

Vallourec reports third quarter and first nine months 2021 results

Meudon (France), November 17th 2021 – Vallourec, a world leader in premium tubular solutions, announces today its results for the third quarter and first nine months 2021. The Board of Directors of Vallourec SA, meeting on November 17th 2021, approved the Group's third quarter and first nine months 2021 accounts.

Q3 2021: solid year-on-year revenue and EBITDA growth driven by the dynamism of the Oil & Gas market in North America and the strong mine contribution

- €834 million revenue, up 16.4%
- €128 million EBITDA, up 80%, EBITDA margin increasing to 15.3% vs. 9.9% in Q3 2020
- Free cash flow at (€103) million versus €35 million in Q3 2020, driven by a working capital rebuilt for (€93) million along with stronger activity
- Acquisition of the minority shares of VAM USA and Vallourec Star for an amount of €118 million, leading to full ownership of all North American entities
- As of September 30th, 2021, strong liquidity position at €1,014 million

A decisive move to strengthen Vallourec competitiveness and profitability: launch of the disposal process of the German assets and progressive relocation of their Oil & Gas activities to Brazil to serve international market

- **A two-legged transformation**
 - Launch of the disposal process of German assets
 - Progressive transfer of their rolling activity for Oil & Gas to Brazil
- **Game changer for Vallourec's performance in international Oil & Gas markets**
 - Brazilian hub to deliver the full range of premium tubular products to international markets
 - Allowing better competitiveness and enhanced margin and cash flow generation
 - And positive CO2 impact, driven by the excellent carbon footprint of Brazilian operations
- **Clear benefits for Vallourec and its stakeholders**
 - €130 million run rate EBITDA increase
 - €20 million Capex reduction
 - -30% reduction of CO2 content of tubes produced in Brazil vs. Germany

2021 Outlook

As a result of the recent decline in iron ore prices, and based on their current level, Vallourec targets full year EBITDA close to the lower end of the €475 to €525 million target communicated on July 21st, 2021. Stronger than anticipated order momentum leading into 2022 combined with the evolution of raw material and energy prices will result in a larger increase in inventories through year end. As a result, Vallourec now targets free cash flow consumption for 2021 to be between €(380) and (300) million, representing mainly the rebuilding of working capital along with the activity recovery, and inclusive of one-time costs associated with the financial restructuring.

Information

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

“With the global economy recovering post-Covid, Vallourec confirmed its good operating momentum in the third quarter with a solid revenue and EBITDA growth. The Group benefited from increased activity and pricing on the North American Oil & Gas market and a strong contribution from its iron ore mine in Brazil as well as the positive effects of its savings initiatives, while deliveries to the EA-MEA Oil & Gas sector remained significantly below their pre-crisis levels.

Looking ahead towards the end of 2021, we expect our Mining activity to reflect the recent decline of iron ore prices. However, we expect to continue benefiting from increased activity in North America and build up our order book for EA-MEA Oil & Gas markets.

While our highly efficient production hubs in North America, Brazil and China allow us to benefit from improving market dynamics, our operations in Germany are still underperforming despite several improvement steps. With a view to achieving a step-change in the Group’s competitiveness on International markets, today we are launching the disposal process of our German assets and the upgrade of our capabilities in Brazil. This will drive our Brazilian operations to deliver the full range of our premium offer to their local customers and international markets and allow Vallourec to fully benefit from their extreme competitiveness as well as their lower CO2 content.

I am expecting this transformational project to restore and sustain Vallourec’s leadership and profitability on EA-MEA markets.”

