

**Vallourec reports second quarter and first half 2017 results**
**Better H1 2017 results; 2017 EBITDA target revised upwards**

- Q2 2017 EBITDA positive, at €3 million
- H1 2017 EBITDA of -€18 million, up €86 million yoy
- FY 2017 guidance revised upwards: Full year 2017 EBITDA targeted improvement from +€125 million to +€175 million versus 2016

**Key figures**

H1 2017	H1 2016	Change YoY	<i>In millions of euros</i>	Q2 2017	Q2 2016	Change YoY
1,013	572	77.1%	<b>Sales Volume (k tonnes)</b>	538	321	67.6%
1,716	1,434	19.7%	<b>Revenue</b>	933	763	22.3%
(18)	(104)	+€86m	<b>EBITDA</b>	3	(32)	+€35m
-1.0%	-7.3%	+6.3pt	<i>As % of revenue</i>	0.3%	-4.2%	+4.5pt
(254)	(415)	+€161m	<b>Net income (loss), Group share</b>	(128)	(131)	+€3m
(325)	(317)	-€8m	<b>Free cash flow<sup>(1)</sup></b>	(105)	(78)	-€27m
30 June 2017	31 Dec. 2016	Change over H1	<i>In millions of euros</i>	30 June 2017	31 March 2017	Change over Q2
1,613	1,287	+€326m	<b>Net debt</b>	1,613	1,533	+€80m

(1) 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.

na: not applicable

**Boulogne-Billancourt (France), 26 July 2017** – Vallourec, world leader in premium tubular solutions, today announces its results for the second quarter and first half of 2017. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board on 25 July 2017.

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

*"Vallourec's financial results in the first half reflect an improvement of the Group's performance both sequentially and year on year, with an EBITDA improving above expectations.*

*In the US, demand for O&G products remained strong thanks to an increased number of active rigs, enabling us to start passing through price increases. We are now starting to see a flattening trend in rig count. In Brazil, we benefited from good offshore deliveries at the beginning of the year and from the expected benefits of the Transformation Plan. In the rest of the world, tendering activity for Oil & Gas products remains steady for NOCs, while IOCs tendering activity shows some signs of upcoming recovery, in a still competitive environment.*

*We remain fully focused on our Transformation Plan, which is delivering the expected cost savings. We are rolling out our new organization, aiming at strengthening the Group's customer focus in each region, optimizing the use of our global resources, and boosting our development.*

*In that context, Vallourec upgrades its full year 2017 EBITDA target with an improvement ranging from +€125 million to +€175 million when compared to 2016."*

**Information**

Half-year financial statements at 30 June 2016 and 30 June 2017 are 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.

## I - CONSOLIDATED REVENUE BY MARKET

H1 2017	H1 2016	Change YoY	<i>In millions of euros</i>	Q2 2017	Q2 2016	Change YoY
1,178	931	26.5%	Oil & Gas, Petrochemicals	645	463	39.3%
189	227	-16.7%	Power Generation	105	142	-26.1%
349	276	26.4%	Industry & Other	183	158	15.8%
<b>1,716</b>	<b>1,434</b>	<b>19.7%</b>	<b>Total</b>	<b>933</b>	<b>763</b>	<b>22.3%</b>

**Over the first half of 2017, Vallourec recorded revenue of €1,716 million, up 19.7% compared with the first half of 2016.** At constant scope and exchange rates revenue was up 2.4%, with a positive volume impact (+26.2%), mainly due to the volume rebound in the US partly offset by a negative price/mix effect (-23.8%) explained by three factors:

- a change in mix in H1 2017 deliveries compared to a favourable H1 2016,
- the price deterioration in the Oil & Gas market in 2016 weighing on 2017 revenue, and
- a change in geographical mix with higher US volumes sold at a lower average selling price than the Group average.

The scope effect (integration of Tianda, full consolidation of VSB and divestiture of VHET) was +11.7%<sup>1</sup> and the exchange rate effect was +5.6%.

