Press release

Vallourec reports second quarter and first half 2021 results

Boulogne-Billancourt (France), July 28th 2021 – Vallourec, a world leader in premium tubular solutions, announces today its results for the second quarter and first half 2021. The Board of Directors of Vallourec SA, meeting on July 27th 2021, approved the Group's second quarter and half year 2021 accounts.

Q2 2021: strong EBITDA increase

- €842 million revenue, stable year-on-year, the decrease of the Oil & Gas activity in EA-MEA being offset by the mine contribution and the dynamism of the Industry markets
- €148 million EBITDA, versus €43 million in Q2 2020, EBITDA margin increasing to 17.6%
- Free cash flow at (€135) million including one-off financial restructuring fees versus (€77) million in Q2 2020

Successful completion of the financial restructuring on June 30th 2021

- As at June 30th 2021, net debt at €720 million and equity Group share at €1,602 million
- As at June 30th 2021, strong liquidity of €1,189 million

2021 Outlook

- Increased 2021 outlook released on July 21st:
    - EBITDA targeted between €475 and €525 million versus €350 and €400 million previously
    - Free cash flow targeted between (€240) and (€160) million versus (€340) and (€260) million previously
- Continuous cost savings throughout the year
- Strict cash control, capex envelope kept at c. €160 million

Edouard Guinotte, Chairman of the Board of Directors and Chief Executive Officer, declared:

"As expected, Q2 marked the completion of our financial restructuring, achieved on June 30th. We welcome Apollo and SVPGlobal, our new reference shareholders, as well as our new Board of Directors. We are very excited to focus together on driving Vallourec on its path to value creation and fully deploy our strategic plan.

With regards to our financial results, our Q2 EBITDA benefited as expected from the increased contribution of Vallourec's iron ore mine, along with the recovery of some markets, like the Industry market in Brazil or the OCTG market in North America. In addition, we took advantage of the resumption of tendering activity in EA-MEA markets to capture satisfying new contracts in East Africa, and the Middle East.

We expect current market trends to continue, including the progressive improvement of the North American OCTG market, a sustained activity in Industry markets, and expect a gradual decrease of the iron ore prices. This leads to target an EBITDA between €475 million and €525 million and a free cash flow between (€240) million and (€160) million."

Information
Half-year financial statements were subject to limited review by statutory auditors.
Quarterly financial statements are unaudited and not subject to any review.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.

Key figures

First-half 2021	First-half 2020	Change	*In € million*	Q2 2021	Q2 2020	Change
739	**872**	-15.3%	**Production shipped (k tons)**	**381**	**422**	-9.7%
1,544	**1,696**	-9.0%	**Revenue**	**842**	**843**	-0.1%
228	**111**	+€117m	**EBITDA**	**148**	**43**	244.2%
14.8%	*6.5%*	*+8.3p.p.*	*(as a % of revenue)*	*17.6%*	*5.1%*	*+12.5p.p.*
227	**(514)**	+€741m	**Operating income (loss)**	**200**	**(485)**	+€685m
(42)	**(567)**	+€525m	**Net income, Group share**	**51**	**(493)**	+€544m
(197)	**(258)**	+€61m	**Free cash-flow**	**(135)**	**(77)**	-€58m
720	**2,326**	-€1,606m	**Net debt**	**720**	**2,326**	-€1,606m

I - CONSOLIDATED REVENUE BY MARKET

First-half 2021	First-half 2020	Change	At constant exchange rates	*In € million*	Q2 2021	Q2 2020	Change	At constant exchange rates
887	1,198	-26.0%	-19.3%	Oil & Gas, Petrochemicals	478	585	-18.3%	-13.4%
589	393	49.9%	69.8%	Industry & Other	333	200	66.2%	78.2%
68	105	-35.2%	-33.8%	Power Generation	31	57	-45.9%	-45.7%
1,544	**1,696**	**-9.0%**	**0.4%**	**Total**	**842**	**843**	**-0.1%**	**6.2%**

Over the second quarter of 2021, Vallourec recorded a €842 million revenue, stable compared with the second quarter of 2020 (+6% at constant exchange rates) with:

- a -10% volume impact mainly driven by Oil & Gas in EA-MEA, while Industry & Other volume was up both in Europe and Brazil
- a +16% price/mix effect reflecting the higher contribution of the iron ore mine as well as a better price/mix in North America and South America
- a -6% currency conversion effect mainly related to EUR/BRL.