Key figures

9 Months 2021	9 Months 2020	Change	In € million	Q3 2021	Q3 2020	Change
1,130	1,191	-5.1%	Production shipped (k tons)	391	319	22.8%
2,378	2,412	-1.4%	Revenue	834	716	16.4%
356	182	+€174m	EBITDA	128	71	+€57m
15.0%	7.5%	+7.5p.p.	<i>(as a % of revenue)</i>	15.3%	9.9%	+5.4p.p.
299	(507)	+€806m	Operating income (loss)	72	7	+€65m
(49)	(636)	+€587m	Net income, Group share	(7)	(69)	+€62m
(300)	(223)	-€77m	Free cash-flow	(103)	35	-€138m
993	2,329	-€1,336m	Net debt	993	2,329	-€1,336m

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I - CONSOLIDATED REVENUE BY MARKET

9 Months 2021	9 Months 2020	Change	At constant exchange rates	In € million	Q3 2021	Q3 2020	Change	At constant exchange rates
1,343	1,641	-18.1%	-13.6%	Oil & Gas, Petrochemicals	456	443	3.0%	1.8%
937	601	55.9%	67.8%	Industry & Other	348	208	67.2%	64.2%
98	170	-42.6%	-42.4%	Power Generation	30	65	-54.4%	-56.2%
2,378	2,412	-1.4%	4.7%	Total	834	716	16.4%	14.6%

Over the third quarter of 2021, Vallourec recorded a €834 million revenue, up 16.4% compared with the third quarter of 2020 (+15% at constant exchange rates) with:

- a +23% volume increase mainly driven by Oil & Gas in North America and Industry & Other
- a -8% price/mix due to Oil & Gas in EA-MEA more than offsetting the rebound in prices in North America
- a +2% currency conversion effect mainly related to EUR/BRL.

Over the first nine months of 2021, revenue totaled €2,378 million, almost stable versus the first nine months of 2020 (+4.7% at constant exchange rate) with:

- a -5% volume effect due to Oil & Gas in EA-MEA and to a lesser extent in North America, partly offset by higher deliveries in Industry and Other.
- a +10% price/mix effect mainly driven by iron ore prices and Oil & Gas in North America.
- a -6% currency conversion effect mainly related to EUR/BRL.

Oil & Gas, Petrochemicals (54.7% of Q3 2021 consolidated revenue)

In Q3 2021, Oil & Gas revenue reached €408 million, stable year-on-year (-1% at constant exchange rates).

- In North America, Oil & Gas revenue more than doubled thanks to higher volumes and prices.
- In EA-MEA, Oil & Gas revenue decreased, reflecting lower shipments as well as an unfavorable price/mix, resulting from the reduced backlog built during Covid-19 crisis
- In South America, Oil & Gas revenue increased, reflecting mainly higher deliveries of project line pipes projects.

Over the first nine months of 2021, Oil & Gas revenue totaled €1,209 million, a (€271) million decrease or -18% year-on-year (-14% at constant exchange rates), mainly due to lower shipments in EA-MEA and to a lesser extent in North America.

In Q3 2021, Petrochemicals revenue was €48 million, up +43% year-on-year (+40% at constant exchange rates) notably due to a better price/mix and to an increase in deliveries in North America and South America.

Over the first nine months of 2021, Petrochemicals revenue totaled €134 million, down 17% year-on-year (-13% at constant exchange rates).

In Q3 2021, revenue for Oil & Gas and Petrochemicals amounted to €456 million, up 3% compared with Q3 2020 (+2% at constant exchange rates).

Over the first nine months of 2021, revenue for Oil & Gas and Petrochemicals totaled €1,343 million, down -18% compared with 9M 2020 (-14% at constant exchange rates).

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Industry & Other (41.7% of Q3 2021 consolidated revenue)

Industry & Other revenue amounted to €348 million in Q3 2021, increasing by 67% year-on-year (+64% at constant exchange rates):

- In Europe, Industry revenue was up reflecting higher volumes.
- In South America, Industry & Other revenue was up mainly driven by the mine, reflecting higher iron ore prices while volumes remained stable at 2.2Mt. Higher sales were as well recorded in Industry markets driven by increased volumes and prices.

Over the first nine months of 2021, Industry & Other revenue totaled €937 million, up +56% year-on-year (+68% at constant exchange rates) as a result of a higher contribution from the mine (reflecting higher iron ore prices and volumes at 6.5Mt versus 5.6Mt over the first nine months of 2020) and of higher deliveries in Industry markets in Europe and South America, despite an unfavorable currency conversion effect.

