Press release

Vallourec reports full year 2017 results

Improved FY 2017 performance

- **EBITDA at breakeven**
  - Significantly higher activity level
  - Cost savings generated by our Transformation Plan
- Net debt of €1,542 million as at 31 December 2017
- Liquidity strengthened: €800 million refinancing through bond and convertible bond issuance

Boulogne-Billancourt (France), 21 February 2018 – Vallourec, world leader in premium tubular solutions, today announces its results for full year 2017. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board on 20 February 2018.

Key figures

2017	2016	Change YoY	*In millions of euros*	Q4 2017	Q4 2016	Change YoY
2,256	**1,281**	*76.1%*	**Sales Volume (k tons)**	**655**	**376**	*74.2%*
3,750	**2,965**	*26.5%*	**Revenue**	**1,070**	**838**	*27.7%*
2	**(219)**	*+€221 m*	**EBITDA**	**11**	**(63)**	*+€74 m*
0.1%	*-7.4%*	*+7.5 pts*	*As % of revenues*	*1.0%*	*-7.5%*	*+8.5 pts*
(537)	**(758)**	*+€221 m*	**Net income (loss), Group share**	**(164)**	**(183)**	*+€19 m*
(423)	**(395)**	*-€28 m*	**Free cash-flow**	**(26)**	**(3)**	*-€23 m*
31 Dec. 2017	**31 Dec. 2016**	**Change YoY**	*In millions of euros*	**31 Dec. 2017**	**31 Dec. 2016**	**Change YoY**
1,542	**1,287**	*€255 m*	**Net debt**	**1,542**	**1,287**	*€255 m*

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

"In 2017, we benefited from the first tangible signs of a recovery in the Oil & Gas industry following three years of an unprecedented downturn. In North America, drilling activity recovered at a stronger pace than initially forecasted, allowing us to boost deliveries and prices. Tender activity in international Oil & Gas markets began to resume at a gradual pace. An improved macroeconomic context in Europe and Brazil supported our Industry & Other activities.
Thanks to the teams' commitment and hard work, we continued to implement a meaningful transformation of the Group's industrial footprint. We expanded new competitive production routes, developed a new organization that bring us closer to our customers and generated significant cost savings. Furthermore, we maintained a continuous focus on cash, namely by efficiently managing the working capital requirement and by monetizing non-core assets.
As a result of these efforts, we delivered a financial performance that exceeded initial expectations and registered an EBITDA at breakeven, a significant achievement over the previous year.

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 2018. Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year

We also strengthened and diversified our liquidity position by raising €800 million on the bond and convertible bond markets.
Looking towards 2018, we expect to benefit from a favorable activity level in the U.S. and a stable Oil & Gas activity in Brazil. Meanwhile, the timing and magnitude of the international Oil & Gas market rebound is still uncertain, but tender activity is increasing, which should result in higher bookings. Finally, the macroeconomic environment has recently seen an unfavorable evolution in currencies. We remain focused on the implementation of our Transformation Plan which will continue to generate significant savings, and contribute to the continuous improvement of our results."

I - CONSOLIDATED REVENUE BY MARKET

2017	2016	Change YoY	*At constant scope and exchange rate*	*In millions of euros*	Q4 2017	Q4 2016	Change YoY	*At constant scope and exchange rate*
2,567	1,920	*33.7%*	*18.9%*	Oil & Gas, Petrochemicals	708	550	*28.7%*	*28.2%*
408	486	*-16.0%*	*-16.3%*	Power Generation	125	151	*-17.2%*	*-17.3%*
775	559	*38.6%*	*30.4%*	Industry & Other	237	137	*73.0%*	*63.0%*
3,750	**2,965**	***26.5%***	***15.2%***	**Total**	**1,070**	**838**	***27.7%***	***25.7%***

In 2017, Vallourec recorded revenue of €3,750 million, up 26.5% compared with 2016. At constant scope and exchange rates, revenue was up 15.2%, mainly driven by a positive volume impact of +35.0%, partly offset by a negative price/mix effect of -19.8% notably in EAMEA as 2017 deliveries were impacted by the low prices of orders registered in 2016.