Q2 2017 revenue was up 22.3% compared with Q2 2016, to €933 million. At constant scope and exchange rates revenue was up 5.7%, with a positive volume impact (+18.3%), partly offset by a negative price/mix effect (-12.6%). This is mainly due to US higher Oil & Gas volumes, more than offsetting lower OCTG deliveries and prices in EAMEA. Industry and other revenue was up year on year benefiting from positive volume impacts, along with higher revenue from the mine.

### Oil & Gas, Petrochemicals (68.7% of consolidated revenue)

**Oil & Gas** revenue reached €1,069 million in H1 2017, up +23.9% year on year. Excluding scope and forex effects, Oil & Gas revenue was up 2.4% year-on-year.

- **In the USA**, revenue more than doubled thanks to higher volumes. Sequentially Q2 sales were higher than Q1, with higher volumes, and to a lesser extent, higher prices. Vallourec domestic facilities have progressively increased their activity over the semester, and are now close to full capacity utilization. The support of imported volumes from our other mills, notably from Brazil, has been started.
- **In the EAMEA region**, OCTG volumes were up year-on-year as a result of the integration of Tianda deliveries and full consolidation of VSB exports. However, revenue was down mainly due to deliveries to NOCs at lower prices in the backlog than in H1 2016.
- **In Brazil**, Oil & gas revenue was up year-on-year, notably benefiting from higher OCTG deliveries required by Petrobras in Q1 for drilling of exploratory wells in the Libra field.

**Petrochemicals** revenue was €109 million in H1 2017, up 60.3% year-on-year mainly thanks to positive scope impacts. Excluding scope and forex effects, Petrochemicals revenue was up 16.2% year-on-year.

<sup>1</sup> Scope effect calculated with regard to restated H1 2016 revenue.

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## Power Generation (11.0% of consolidated revenue)

**Power Generation** revenue amounted to €189 million in H1 2017, down 16.7% year-on-year, including the impact related to the integration of Tianda. This decline results from lower deliveries in Asia notably in the second quarter, for both conventional and nuclear, as well as from the divestiture of VHET in 2016. Excluding scope and forex effects, Power Generation revenue was down 16.3% year-on-year.

## Industry & Other (20.3% of consolidated revenue)

**Industry & Other** revenue amounted to €349 million in H1 2017, up 26.4% year-on-year.

- **In Europe**, it was up essentially thanks to higher volumes for Mechanical Engineering.
- **In Brazil**, Industry & Other revenue was up mainly thanks to the increase of iron ore prices combined with increased volumes and prices for heavy vehicles and agricultural machinery.

Excluding scope and forex effects, Industry and other revenue were up 13.8% year-on-year.

## II - CONSOLIDATED RESULTS ANALYSIS

**In the second quarter of 2017, EBITDA was positive at €3 million, improving from -€32 million in Q2 2016.** This improvement mainly resulted from savings and change in scope generated by the Transformation plan, the higher performance from our Brazilian and North American regions, and from favourable change in provision, more than offsetting negative price/mix impacts reflected in the backlog delivered in the EAMEA region.

Q2 2017 EBITDA was better than initially anticipated, mainly due to better performance in Brazil and the US, associated with favourable change in provision.

**For the first half of the year, EBITDA stood at -€18 million, up by €86 million year-on-year, with:**

- Consolidated revenue up 19.7% compared with H1 2016, reaching €1,716 million mostly thanks to a positive scope effect, and higher OCTG sales in North America;
- An industrial margin of €213 million, up €91 million compared with H1 2016, reflecting (i) the impact of higher sales in particular in the US and in Brazil more than offsetting the lower contribution from EAMEA, as well as (ii) the savings and scope impact from the Transformation Plan initiatives, mitigated by the increase in raw material costs;
- Sales, general and administrative costs (SG&A) of €221 million, down 1.8% compared with H1 2016 with cost savings being partly offset by negative forex and scope impacts.