Power Generation (3.6% of Q3 2021 consolidated revenue)

Power Generation revenue amounted to €30 million in Q3 2021, down 54% year-on-year (-56% at constant exchange rates), reflecting notably the disposal of Valinox Nucléaire SAS on May 31st 2021.

For the first nine months of 2021, revenue totaled €98 million, down 43% year-on-year (-42% at constant exchange rates).

II – CONSOLIDATED RESULTS ANALYSIS

Q3 2021 consolidated results analysis

In Q3 2021, EBITDA reached €128 million (compared with €71 million in Q3 2020), **and EBITDA margin 15.3% of revenue** (versus 9.9% in Q3 2020), as a result of:

- An industrial margin of €207 million, or 24.8% of revenue, versus €154 million and 21.5% of revenue in Q3 2020. Higher deliveries and prices in Oil & Gas in North America, the higher contribution of the mine in volume and prices as well as savings did largely more than offset the lower activity in Oil & Gas in EA-MEA, and the increase in raw material and energy costs.
- A 3% decrease in sales, general and administrative costs (SG&A) at €75 million or 9.0% of revenue versus 10.8% in Q3 2020.

Operating income was positive at €72 million, compared to €7 million in Q3 2020, resulting mainly from the EBITDA improvement.

Financial income was negative at (€36) million, compared with (€64) million in Q3 2020, reflecting the new balance sheet structure.

Income tax amounted to (€41) million mainly related to Brazil, compared to (€21) million in Q3 2020.

This resulted in a net income, Group share, of (€7) million, compared to (€69) million in Q3 2020.

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9M 2021 consolidated results analysis

Over the first nine months of 2021, EBITDA reached €356 million, a €174 million increase year-on-year, at 15.0% of revenue, including:

- An industrial margin of €618 million, or 26% of revenue, up 37% year-on-year, reflecting a higher contribution of the mine in volume and prices, a higher activity for Oil & Gas in North America and in Industry markets along with savings more than offsetting lower activity in Oil & Gas in EA-MEA.
- Sales, general and administrative costs (SG&A) down 7% at €233 million, reflecting adaptation measures, and representing 9.8% of revenue.

Operating income was positive at €299 million compared to a loss of (€507) million in 9M 2020 (which was negatively impacted by impairment charges for €441 million and by restructuring costs), resulting from the improvement in EBITDA, lower depreciation of industrial assets 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 (€211) million, compared to (€179) million in 9M 2020. Net interest expenses amounted to €126 million versus €149 million in 9M 2020, reflecting our new balance sheet structure in Q3. Other financial income of (€42) million, compared with +€15 million in 9M 2020, included notably one-offs such as the positive effects of the PIS/COFINS tax litigation in Brazil for €28 million and the actualization of the DBOT leasing debt for €24 million resulting from exercising the repurchase option, more than offset by (€70) million cost of exercising the option of DBOT repurchase as well as the net impact of the financial restructuring for (€42) million.

Income tax amounted to (€141) million mainly related to Brazil.

As a result, net income, Group share, amounted to (€49) million, compared to (€636) million in 9M 2020.

III - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q3 2021, cash flow from operating activities was positive at €18 million, compared to (€32) million in Q3 2020, reflecting mainly the improved EBITDA and the lower financial interests paid, partly offset by higher tax.

For the first nine months of 2021, cash flow from operating activities was positive at €16 million compared to (€128) million in 9M 2020, mainly due to higher EBITDA and lower financial interests paid, more than offsetting increased tax. It included debt restructuring fees (€56 million) and adaptation measures (€30 million).

Operating working capital requirement

Operating working capital requirement increased by (€93) million in Q3 2021, versus a decrease of €94 million in Q3 2020, mainly as a result of activity increase. Net working capital requirement decreased to 111 days of sales, compared to 120 days in Q3 2020.

For the first nine months of 2021, operating working capital requirement increased by (€232) million versus an increase of (€5) million in 9M 2020.

Capex

Capital expenditure was (€28) million in Q3 2021, compared with (€27) million in Q3 2020, and was **(€84) million in 9M 2021** compared to (€90) million in 9M 2020.

Free cash flow

As a result, **in Q3 2021, free cash flow was negative (€103) million** versus €35 million in Q3 2020.