Over the first half 2021, revenue totaled €1,544 million, down 9% versus the first half 2020 (+0.4% at constant exchange rate). Volume effect was -15% mainly due to Oil & Gas in EA-MEA and North America, price/mix effect +16% and currency conversion effect -9%.

Oil & Gas, Petrochemicals (56.8% of Q2 2021 consolidated revenue)

In Q2 2021, Oil & Gas revenue reached €438 million, a 15% decrease year-on-year (-10% at constant exchange rates).

- **In North America**, Oil & Gas revenue remained stable over the quarter year-on-year and started to pick-up at the end of the quarter.
- **In EA-MEA**, Oil & Gas revenue decreased, reflecting lower shipments as well as an unfavorable price/mix
- **In South America**, Oil & Gas revenue increased, reflecting a better price/mix, despite an unfavorable currency conversion effect.

Over the first half 2021, Oil & Gas revenue totaled €801 million, a (€269) million decrease or -25% year-on-year (-18% at constant exchange rates), mainly due to EA-MEA and North America.

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In Q2 2021, Petrochemicals revenue was **€40 million, down 40% year-on-year** (-37% at constant exchange rates) notably due to lower deliveries in North America and to a lesser extent in EA-MEA.
Over the first half 2021, Petrochemicals revenue totaled €86 million, down 33% year-on-year (-26% at constant exchange rates).

In Q2 2021, revenue for Oil & Gas and Petrochemicals amounted to €478 million, down 18% compared with Q2 2020 (-13% at constant exchange rates).
Over the first half 2021, revenue for Oil & Gas and Petrochemicals totaled €887 million, down 26% compared with H1 2020 (-19% at constant exchange rates).

Industry & Other (39.5% of Q2 2021 consolidated revenue)

Industry & Other revenue amounted to €333 million in Q2 2021, a €133 million increase or 66% year-on-year (+78% at constant exchange rates):

- In Europe, Industry revenue was up reflecting higher volumes.
- In South America, Industry & Other revenue was up on account of higher revenue from the iron ore mine, reflecting both higher prices and volumes which reached 2.3Mt (up 23% versus Q2 2020), as well as of higher sales in the Industry markets driven by increased volumes and prices, despite an unfavorable currency conversion effect.

Over the first half 2021, Industry & Other revenue totaled €589 million, up 50% year-on-year (+70% at constant exchange rates) as a result of a higher contribution from the iron ore mine and higher deliveries in South America and in Europe, despite an unfavorable conversion currency effect.

Power Generation (3.7% of Q2 2021 consolidated revenue)

Power Generation revenue amounted to €31 million in Q2 2021, down 46% year-on-year (-46% at constant exchange rates), reflecting the closure of the Reisholz facility mid-2020 and the disposal of Valinox Nucléaire SAS on May 31st 2021.

For the first half 2021, revenue totaled €68 million, down 35% year-on-year (-34% at constant exchange rates).

II – CONSOLIDATED RESULTS ANALYSIS

Q2 2021 consolidated results analysis

In Q2 2021, EBITDA reached €148 million (compared with €43 million in Q2 2020), EBITDA margin at 17.6% of revenue, as a result of:

- An industrial margin of €243 million, or 28.9% of revenue, reflecting a higher contribution of the mine in volumes and prices, the improved activity in Oil & Gas in North America, the recognition of Nippon Steel Corporation payment of its residual fixed costs coverage obligation to VSB for €24 million, as well as continued savings more than offsetting lower activity in O&G in EA-MEA.
- A 2% decrease in sales, general and administrative costs (SG&A) at €81 million or 9.6% of revenue versus 9.8% in Q2 2020.