In the fourth quarter of 2017, Vallourec recorded revenue of €1,070 million, up 27.7% compared with the fourth quarter of 2016. At constant scope and exchange rates, revenue was up 25.7%, with a positive volume impact of 45.4% particularly in the Oil & Gas market in the US and EAMEA[1]. Price/mix effect was -19.7%, higher prices in the US being more than offset by deliveries at still low prices for Oil & Gas in EAMEA. Lower Powergen revenue was largely offset by increased Industry & Other revenue.
Sequentially, revenue increased compared to the third quarter, mainly driven by the US Oil & Gas and by the positive momentum in Industry and Other.

Oil & Gas, Petrochemicals (68.5% of full year consolidated revenue)

In 2017, Oil & Gas revenue was €2,299 million, up 28.4% year-on-year (up 14.7% at constant scope and exchange rates):

- In the **USA**, full year 2017 revenue increased significantly. The steep rise in OCTG volumes sold resulted primarily from the sustained increase in drilling activity. This positive trend enabled the Group to pass through price increases with full effect as from July 2017.
  Q4 2017 revenue was up year-on-year supported by higher volumes and by the full impact of price increases.

- In the **EAMEA** region, full year 2017 revenue remained relatively flat compared to 2016. Volumes were significantly up, but were recorded at lower price and mix.

[1] EAMEA: Europe, Africa, Middle East, Asia.

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The strong positive volume impact was due to the acquisition of Tianda and the full consolidation of VSB effective end of 2016, and to higher deliveries notably in the Middle East.
Although price increases have gradually been negotiated with customers with whom price concessions were the most severe during the trough, 2017 deliveries were impacted by the low prices of orders registered in 2016.

- In **Brazil**, full year 2017 revenue was up year-on-year essentially supported by higher sales to Petrobras in Q1 2017 for the drilling of exploratory wells in the Libra field.
  As forecasted, revenue in Q4 2017 was weaker than in Q3 2017.

In Q4 2017, Oil & Gas revenue was €614 million, up 18.8% year-on-year (up 19.0% at constant scope and exchange rates).

In 2017, Petrochemicals revenue was €268 million, up 107.8% year-on-year (up 76.0% at constant scope and exchange rates) resulting from the integration of Tianda, the pick-up of activity in North America along with a low comparison basis in 2016.

In Q4 2017, Petrochemicals revenue was €94 million, up 184.8% year-on-year (up 169.7% at constant scope and exchange rates).

Power Generation (10.9% of full year consolidated revenue)

In 2017, Power Generation revenue amounted to €408 million, down 16.0% year-on-year (down 16.3% at constant scope and exchange rates).

The revenue declined essentially as a result of a challenging market environment for both conventional and nuclear applications.

In Q4 2017, Power Generation revenue was €125 million, down 17.2% year-on-year (down 17.3% at constant scope and exchange rates).

Industry & Other (20.6% of full year consolidated revenue)

In 2017, Industry & Other revenue amounted to €775 million, up 38.6% year-on-year (up 30.4% at constant scope and exchange rates):

- In **Europe**, 2017 revenue was up essentially thanks to higher volumes in Mechanical Engineering;
- In **Brazil**, 2017 Industry & Other revenue increased mainly due to higher prices and volumes in Automotive and Mechanical Engineering. Revenue generated from the mine was up thanks to the increase in iron ore prices.

In Q4 2017, Industry & Other revenue amounted to €237 million, up 73.0% year-on-year (up 63.0% at constant scope and exchange rates).

II – Q4 AND FY 2017 CONSOLIDATED RESULTS ANALYSIS

2017 consolidated results analysis

In 2017, EBITDA stood at +€2 million, representing an improvement of €221 million year-on-year, with:

- Consolidated revenue up 26.5%;
- An industrial margin of €453 million, up €215 million reflecting (i) the increase in revenue, (ii) the positive impact from the Transformation Plan initiatives along with (iii) a net reversal in provisions (+€81 million);
- Sales, general and administrative costs (SG&A) of €440 million, down 1.8%, cost savings more than offsetting the negative scope and inflation impacts. As a result, SG&A represented 11.7% of revenue compared to 15.1% in 2016.