**Operating result was a loss of €189 million**, compared to a loss of €418 million in H1 2016, or a €229 million improvement, resulting from higher EBITDA and no restructuring and impairment charges in H1 2017. In H1 2016 operating result was impacted by restructuring charges of €83 million and impairment charges of €68 million mainly related to the strategic initiatives announced on 1 February 2016.

**Financial result was negative at -€101 million** versus -€68 million in H1 2016, mainly impacted by the recognition of a loss of -€13 million related to the change in fair value of NSSMC shares held by Vallourec since 2009, higher financial interests and the full consolidation of VSB.

**Income tax was a gain of €18 million in H1 2017**, compared to a gain of €46 million in H1 2016, essentially related to the recognition of deferred tax assets.

**The share attributable to non-controlling interests amounted to €21 million in H1 2017**, compared to €27 million in H1 2016.

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This resulted in a net loss, Group share of **-€254 million in H1 2017**, compared to -€415 million in H1 2016.

### III - CASH FLOW, FINANCIAL POSITION AND LIQUIDITY

**Vallourec generated a negative free cash flow of -€325 million in H1 2017** compared to -€317 million in H1 2016. This is mainly explained by:

- Negative cash flow from operating activities at -€160 million, versus -€203 million in H1 2016. Better EBITDA was partly offset by higher financial interests paid over the period and unfavourable change in non-cash provision,
- Change in working capital requirement amounted to -€104 million compared to -€41 million in H1 2016. This increase, which took place in Q1 2017 before stabilization in Q2, is principally explained by the activity recovery in the US. It was partly offset by operational working capital management efficiencies over the period.
- Capital expenditure at -€61 million, compared to -€73 million in H1 2016.

**As a consequence, as at 30 June 2017, Group net debt increased by €326 million compared to 31 December 2016 to reach €1,613 million.** Cash consumption was efficiently managed over the second quarter (net debt increased by €80 million over Q2 2017).

The Company's cash position as at 30 June 2017 amounted to €867 million.

Vallourec's medium and long-term committed facilities amounted to €2.3 billion (including €0.2 billion credit facilities maturing in July 2017), out of which €0.7bn were drawn.

At 30 June 2017, short-term debt amounted to €1,419 million, including €0.7bn of drawn committed long term credit facilities.

As a reminder, through amendments signed on 17 March 2017, the net debt-to-equity covenant associated to the Group's medium and long-term bank facilities has been revised with a threshold raised from 75% to 100% for the annual tests occurring at the end of 2018, 2019 and 2020.

### IV – TRANSFORMATION PLAN

On 26 January 2017, Vallourec finalized the divestment of a 60% stake in the Saint Saulve steel mill to Asco Industries. Vallourec retains a 40% share in the mill.

Vallourec's new organization structured around four regions (North America, South America, Europe/Africa (EA), and the Middle East/Asia (MEA)) and two central departments (Development & Innovation and Technology & Industry) is in place. This new organization is aiming at strengthening the Group's customer focus in each of its regions, optimizing the use of global resources, and boosting development.

Vallourec continues to deploy its Transformation Plan including its new rationalized industrial footprint combined with the rigorous implementation of the structural cost reductions program.

In H1 2017, the Transformation Plan enabled to generate €78 million gross savings.

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## V - MARKET TRENDS & OUTLOOK

Over the second half of the year, revenue and results in North America are expected to improve compared with H1, thanks to higher deliveries allowed by the return of domestic facilities to full capacity utilization, and to the price increases taking place as of Q3.

On the other hand, result in Brazil will be impacted notably by lower deliveries for off-shore after the high level achieved in the first semester, and by the decrease in iron ore prices.

In Oil and Gas EAMEA, signs for an upcoming higher tendering activity from IOCs will not impact the second semester.

Vallourec does not expect any significant changes in its other businesses, where the environment will stay very competitive.

Transformation Plan initiatives are expected to generate significant savings over the year, in line with its objectives.