Operating income was positive at €200 million, compared with (€485) million in Q2 2020 (which was negatively impacted by impairment charges for €441 million), resulting from the EBITDA improvement and the sale of the Reisholz buildings and land (+€70 million) as well as the favorable Brazilian Supreme Court decision on PIS/COFINS tax claim (+€32 million).

Financial income was negative at (€93) million, compared with (€80) million in Q2 2020. Net interest expenses remained stable at (€52) million versus (€50) million in Q2 2020. Other financial charges of (€41) million, compared with (€30) million in Q2 2020, included notably the positive effect of the PIS/COFINS tax litigation in Brazil for €27 million and the actualization of the DBOT leasing debt for €24 million resulting from exercising the repurchase option, more than offset by (€64) million cost of exercising the option of DBOT repurchase as well as the net impact of the financial restructuring for (€18) million (breaking down into (€47) million of restructuring fees and €29 million non-cash gain on the equity and debt initial valuations, in application of IFRS standards following the financial restructuring).

Income tax amounted to (€60) million mainly related to Brazil, compared to (€10) million in Q2 2020.

This resulted in a net income, Group share, of €51 million, compared to (€493) million in Q2 2020.

H1 2021 consolidated results analysis

In H1 2021, EBITDA reached €228 million, a €117 million increase year-on-year, at 14.8% of revenue, including:

- An industrial margin of €411 million, up €114 million compared with H1 2020, reflecting a higher contribution of the mine in volumes and prices, higher activity for the Industry market in Brazil and for Oil & Gas in North America, the recognition of Nippon Steel Corporation payment of its residual fixed costs coverage obligation to VSB, along with savings more than offsetting lower activity in O&G in EA-MEA.
- Sales, general and administrative costs (SG&A) down 9% at €158 million, reflecting our adaptation measures, and representing 10.2% of revenue.

Operating income was positive at €227 million comparing to a loss of (€514) million in H1 2020 (which was negatively impacted by impairment charges for €441 million and by €46 million of restructuring costs), resulting from the improvement in EBITDA and the positive effects from the sale of Reisholz buildings and land as well as from the favorable Brazilian Supreme Court decision on PIS/COFINS tax claim.

Financial income was negative at (€175) million, compared to (€115) million in H1 2020. Net interest expenses amounted to €103 million versus €99 million in H1 2020. Other financial charges of €72 million, compared with €16 million in H1 2020, included notably the positive effects of the PIS/COFINS tax litigation in Brazil for €27 million and the actualization of the DBOT leasing debt for €24 million resulting from exercising the repurchase option, more than offset by (€64) million cost of exercising the option of DBOT repurchase as well as the net impact of the financial restructuring for (€40) million (breaking down into (€55) million of restructuring fees, the accelerated amortization of bonds costs for (€14) million and a €29 million non-cash gain on the equity and debt initial valuations, in application of IFRS standards following the financial restructuring).

Income tax amounted to (€100) million mainly related to Brazil**.**

As a result, net income, Group share, amounted to (€42) million, compared to (€567) million in H1 2020.

III - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q2 2021, cash flow from operating activities was negative (€15) million, compared to (€65) million in Q2 2020, reflecting mainly the improved EBITDA and higher tax paid. It included debt restructuring fees (€48 million) and adaptation measures (€12 million).

In H1 2021, cash flow from operating activities was negative at (€2) million compared to (€96) million in H1 2020, mainly due to higher EBITDA. It included debt restructuring fees (€55 million) and adaptation measures (€21 million).

Operating working capital requirement

Operating working capital requirement increased by (€92) million in Q2 2021, versus a decrease of €20 million in Q2 2020, as a result of activity increase. Net working capital requirement decreased to 101 days of sales, compared to 115 days in Q2 2020.
In H1 2021, operating working capital requirement increased by (€139) million versus an increase of (€99) million in H1 2020.