Total gross savings amounted to €164 million, highlighting the very successful implementation of our Transformation Plan.

Operating result was a loss of €483 million, compared to a loss of €749 million in 2016. The improvement of €266 million resulted from a higher EBITDA and lower restructuring and impairment charges.
In 2017, Impairment charges reached -€65 million compared to -€71 million in 2016 and “Assets disposal, restructuring, and other” charges amounted to -€79 million compared to -€127 million in 2016. These non-recurring elements essentially result from (i) the insolvency procedure regarding Ascoval (steel mill partly owned by the Group), (ii) the disposal of non-strategic assets, notably Vallourec Drilling Products, and (iii) impairments related to the reduction in the number of projects for coal-fired plants in Asia.

The financial result was negative at -€174 million versus -€131 million in 2016, resulting mainly from higher interest charges, change in scope, and change in fair value of NSSMC shares.

Income tax was a gain of €100 million in 2017 mainly related to the recognition of deferred tax assets in Brazil and in the US, compared to a gain of €80 million in 2016.

The share attributable to non-controlling interests amounted to -€23 million in 2017, compared to -€50 million in 2016.

This resulted in a net loss, Group share of €537 million in 2017, compared to a loss of €758 million in 2016.

Vallourec will propose that no dividend be paid for fiscal year 2017. This is subject to the approval of the Shareholders’ Meeting to be held on 25 May 2018.

Q4 2017 consolidated results analysis

In Q4 2017, EBITDA stood at +€11 million, up €74 million year-on-year, with:

- Consolidated revenue up 27.7%;
- An industrial margin of €126 million, up €66 million reflecting (i) higher revenue, (ii) the positive impact from the Transformation Plan along with (iii) a net reversal in provisions (+€45 million);
- Sales, general and administrative costs (SG&A) of €117 million, stable compared to Q4 2016, with cost savings offsetting the negative scope and inflation impacts.

Operating result was a loss of €206 million, compared to a loss of €188 million in Q4 2016. Q4 2017 Operating result includes impairment charges of -€64 million, and asset disposal, restructuring and other for -€66 million. These non-recurring elements essentially result from (i) the insolvency procedure regarding Ascoval, (ii) the disposal of non-strategic assets, notably Vallourec Drilling Products, and (iii) impairments related to the reduction in the number of projects for coal-fired plants in Asia.

Financial result was negative at -€34 million versus -€31 million in Q4 2016, resulting mainly from higher interest charges over the period.

Income tax was a gain of €76 million compared to a gain of €28 million in Q4 2016, mainly related to the recognition of deferred tax assets in Brazil and in the US.

This resulted in a net loss, Group share of €164 million, compared to a loss of €183 million in Q4 2016.

III - CASH FLOW & FINANCIAL POSITION

In 2017, Vallourec generated a negative free cash flow of -€423 million. This is mainly explained by:

- A negative cash flow from operating activities of -€332 million, versus -€399 million in 2016;
- Notwithstanding the activity recovery, working capital requirement was further reduced by €61 million. After an increase in Q1 2017 and a stabilization in Q2 and Q3, it was reduced by €164 million in the fourth quarter. This performance illustrates better efficiencies in operational working capital management along with cash tax synergies in Brazil;
- Efficient capex management with -€152 million in 2017 compared to -€175 million in 2016.

As at 31 December 2017, Group net debt stood at €1,542 compared to €1,287 million on 31 December 2016 and €1,645 million on 30 September 2017. The decrease in net debt between 30 September 2017 and 31 December 2017 illustrates Vallourec's continuous focus on cash management, and includes the sale by Vallourec of the NSSMC shares it owned for €69 million.

The Company's cash position as at 31 December 2017 amounted to €1,021 million. Vallourec's medium and long-term committed facilities amounted to €2.1 billion, out of which €0.1bn were drawn. At the same date, short-term debt amounted to €0.7 billion, mainly comprised of €0.4 billion of commercial paper.