Free cash flow for 9M 2021 was negative (€300) million, compared with (€223) million in 9M 2020.

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Asset disposals & other items

Asset disposals & other items amounted to (€171) million in Q3 2021 resulting mainly from the acquisition of minority shares in VAM USA for €35 million and in Vallourec Star for €83 million. It also included accrued interest on bonds (for €23 million) and cash collateral related to bank guarantees (for €25 million).

For 9M 2021, asset disposals & other items amounted to €1,520 million mainly as a result of the financial restructuring.

Net debt and liquidity

As at September 30th 2021, net debt stood at €993 million, compared with €720 million on June 30th 2021.

As at September 30th 2021, gross debt amounted to €1,545 million including €96 million of fair value adjustment under IFRS 9 (which will be reversed over the life of the debt). Long-term debt amounted to €1,392 million and short-term debt totaled €153 million.

As at September 30th 2021, lease debt stood at €71 million, compared with €75 million on June 30th 2021.

Liquidity position was €1,014 million, with cash amounting to €552 million and undrawn committed Revolving Credit Facility to €462 million.

IV – 2021 OUTLOOK

Oil & Gas

In North America, the Oil & Gas market improvement continues to be driven by the significant increase in prices, in addition to the progressive recovery in volumes.

In EA-MEA, 2021 remains significantly impacted by the sharp slowdown in order intake in 2020. Tendering activity has started to resume and should positively impact 2022 deliveries.

In Brazil, Oil & Gas volumes delivered in 2021 are confirmed to increase compared with 2020.

Industry & Other

In Europe, the ongoing economic recovery should continue having a positive impact on volumes. However, the overall environment of high raw material and energy inflation should weigh on results.

In Brazil, the activity in Industry markets is expected to be maintained at a high level and to benefit from favorable prices.

An higher contribution is expected from the iron ore mine compared to 2020, although prices are experiencing a sharper decrease than anticipated in H2.

Cost savings

Cost saving initiatives are progressing in line with the Group's targets.

A strict cash control will be maintained, and the capex envelope is kept at c.€160 million.

EBITDA and Free Cash Flow

As a result of the recent decline in iron ore prices, and based on their current level, Vallourec targets full year EBITDA close to the lower end of the €475 to €525 million target communicated on July 21st, 2021. Stronger than anticipated order momentum leading into 2022 combined with the evolution of raw material and energy prices will result in a larger increase in inventories through year end. As a result, Vallourec now targets free cash flow consumption for 2021 to be between €(380) and (300) million, representing mainly the rebuilding of working capital along with the activity recovery, and inclusive of one-time costs associated with the financial restructuring.

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V – A decisive move to strengthen Vallourec’s competitiveness and profitability: launching the disposal process of all German assets and relocation of their Oil & Gas activities in Brazil to serve international markets

Vallourec has implemented several steps over the last years to strengthen its industrial footprint’s competitiveness

Vallourec’s industrial footprint has been rebalanced towards its most competitive manufacturing routes over the last years

The European share of Vallourec’s rolling capacities dropped from approximately 45% in 2016 to less than 30% in 2020. This rebalancing towards the Brazilian and Chinese most competitive routes was coupled with their increased utilization to serve EA-MEA customers (62% of premium OCTG and PLP orders that can be served indifferently from Europe, Brazil or Asia were rolled in Brazil or China in 2020 vs.19% in 2015).

Recent acquisition of minority shares in Brazil and the US simplifies Vallourec’s corporate structure and creates strategic benefits

Since the beginning of the year, Vallourec has acquired minority interests in its most strategic assets. Vallourec acquired in March 2021 15.4% of the Nippon Steel stake (and its associated 300kt/year rolling capacity) in VSB allowing the full ownership of all Brazilian assets. In the US, in addition to the purchase in July 2021 of the 49% minority shares of VAM USA, specialized in threading of premium VAM® joints for €35 million, in September 2021 Vallourec acquired the 19.5% Sumitomo Corporation’s shares in Vallourec Star, an integrated industrial tool including a steel mill, two rolling mills and finishing lines, for €83 million. With these acquisitions, Vallourec fully owns its North American entities to benefit from a complete operational flexibility, further develop synergies and will be able to use large NOLs.