Capex

Capital expenditure was (€28) million in Q2 2021, compared with (€32) million in Q2 2020, and was (€56) million in H1 2021 compared to (€63) million in H1 2020.

Free cash flow

As a result, **in Q2 2021, free cash flow was negative (€135) million** versus (€77) million in Q2 2020.
Free cash flow **for H1 2021 was negative (€197) million**, an improvement of €61 million compared with (€258) million in H1 2020.

Asset disposals & other items

Asset disposals & other items amounted to €1,780 million in Q2 2021 resulting from the recognition of the financial restructuring and the cash-in from Reisholz buildings and land disposal for €71 million and from Valinox Nucléaire SAS disposal for €12 million.
For H1 2021, they amounted to €1,691 million mainly as a result of the financial restructuring.

Net debt and liquidity

As at June 30th 2021, net debt stood at €720 million, compared with €2,364 million on March 31st 2021.
As at June 30th 2021, gross debt amounted to 1,909 million including €101 million of fair value adjustment under IFRS 9 (which will be reversed over the life of the debt). Long-term debt amounted to €1,398 million and short-term debt totaled €511 million (including €462 million drawing on the revolving credit facility, which will be reimbursed at end of July).
As at June 30th 2021, lease debt stood at €75 million, compared with €103 million on March 31st 2021.
Cash as at June 30th 2021 amounted to €1,189 million.

IV – Operational achievements and changes in perimeter

In line with its objective to further improve its competitiveness with gross savings of €400 million over 2021-2025, the Group has achieved €92 million gross savings in H1 2021.

Vallourec also recorded several commercial successes, in particular in the EA-MEA regions by winning contracts in East Africa and the Middle East, benefitting from the progressive resumption of tendering activity in these areas and further demonstrating the quality and competitiveness of its commercial offer.

A worldwide premiere in the manufacturing of offshore equipment has been achieved, with a 3D-printed safety-critical component delivered to TotalEnergies in the North Sea.

The Group continued to optimize its portfolio of activities and has finalized the sale of Valinox Nucléaire SAS to Framatome on May 31st 2021.

On July 27th 2021, Vallourec acquired Nippon Steel Corporation and Sumitomo Corporation shares in VAM USA, representing 49% of its capital, for 42 million dollars. VAM USA commercial relationship with them will be maintained.

V – Focus on the impacts of the financial restructuring

Impact of the financial restructuring on balance sheet

Impact on gross debt: (€1,800) million, and (€1,699) million after IFRS 9 fair market value reevaluation of new debt
As at June 30th 2021, Vallourec SA gross debt amounted to €1,848 million, reduced by €1,800 million, and €1,699 million under IFRS 9, breaking down into: €462 million of drawn Revolving Credit Facility, €1,023 million of reinstated bonds valued at €1,178 million under IFRS 9 and €262 million of state guaranteed loans valued at €208 million under IFRS 9.

Impact on equity (excluding P&L impacts): +€1,607 million
Equity Group Share amounted to €1,602 million as at 30th June, 2021. With the completion of the financial restructuring, the value of equity increased by €1,607 million breaking down into €1,257 million coming from the capital increase reserved to creditors reevaluated at closing share price, €300 million from the capital increase with Preferential Subscription Rights, €59 million coming from BSA at fair market value and (€9) million fees related to the capital increase.

Impact on other current and non-current liabilities: +€54 million (related to the fair value adjustment of state guaranteed loans).

Impact of the financial restructuring on financial result: (€40) million in H1 2021, of which (€18) million in Q2 2021

(€55) million restructuring fees have been paid in H1 2021 of which (€47) million were recorded in Q2 2021. The financial result was also impacted by (€14 million) related to the accelerated amortization of existing bonds mainly recorded in Q1 2021, and by the result of the financial restructuring amounting to +€29 million (difference between €3,547 million total restructured debt and €3,518 million fair value of the new financial instruments breaking down into €1,616 million new equity instruments, €1,848 million new debt and €54 million grants linked to state guaranteed loans).