Vallourec reinforced its liquidity profile in October 2017 by raising €800 million on the bond and convertible bond markets, with €250 million OCEANE (Bonds Convertible into New Shares and/or Exchangeable for Existing Shares) and €550 million senior notes both due in 2022.

IV - TRANSFORMATION PLAN

In 2017, we continued implementing the major transformation initiated in 2016 to enhance our competitiveness and secure long-term profitable growth. This transformation is conducted in accordance with the highest standards of safety and quality.

We rolled out our new organization around four regions and two central departments.

After two years of implementation (2016 and 2017), our structural cost reductions program and the development of the competitive new routes are moving forward at a very good pace. At the end of 2017, we have achieved approximately half of the targeted contribution of €750 million to the Group's 2020 EBITDA. We are therefore very confident that Vallourec will achieve this target, by the end of 2020.

As part of the continuous review of its assets portfolio, the Group has an opportunistic approach aiming at optimizing cash generation. In Q4 2017, Vallourec has received a binding offer from the US oil services company National Oilwell Varco (NOV) to divest its Vallourec Drilling Products business for a total cash amount of US$63 million. Subject to certain conditions[2], the deal should be closed in the course of H1 2018.

V – MAIN MARKET TRENDS & OUTLOOK

Market trends entering 2018 can be characterized as follows:

In the US, assuming no significant change in WTI price, we anticipate the average rig count to moderately increase in 2018 while OCTG consumption per rig should continue to rise. This would allow us to benefit from these favorable market conditions in addition to the full year impact of volume and price increases achieved in H2 2017.

In Brazil, drilling activity is expected to remain stable, and we target to renew our frame agreement with Petrobras in the course of H1 2018.

In the rest of the world, an increasing tender activity for Oil & Gas projects should result in higher bookings, with positive impacts on deliveries to materialize mostly as from 2019.

Power Generation revenue is expected to be impacted by a diminishing number of conventional power plant projects, particularly in China and Korea.

Improved momentum in the Industry markets in Europe and Brazil should be confirmed, although these markets remain very competitive.

Our business environment is also experiencing an unusually high and unfavorable volatility in some consumable prices (e.g. electrodes) and in currencies, which, if maintained at current levels, would have a negative effect on our results. Meanwhile, we continue to steadily execute our Transformation Plan, which will continue to generate significant savings, and to reinforce Vallourec's competitiveness.

[2] This project is conditional upon the approval of governance structures and consultation with the relevant staff representative bodies.

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).

Presentation of FY 2017 financial results

Analyst conference call / audio webcast held at 6:00 pm (Paris time) in English.

To listen to the audio webcast: https://edge.media-server.com/m6/go/vallourecFY2017

- To participate in the conference call, please dial :
  +44 (0)330 336 9411 (UK)
  +33 (0)1 76 77 22 57 (France)
  +1 323 794 2551 (USA)
  +44 (0)330 336 9411 (other countries)
  Conference ID: 8057404

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

Calendar

17 May 2018	Release of first quarter 2018 results
25 May 2018	Shareholders' Annual Meeting

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
- Definitions of non-GAAP financial data

Sales volume

In thousands of tons	2017	2016	Change YoY
Q1	**475**	251	*89.2%*
Q2	**538**	321	*67.6%*
Q3	**588**	333	*76.6%*
Q4	**655**	376	*74.2%*
Total	**2,256**	**1,281**	*76.1%*

Forex

Average exchange rate	2017	2016
EUR / USD	**1.13**	1.11
EUR / BRL	**3.61**	3.85
USD / BRL	**3.19**	3.48

Revenue by geographic region

In millions of euros	2017	*As % of revenues*	2016	*As % of revenues*	*Change YoY*
Europe	594	*15.8%*	647	*21.8%*	*-8.2%*
North America	1,033	*27.6%*	559	*18.9%*	*84.8%*
South America	612	*16.3%*	467	*15.7%*	*31.0%*
Asia & Middle East	1,175	*31.3%*	848	*28.6%*	*38.6%*
Rest of World	336	*9.0%*	444	*15.0%*	*-24.3%*
Total	**3,750**	***100.0%***	**2,965**	***100.0%***	***26.5%***