Although it operates in a volatile and uncertain environment, assuming that current market conditions remain stable, Vallourec upgrades its full year 2017 EBITDA target to an improvement ranging from +€125 million to +€175 million when compared to 2016<sup>2</sup>.

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<sup>2</sup> On 26 April 2017, Vallourec targeted an EBITDA improvement ranging between €50 million and €100 million when compared to 2016, in the upper part of this range. As a reminder, 2016 EBITDA stood at -€219 million.

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## Presentation of Q2 and H1 2017 financial results

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

- To listen to the audio webcast: <http://edge.media-server.com/m/go/vallourecHY2017>
- To participate in the conference call, please dial :  
+44(0)20 3427 1901 (UK),  
+33(0)1 76 77 22 25 (France),  
+1 646 254 3364 (US),  
+44(0)20 3427 1901 (other countries)  
Conference code : **8686175**
- Audio webcast and slides will be available on the website at:  
<http://www.vallourec.com/EN/GROUP/FINANCE>

## Calendar

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**9 November 2017** Release of third quarter and first nine months 2017 financial results

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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.

[www.vallourec.com](http://www.vallourec.com)  
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## For further information, please contact:

### Investor relations

Alexandra Fichelson  
Guilherme Camara  
Tel: +33 (0)1 49 09 39 76  
[Investor.relations@vallourec.com](mailto:Investor.relations@vallourec.com)

### Press relations

Héloïse Rothenbühler  
Tel: +33 (0)1 41 03 77 50 / +33 (0)6 45 45 19 67  
[heloise.rothenbuhler@vallourec.com](mailto:heloise.rothenbuhler@vallourec.com)

### Individual shareholders

Toll Free Number (from France): 0 800 505 110  
[actionnaires@vallourec.com](mailto:actionnaires@vallourec.com)

## Information and Forward-Looking Statements

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 21 March 2017 (N° D.17-0191).

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## Appendices

### Documents accompanying this release:

- Sales volume
- Forex
- Revenue by geographic region
- Revenue by market
- Cash flow statement
- Free cash flow
- Summary consolidated income statement
- Summary consolidated balance sheet

### Sales volume

<i>In thousands of tonnes</i>	2017	2016	Change YoY
Q1	475	251	89.2%
Q2	538	321	67.6%
Q3		333	
Q4		376	
<b>Total</b>	<b>1,013</b>	<b>1,281</b>	

### Forex

<i>Average exchange rate</i>	H1 2017	H1 2016
EUR / USD	1.08	1.12
EUR / BRL	3.44	4.13
USD / BRL	3.18	3.70

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## Revenue by geographic region

<i>In millions of euros</i>	H1 2017	As % of revenue	H1 2016	As % of revenue	Change YoY
Europe	280	16.3%	307	21.4%	-8.8%
North America	414	24.1%	238	16.6%	73.9%
South America	315	18.4%	217	15.1%	45.2%
Asia & Middle East	558	32.5%	404	28.2%	38.1%
Rest of World	149	8.7%	268	18.7%	-44.4%
<b>Total</b>	<b>1,716</b>	<b>100.0%</b>	<b>1,434</b>	<b>100.0%</b>	<b>19.7%</b>