VI – 2021 OUTLOOK

Oil & Gas

In North America, the OCTG market is confirming its progressive improvement driven by the continuous increase in the active rig count.
In EA-MEA, the activity remains impacted by the low order intake in 2020 resulting from delayed or canceled projects due to the pandemic. The sharp decline in deliveries will negatively impact revenue and margin. Nevertheless, tendering activity has started to resume in 2021 and should positively impact 2022.
In Brazil, Oil & Gas deliveries are expected to increase compared with 2020 while costs are impacted by high inflation.

Industry & Other

In Europe, the ongoing economic recovery should continue having a positive impact on volumes and to a lesser extent on prices.
In Brazil, the overall level of activity is expected to continue increasing strongly.
A higher contribution is expected from the iron ore mine, although prices are expected, as per consensus, to gradually decrease along the balance of the year.

Cost savings

Cost saving initiatives will enable the Group to continue lowering its cost base.
A strict cash control will be maintained, and the capex envelope is kept at c.€160 million.

Based on these perspectives, Vallourec has released on July 21st an upgraded outlook for full year 2021:

- **€475 to €525 million targeted EBITDA**
- **(€240) to (€160) million targeted free cash flow**

Information and Forward-Looking Statements

Presentation of Q2 & H1 2021 results

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

- To listen to the audio webcast:
  https://channel.royalcast.com/landingpage/vallourec-en/20210728_1/

- To participate in the conference call, please dial (password to use is "Vallourec"):

  - +44 (0) 33 0551 0200 (UK)
  - +33 (0) 1 7037 7166 (France)
  - +1 212 999 6659 (USA)

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

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 17,000 dedicated and passionate employees in more than 20 countries, Vallourec works hand-in-hand with its customers to offer more than just tubes: Vallourec delivers innovative, safe, competitive and smart tubular solutions, to make every project possible.

Listed on Euronext in Paris (ISIN code: FR0013506730, Ticker VK), Vallourec is part of the SBF 120 index and is eligible for Deferred Settlement Service Long Only.

In the United States, Vallourec has established a sponsored Level 1 American Depositary Receipt (ADR) program (ISIN code: US92023R4074, Ticker: VLOWY). Parity between ADR and a Vallourec ordinary share has been set at 5:1.

Calendar

November 17th 2021	Release of third quarter and first nine-months 2021 results

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Appendices

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Documents accompanying this release:

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

Sales volume

In thousands of tons	2021	2020	Change
Q1	358	450	-20.4%
Q2	381	422	- 9.7 %
Q3	-	-	-
Q4	-	-	-
Total	**739**	**872**	**- 15.3 %**

Forex

Average exchange rate	First-half 2021	First-half 2020
EUR / USD	1.21	1.10
EUR / BRL	6.49	5.41
USD / BRL	5.36	4.92

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Revenue by geographic region

In € million	First-half 2021	As % of revenue	First-half 2020	As % of revenue	Change	Q2 2021	As % of revenue	Q2 2020	As % of revenue	Change
Europe	247	16.0%	266	15.7%	-7.2%	134	15.9%	126	14.9%	6.7%
North America (Nafta)	309	20.0%	482	28.4%	-35.8%	194	23.0%	211	25.1%	-8.5%
South America	509	33.0%	323	19.1%	57.4%	283	33.6%	172	20.4%	64.8%
Asia and Middle East	371	24.0%	467	27.5%	-20.6%	173	20.5%	241	28.6%	-28.4%
Rest of the world	108	7.0%	158	9.3%	-31.3%	59	7.0%	93	11.0%	-36.6%
Total	**1,544**	**100%**	**1,696**	**100%**	**-9.0%**	**842**	**100%**	**843**	**100%**	**-0.1%**