Revenue by market

Q4 2017	*Change YoY*	*In millions of euros*	2017	*As % of revenues*	2016	*As % of revenues*	*Change YoY*
614	*18.8%*	Oil & Gas	2,299	*61.3%*	1,791	*60.4%*	*28.4%*
94	*184.8%*	Petrochemicals	268	*7.2%*	129	*4.4%*	*107.8%*
708	***28.7%***	**Oil & Gas, Petrochemicals**	**2,567**	***68.5%***	**1,920**	***64.8%***	***33.7%***
125	***-17.2%***	**Power Generation**	**408**	***10.9%***	**486**	***16.4%***	***-16.0%***
123	*68.5%*	Mechanicals	368	*9.8%*	279	*9.4%*	*31.9%*
39	*56.0%*	Automotive	144	*3.8%*	101	*3.4%*	*42.6%*
75	*92.3%*	Construction & Other	263	*7.0%*	179	*6.0%*	*46.9%*
237	***73.0%***	**Industry & Other**	**775**	***20.6%***	**559**	***18.8%***	***38.6%***
1,070	***27.7%***	**Total**	**3,750**	***100.0%***	**2,965**	***100.0%***	***26.5%***

Summary consolidated income statement

Q4 2017	Q4 2016	Change YoY	*In millions of euros*	2017	2016	Change YoY
1,070	**838**	*27.7%*	**REVENUE**	**3,750**	**2,965**	*26.5%*
(944)	(778)	*21.3%*	Cost of sales(1)	(3,297)	(2,727)	*20.9%*
126	**60**	*110.0%*	***Industrial margin***	**453**	**238**	*90.3%*
11.8%	*7.2%*	*+4.6 pts*	*(as % of revenue)*	*12.1%*	*8.0%*	*+4.1 pts*
(117)	(117)	*na*	SG&A costs(1)	(440)	(448)	*-1.8%*
2	(6)	*na*	Other income (expense), net	(11)	(9)	*na*
11	**(63)**	*+€74 m*	**EBITDA**	**2**	**(219)**	*+€221 m*
1.0%	*-7.5%*	*+8.5 pts*	*EBITDA as % of revenues*	*0.1%*	*-7.4%*	*+7.5 pts*
(76)	(73)	*4.1%*	Depreciation of industrial assets	(297)	(283)	*4.9%*
(11)	(16)	*na*	Amortization and other depreciation	(44)	(49)	*na*
(64)	(1)	*na*	Impairment of assets	(65)	(71)	*na*
(66)	(35)	*na*	Asset disposals, restructuring and other	(79)	(127)	*na*
(206)	**(188)**	*-€18 m*	**OPERATING INCOME (LOSS)**	**(483)**	**(749)**	*+€266 m*
(34)	(31)	*9.7%*	Financial income (loss)	(174)	(131)	*32.8%*
(240)	**(220)**	*-€20 m*	**PRE-TAX INCOME (LOSS)**	**(657)**	**(880)**	*+€223 m*
76	28	*na*	Income tax	100	80	*na*
-	(4)	*na*	Share in net income (loss) of associates	(3)	(8)	*na*
(164)	**(196)**	*+€32 m*	**NET INCOME (LOSS) FOR THE CONSOLIDATED ENTITY**	**(560)**	**(808)**	*+€248 m*
-	(13)	*na*	Non-controlling interests	(23)	(50)	*na*
(164)	**(183)**	*+€19 m*	**NET INCOME (LOSS), GROUP SHARE**	**(537)**	**(758)**	*+€221 m*
(0.4)	**(0.1)**	*-€0.3*	**EARNINGS PER SHARE (in €)**	**(1.2)**	**(2.3)**	*+€1.1*

(1) *Before depreciation and amortization*
na: not applicable

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Summary consolidated balance sheet

