPERATING INCOME (LOSS)**	**(277)**	**(483)**	*+€206m*
(55)	(34)	*-€21m*	Financial income (loss)	(220)	(174)	*-€46m*
(98)	**(240)**	*+€142m*	**PRE-TAX INCOME (LOSS)**	**(497)**	**(657)**	*+€160m*
(3)	76	*na*	Income tax	(5)	100	*na*
-	-	*na*	Share in net income (loss) of associates	2	(3)	*na*
(101)	**(164)**	*+€63m*	**NET INCOME (LOSS) FOR THE CONSOLIDATED ENTITY**	**(500)**	**(560)**	*+€60m*
2	-	*na*	Non-controlling interests	2	(23)	*na*
(103)	**(164)**	*+€61m*	**NET INCOME (LOSS), GROUP SHARE**	**(502)**	**(537)**	*+€35m*
(0.2)	**(0.4)**	*+€0.2*	**EARNINGS PER SHARE (in €)**	**(1.1)**	**(1.2)**	*+€0.1*

(1) *Before depreciation and amortization*

na: not applicable

Summary consolidated balance sheet

In millions of euros					
Assets	**31-Dec 2018**	**31-Dec 2017**	**Liabilities**	**31-Dec 2018**	**31-Dec 2017**
			Equity, Group share	1,802	2,426
Net intangible assets	71	89	Non-controlling interests	462	459
Goodwill	358	348	**Total equity**	**2,264**	**2,885**
Net property, plant and equipment	2,691	2,977	Shareholder loan	29	72
Biological assets	60	71	Bank loans and other borrowings (A)	1,797	1,817
Associates	134	102	Employee benefits	214	209
Other non-current assets	156	137	Deferred tax liabilities	15	18
Deferred tax assets	250	242	Provisions and other long-term liabilities	50	61
Total non-current assets*	**3,720**	**3,966**	**Total non-current liabilities**	**2,076**	**2,105**
Inventories and work-in-progress	1,135	1,004	Provisions	136	149
Trade and other receivables	599	568	Overdrafts and other short-term borrowings (B)	1,001	746
Derivatives - assets	3	32	Trade payables	582	582
Other current assets	216	231	Derivatives - liabilities	32	13
Cash and cash equivalents (C)	740	1,021	Tax and other current liabilities	293	321
Total current assets	**2,693**	**2,856**	**Total current liabilities**	**2,044**	**1,811**
Assets held for sale	-	64	Liabilities disposal for sale	-	13
TOTAL ASSETS	**6,413**	**6,886**	**TOTAL EQUITY AND LIABILITIES**	**6,413**	**6,886**
Net debt (A+B-C)	**2,058**	**1,542**	**Net income (loss), Group share**	**(502)**	**(537)**

Gearing ratio	**91%**	**53%**
Banking covenant	**72%**	**47%**

* **Estimated impact from IFRS 16 implementation on opening balance sheet as of January 2019, 1st:**

- Estimated increase by €80 to €100 million of net tangible assets (right of use), against the recognition of a lease debt
- Banking covenant not impacted by this change in methodology

Free cash-flow

Q4 2018	Q4 2017	*Change*	*In millions of euros*	2018	2017	*Change*
(13)	(124)	*+111*	Cash flow from operating activities **(A)**	(210)	(332)	*+122*
154	164	*-10*	Change in operating WCR **(B)** *[+ decrease, (increase)]*	(155)	61	*-216*
(65)	(66)	*+1*	Gross capital expenditure **(C)**	(129)	(152)	*+23*
76	**(26)**	***+102***	**Free cash flow (A)+(B)+(C)**	**(494)**	**(423)**	***-71***

Cash-flow statement

Q4 2018	Q4 2017	Q3 2018	*In millions of euros*	2018	2017
(13)	(124)	(54)	Cash flow from operating activities	(210)	(332)
154	164	(73)	Change in operating WCR *+ decrease, (increase)*	(155)	61
141	**40**	**(127)**	**Net cash flow from operating activities**	**(365)**	**(271)**
(65)	(66)	(26)	Gross capital expenditure	(129)	(152)
-	-	-	Financial investments	-	-
-	27	-	Increase and decrease in equity	-	27
-	-	-	Impact of acquisition	-	-
-	-	-	Dividends paid	-	-
(37)	102	(10)	Asset disposals & other items	(22)	141
39	**103**	**(163)**	**Change in net debt** ***+ decrease, (increase)***	**(516)**	**(255)**
2,058	1,542	2,097	Net debt (end of period)	2,058	1,542

Banking covenant calculation

Figures in million euros	31.12.2018	31.12.2017
Net debt	2 058	1 542
Shareholder loan	29	72
Net debt restated (a)	**2 087**	**1 614**
Group Equity	2 264	2 885
Foreign currency translation reserve	624	536
Reserves - changes in fair value of financial instruments	8	(7)
Group equity restated (b)	**2 896**	**3 414**
Banking covenant ratio = (a) / (b)	**72%**	**47%**

Information

Quarterly statements are unaudited and not subject to any review. Audit procedures have been carried out for the full year consolidated financial statements. Final certification will take place before the Registration Document is filed with the AMF, by the end of March 2019.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.

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 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 the 31st December, and must be below a limit of 100% on this date.

Consolidated 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.

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.

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

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.