Revenue by market

First-half 2021	As % of revenue	First-half 2020	As % of revenue	Change	*In € million*	Q2 2021	As % of revenue	Q2 2020	As % of revenue	Variation
801	51.9%	1,070	63.1%	-25.2%	Oil & Gas	438	52.0%	518	61.5%	-15.4%
86	5.6%	128	7.5%	-32.6%	Petrochemicals	40	4.8%	67	8.0%	-40.2%
887	**57.5%**	**1,198**	**70.6%**	**-26.0%**	**Oil & Gas, Petrochemicals**	**478**	**56.8%**	**585**	**69.5%**	**-18.3%**
206	13.4%	153	9.0%	34.4%	Mechanicals	112	13.3%	74	8.8%	50.8%
40	2.6%	27	1.6%	48.1%	Automotive	21	2.5%	9	1.1%	120.4%
343	22.2%	212	12.5%	61.4%	Construction & Other	200	23.7%	116	13.8%	71.7%
589	**38.1%**	**393**	**23.2%**	**49.9%**	**Industry & Other**	**333**	**39.5%**	**200**	**23.7%**	**66.2%**
68	**4.4%**	**105**	**6.2%**	**-35.2%**	**Power Generation**	**31**	**3.7%**	**57**	**6.8%**	**-45.9%**
1,544	**100%**	**1,696**	**100%**	**-9.0%**	**Total**	**842**	**100%**	**843**	**100%**	**-0.1%**

Summary consolidated income statement

First-half 2021	First-half 2020	Change	*In € million*	Q2 2021	Q2 2020	Change
1,544	**1,696**	-9.0%	**Revenue**	**842**	**843**	-0.1%
(1,133)	**(1,399)**	-19.0%	Cost of sales	**(599)**	**(707)**	-15.3%
411	**297**	38.4%	**Industrial Margin**	**243**	**136**	78.7%
26.6%	*17.5%*	*+9.1p.p.*	*(as a % of revenue)*	*28.9%*	*16.1%*	*+12.7p.p.*
(158)	(173)	-8.7%	Sales, general and administrative costs	(81)	(83)	-2.4%
(25)	(13)	na	Other	(14)	(10)	na
228	**111**	+€117m	**EBITDA**	**148**	**43**	+€105m
14.8%	*6.5%*	*+8.3p.p.*	*(as a % of revenue)*	*17.6%*	*5.1%*	*+12.5p.p.*
(78)	(111)	-29.7%	Depreciation of industrial assets	(35)	(52)	-32.7%
(22)	(27)	na	Amortization and other depreciation	(13)	(13)	na
-	(441)	na	Impairment of assets	-	(441)	na
99	(46)	na	Asset disposals, restructuring costs and non-recurring items	100	(22)	na
227	**(514)**	+€741m	**Operating income (loss)**	**200**	**(485)**	+€685m
(175)	(115)	52.2%	Financial income/(loss)	(93)	(80)	16.3%
52	**(629)**	+€681m	**Pre-tax income (loss)**	**107**	**(565)**	+€672m
(100)	(30)	na	Income tax	(60)	(10)	na
(3)	(1)	na	Share in net income/(loss) of equity affiliates	-	-	na
(51)	**(660)**	+€609m	**Net income**	**47**	**(575)**	+€622m
(9)	(93)	na	Attributable to non-controlling interests	(4)	(82)	na
(42)	**(567)**	+€525m	**Net income, Group share**	**51**	**(493)**	+€544m
(3.3)	**(49.6)**	na	**Net earnings per share (in €) ***	**3.7**	**(43.1)**	na