In millions of euros					
Assets	**31-Dec. 2017**	**31-Dec. 2016**	**Liabilities**	**31-Dec. 2017**	**31-Dec. 2016**
			Equity, Group share	2,426	3,284
Net intangible assets	89	125	Non-controlling interests	459	494
Goodwill	348	383	**Total equity**	**2,885**	**3,778**
Net property, plant and equipment	2,977	3,618	Shareholder loan	72	84
Biological assets	71	88	Bank loans and other borrowings (A)	1,817	1,121
Associates	102	125	Employee benefits	209	227
Other non-current assets	137	348	Deferred tax liabilities	18	80
Deferred tax assets	242	190	Provisions and other long-term liabilities	61	121
Total non-current assets	**3,966**	**4,877**	**Total non-current liabilities**	**2,105**	**1,549**
Inventories and work-in-progress	1,004	1,035	Provisions	149	280
Trade and other receivables	568	546	Overdrafts and other short-term borrowings (B)	746	1,453
Derivatives - assets	32	58	Trade payables	582	530
Other current assets	231	283	Derivatives - liabilities	13	105
Cash and cash equivalents (C)	1,021	1,287	Tax and other current liabilities	321	310
Total current assets	**2,856**	**3,209**	**Total current liabilities**	**1,811**	**2,678**
Assets held for sale	64	46	Liabilities disposal for sale	13	43
TOTAL ASSETS	**6,886**	**8,132**	**TOTAL EQUITY AND LIABILITIES**	**6,886**	**8,132**
Net debt (A+B-C)	**1,542**	**1,287**	**Net income (loss), Group share**	**(537)**	**(758)**

Free cash-flow

Q4 2017	Q4 2016	Change	*In millions of euros*	2017	2016	Change
(124)	(124)	-	Cash-flow from operating activities (FFO) **(A)**	(332)	(399)	67
164	196	-32	Change in operating WCR **(B)** *[+ decrease, (increase)]*	61	179	-118
(66)	(75)	9	Gross capital expenditure **(C)**	(152)	(175)	23
(26)	**(3)**	**(23)**	**Free cash flow (A)+(B)+(C)**	**(423)**	**(395)**	**(28)**

Cash-flow statement

Q4 2017	Q4 2016	Q3 2017	*In millions of euros*	2017	2016
(124)	(124)	(48)	Cash-flow from operating activities	(332)	(399)
164	196	1	Change in operating WCR *+ decrease, (increase)*	61	179
40	**72**	**(47)**	**Net cash-flow from operating activities**	**(271)**	**(220)**
(66)	(75)	(25)	Gross capital expenditure	(152)	(175)
-	-	-	Financial investments	-	-
27	21	-	Increase and decrease in equity	27	980
-	(248)	-	Impact of acquisition	-	(305)
-	-	-	Dividends paid	-	(2)
102	(37)	40	Asset disposals & other items	141	(46)
103	**(267)**	**(32)**	**Change in net debt** ***+ decrease, (increase)***	**(255)**	**232**
1,542	1,287	1,645	Net debt (end of period)	1,542	1,287

Definitions of non-GAAP financial data

<u>Gross capital expenditure:</u> 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.

<u>Free cash-flow:</u> 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.

<u>Industrial margin:</u> 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.

<u>Consolidated net debt</u>: Consolidated net debt is defined as Bank loans and other borrowings plus Overdrafts and other short-term borrowings minus Cash and cash equivalents.

<u>Banking Covenant:</u> As defined in the bank loan agreements, the "banking covenant" ratio is the ratio of the Group's consolidated net debt to the Group's equity, restated for gains and losses on derivatives and for remeasurements (foreign currency gains and losses of consolidated subsidiaries).

<u>Data at constant exchange rate:</u> The data presented « at constant exchange rate » 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.

<u>Data at constant scope:</u> The data presented at « constant scope » is calculated by eliminating the effect of changes in the Group's scope (acquisitions, divestitures, mergers, etc.) by taking into account on 1 January of Year N-1 the scope variations which have occurred during Year N-1.