## Revenue by market

H1 2017	As % of revenue	H1 2016	As % of revenue	Change YoY	<i>In millions of euros</i>	Q2 2017	As % of revenue	Q2 2016	As % of revenue	Change YoY
1,069	62.3%	863	60.2%	23.9%	Oil & Gas	584	62.6%	425	55.7%	37.4%
109	6.4%	68	4.7%	60.3%	Petrochemicals	61	6.5%	38	5.0%	60.5%
<b>1,178</b>	<b>68.7%</b>	<b>931</b>	<b>64.9%</b>	<b>26.5%</b>	<b>Oil &amp; Gas, Petrochemicals</b>	<b>645</b>	<b>69.1%</b>	<b>463</b>	<b>60.7%</b>	<b>39.3%</b>
<b>189</b>	<b>11.0%</b>	<b>227</b>	<b>15.8%</b>	<b>-16.7%</b>	<b>Power Generation</b>	<b>105</b>	<b>11.3%</b>	<b>142</b>	<b>18.6%</b>	<b>-26.1%</b>
155	9.0%	133	9.3%	16.5%	Mechanicals	83	8.9%	75	9.8%	10.7%
70	4.1%	49	3.4%	42.9%	Automotive	37	4.0%	26	3.4%	42.3%
124	7.2%	94	6.6%	31.9%	Construction & Other	63	6.7%	57	7.5%	10.5%
<b>349</b>	<b>20.3%</b>	<b>276</b>	<b>19.3%</b>	<b>26.4%</b>	<b>Industry &amp; Other</b>	<b>183</b>	<b>19.6%</b>	<b>158</b>	<b>20.7%</b>	<b>15.8%</b>
<b>1,716</b>	<b>100.0%</b>	<b>1,434</b>	<b>100.0%</b>	<b>19.7%</b>	<b>Total</b>	<b>933</b>	<b>100.0%</b>	<b>763</b>	<b>100.0%</b>	<b>22.3%</b>

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## Cash flow statement

H1 2017	H1 2016	<i>In millions of euros</i>	Q2 2017	Q2 2016	Q1 2017
(160)	(203)	Cash flow from operating activities	(78)	(68)	(82)
(104)	(41)	Change in operating WCR + decrease, (increase)	-	20	(104)
<b>(264)</b>	<b>(244)</b>	<b>Net cash flow from operating activities</b>	<b>(78)</b>	<b>(48)</b>	<b>(186)</b>
(61)	(73)	Gross capital expenditure	(27)	(30)	(34)
-	-	Financial investments	-	-	-
-	959	Capital increase	-	959	-
-	(1)	Dividends paid	-	(1)	-
(1)	(66)	Asset disposals & other items	25	(35)	(26)
<b>(326)</b>	<b>575</b>	<b>Change in net debt + decrease, (increase)</b>	<b>(80)</b>	<b>845</b>	<b>(246)</b>
1,613	944	Net debt (end of period)	1,613	944	1,533

## Free cash flow

H1 2017	H1 2016	Change (€ m)	<i>In millions of euros</i>	Q2 2017	Q2 2016	Change (€ m)
(160)	(203)	43	Cash flow from operating activities (FFO) <b>(A)</b>	(78)	(68)	(10)
(104)	(41)	(63)	Change in operating WCR <b>(B)</b> [+ decrease, (increase)]	0	20	(20)
(61)	(73)	12	Gross capital expenditure <b>(C)</b>	(27)	(30)	3
<b>(325)</b>	<b>(317)</b>	<b>(8)</b>	<b>Free cash flow (A)+(B)+(C)</b>	<b>(105)</b>	<b>(78)</b>	<b>(27)</b>

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## Summary consolidated income statement