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

Summary consolidated balance sheet

In € million

Assets	6/30/2021	12/31/2020	Liabilities	6/30/2021	12/31/2020
			Equity - Group share *	1,602	(187)
			Non-controlling interests	231	321
Net intangible assets	44	50	**Total equity**	**1,833**	**134**
Goodwill	27	25	**Shareholder loan**	**-**	**9**
Net property, plant and equipment	1,748	1,718	Bank loans and other borrowings (A)	1,398	1,751
Biological assets	39	30	Lease debt (D)	58	84
Equity affiliates	40	42	Employee benefit commitments	170	203
Other non-current assets	140	128	Deferred taxes	16	20
Deferred taxes	205	187	Provisions and other long-term liabilities	202	142
Total non-current assets	**2,243**	**2,180**	**Total non-current liabilities**	**1,844**	**2,200**
Inventories	870	664	Provisions	68	104
Trade and other receivables	588	468	Overdraft and other short-term borrowings (B)	511	1,853
Derivatives - assets	13	37	Lease debt (E)	18	24
Other current assets	256	203	Trade payables	530	426
Cash and cash equivalents (C)	1,189	1,390	Derivatives - liabilities	15	21
			Other current liabilities	374	241
Total current assets	**2,916**	**2,762**	**Total current liabilities**	**1,516**	**2,669**
Assets held for sale and discontinued operations	42	107	Liabilities held for sale and discontinued operations	8	37
Total assets	**5,201**	**5,049**	**Total equity and liabilities**	**5,201**	**5,049**

*** Net income (loss), Group share**	**(42)**	**(1,206)**
Net debt (A+B-C)	**720**	**2,214**
Lease debt (D+E)	**75**	**108**

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Free cash flow

First-half 2021	First-half 2020	Change	*In € million*	Q2 2021	Q2 2020	Change
(2)	(96)	+€94m	Cash flow from operating activities (A)	(15)	(65)	+€50m
(139)	(99)	-€40m	Change in operating WCR [+ decrease, (increase)] (B)	(92)	20	-€112m
(56)	(63)	+€7m	Gross capital expenditure (C)	(28)	(32)	+€4m
(197)	**(258)**	**+€61m**	**Free cash flow (A)+(B)+(C)**	**(135)**	**(77)**	**-€58m**

Cash flow statement

First-half 2021	First-half 2020	*In € million*	Q2 2021	Q2 2020
(2)	(96)	Cash flow from operating activities	(15)	(65)
(139)	(99)	Change in operating WCR [+ decrease, (increase)]	(92)	20
(141)	(195)	Net cash flow from operating activities	(107)	(45)
(56)	(63)	Gross capital expenditure	(28)	(32)
1,691	(38)	Asset disposals & other items	1,780	17
1,494	(296)	Change in net debt [+ decrease, (increase)]	1,645	(60)
720	**2,326**	**Financial net debt (end of period)**	**720**	**2,326**

Definitions of non-GAAP financial data

Data at constant exchange rates: the data presented « at constant exchange rates » is calculated by eliminating the translation effect into euros for the revenue of the Group's entities whose functional currency is not the euro. The translation effect is eliminated by applying Year N-1 exchange rates to Year N revenue of the contemplated entities.

Free cash flow: Free cash-flow (FCF) is defined as cash flow from operating activities minus gross capital expenditure and plus/minus change in operating working capital requirement.

Gross capital expenditure: gross capital expenditure is defined as the sum of cash outflows for acquisitions of property, plant and equipment and intangible assets and cash outflows for acquisitions of biological assets.

Industrial margin: the industrial margin is defined as the difference between revenue and cost of sales (i.e. after allocation of industrial variable costs and industrial fixed costs), before depreciation.

Lease debt: defined as the present value of unavoidable future lease payments

Net debt: consolidated net debt is defined as Bank loans and other borrowings plus Overdrafts and other short-term borrowings minus Cash and cash equivalents. Net debt excludes lease debt.

Net working capital requirement: defined as working capital requirement net of provisions for inventories and trade receivables; net working capital requirement days are computed on an annualized quarterly sales basis.

Operating working capital requirement: includes working capital requirement as well as other receivables and payables.

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

Information

Half-year financial statements were subject to limited review by statutory auditors.
Quarterly financial statements are unaudited and not subject to any review.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.