H1 2017	H1 2016	Change YoY	VALLOUREC <i>In millions of euros</i>	Q2 2017	Q2 2016	Change YoY
<b>1,716</b>	<b>1,434</b>	<b>19.7%</b>	<b>REVENUE</b>	<b>933</b>	<b>763</b>	<b>22.3%</b>
(1,503)	(1,312)	14.6%	Cost of sales <sup>1</sup>	<b>(821)</b>	(691)	18.8%
<b>213</b>	<b>122</b>	<b>74.6%</b>	<b>Industrial margin</b>	<b>112</b>	<b>72</b>	<b>55.6%</b>
12.4%	8.5%	+3.9pt	(as % of revenue)	12.0%	9.4%	+2.6pt
(221)	(225)	-1.8%	SG&A costs <sup>1</sup>	<b>(108)</b>	(109)	-0.9%
(10)	(1)	na	Other income (expense), net	<b>(1)</b>	5	na
<b>(18)</b>	<b>(104)</b>	<b>+86m</b>	<b>EBITDA</b>	<b>3</b>	<b>(32)</b>	<b>+35m</b>
-1.0%	-7.3%	+6.3pt	EBITDA as % of revenue	0.3%	-4.2%	+4.5pt
(151)	(141)	7.1%	Depreciation of industrial assets	<b>(72)</b>	(71)	1.4%
(23)	(22)	na	Amortization and other depreciation	<b>(12)</b>	(11)	na
-	(68)	na	Impairment of assets	-	(5)	na
3	(83)	na	Asset disposals, restructuring and other	<b>3</b>	(9)	na
<b>(189)</b>	<b>(418)</b>	<b>+229m</b>	<b>OPERATING INCOME (LOSS)</b>	<b>(78)</b>	<b>(128)</b>	<b>+50m</b>
(101)	(68)	48.5%	Net financial income (loss)	<b>(58)</b>	(34)	70.6%
<b>(290)</b>	<b>(486)</b>	<b>+196m</b>	<b>PRE-TAX INCOME (LOSS)</b>	<b>(136)</b>	<b>(162)</b>	<b>+26m</b>
18	46	na	Income tax	<b>(1)</b>	18	na
(3)	(2)	na	Share in net income (loss) of associates	<b>(1)</b>	0	na
<b>(275)</b>	<b>(442)</b>	<b>+167m</b>	<b>CONSOLIDATED NET INCOME (LOSS)</b>	<b>(138)</b>	<b>(144)</b>	<b>+6m</b>
21	27	na	Non-controlling interests	<b>10</b>	13	na
<b>(254)</b>	<b>(415)</b>	<b>+161m</b>	<b>NET INCOME (LOSS), GROUP SHARE</b>	<b>(128)</b>	<b>(131)</b>	<b>+3m</b>
<b>(0.6)</b>	<b>(2.4)</b>	<b>na</b>	<b>EARNINGS PER SHARE (in €)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>na</b>

(1) Before depreciation and amortization

na: not applicable

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## Summary consolidated balance sheet

<i>In millions of euros</i>					
	30-June	31-Dec		30-June	31-Dec
Assets	2017	2016	Liabilities	2017	2016
Net intangible assets	105	125	Equity, Group share	2,817	3,284
Goodwill	359	383	Non-controlling interests	433	494
Net property, plant and equipment	3,277	3,618	<b>Total equity</b>	<b>3,250</b>	<b>3,778</b>
Biological assets	79	88	Shareholder loan	79	84
Associates	123	125	Bank loans and other borrowings	1,061	1,121
Other non-current assets	296	348	Employee benefits	225	227
Deferred tax assets	198	190	Deferred tax liabilities	57	80
			Provisions and other long-term liabilities	116	121
<b>Total non-current assets</b>	<b>4,437</b>	<b>4,877</b>	<b>Total non-current liabilities</b>	<b>1,459</b>	<b>1,549</b>
Inventories and work-in-progress	1,162	1,035	Provisions	192	280
Trade and other receivables	593	546	Overdrafts and other short-term borrowings	1,419	1,453
Derivatives - assets	39	58	Trade payables	590	530
Other current assets	247	283	Derivatives - liabilities	12	105
Cash and cash equivalents	867	1,287	Tax and other current liabilities	344	310
<b>Total current assets</b>	<b>2,908</b>	<b>3,209</b>	<b>Total current liabilities</b>	<b>2,557</b>	<b>2,678</b>
Assets held for sale	-	46	Liabilities disposal for sale	-	43
<b>TOTAL ASSETS</b>	<b>7,345</b>	<b>8,132</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,345</b>	<b>8,132</b>
<b>Net debt</b>	<b>1,613</b>	<b>1,287</b>	<b>Net income (loss), Group share</b>	<b>(254)</b>	<b>(758)</b>

### Information

Half-year financial statements at 30 June 2016 and 30 June 2017 are 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.