Highly efficient production hubs in North America, Brazil and China

Thus, Vallourec’s industrial footprint relies now on highly efficient production hubs in North America, where Vallourec fully owns competitive, right-sized and low-carbon manufacturing tools dedicated to the local market, Brazil and China, where Vallourec benefits from cost effective operations increasingly supporting sales in premium international markets.

European rolling mills viability is structurally challenged

Vallourec’s seamless tubes rolling in Europe is performed in Germany and continues to significantly underperform

In Europe, Vallourec’s tubes manufacturing is based on the German rolling capacity with three rolling mills (Mülheim, Rath Plug and Rath Pilger) for a total capacity of 685kt/year, dedicated to Industry and Oil & Gas markets.

The production of Vallourec’s German mills does not provide enough margin to cover their high fixed costs:

- The intense competition from low-cost producers in the European Industry end-markets prevents from generating sufficient margins
- In spite of additional margin on premium tubes for the Oil & Gas EA-MEA markets, the fixed cost base cannot be absorbed

Despite several turnaround plans, over €700 million¹ of cumulative cash losses have occurred over 2015-2021.

¹ Vallourec Deutschland excluding Reisholz

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The recently acquired additional capacity in Brazil will enable to serve EA-MEA customers more cost effectively

In Brazil, Vallourec relies on three rolling mills (Jeceaba PQF, Barreiro Plug and Barreiro Mandrel in Belo Horizonte) producing small and medium diameter tubes for the local Industry markets and local and international Oil & Gas markets. With the acquisition of Nippon Steel minority stake in VSB, Vallourec has recovered access to 300kt/year additional rolling capacity.

These Brazilian assets are among the world's most competitive, and servicing customers in Oil & Gas international markets from Brazil is significantly more cost effective than from Germany. The variable costs for producing and shipping a medium diameter tube to Middle East from Brazil is c. 25% lower than for a tube produced in Germany.

Transformational move: launch of the disposal process of German assets and progressive transfer of their Oil & Gas activity to the highly competitive Brazilian hub

Launch of the disposal process of German assets

Vallourec has decided to launch the disposal process of all its German manufacturing assets in order to find a new operator, better positioned to profitably serve the European Industrial markets. The Group seeks a responsible and sustainable owner for the future of the assets, their employees and broader stakeholders.

The disposal process will be launched in the coming weeks with a targeted binding offer in Q2 2022. If no buyer is identified, Vallourec will look at all alternatives, including the closure.

Progressive transfer of their rolling activities to Brazil

The transfer will be performed along with the progressive implementation of a c. €100m capex program being launched in Brazil to enable the production of the full range of premium tubular products, both for Brazilian and international Oil & Gas customers.

A game changer for Vallourec's performance in international markets

Following the progressive transfer of the German rolling activity for Oil & Gas, the Brazilian hub will deliver the full range of premium tubular products to international markets, leveraging an already optimized cost base and benefiting from better fixed costs absorption. This will allow a better competitiveness and enhanced margin in international Oil & Gas markets and deliver strong improvement at EBITDA and cash flow generation levels. It will as well allow a positive CO2 impact, driven by the excellent carbon footprint of Brazilian operations (the CO2 content of a tube produced in Brazil is 30% lower than of a tube produced in Germany).

Clear benefits expected after realization for Vallourec and its stakeholders

The realization of these operations is targeted to generate €130 million run rate EBITDA increase and €20 million capex reduction.

VI – Governance

On October 14th, 2021, in accordance with the legal provisions in force, the Group Committee appointed Mr. Guillaume Wolf, a French national, as a Director representing employees on the Board of Directors of Vallourec SA, for a term of four years.

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Information and Forward-Looking Statements

This press release may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms as “believe”, “expect”, “anticipate”, “may”, “assume”, “plan”, “intend”, “will”, “should”, “estimate”, “risk” and or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, Vallourec’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (Autorité des marchés financiers, or “AMF”), including those listed in the “Risk Factors” section of the Registration Document filed with the AMF on March 29, 2021, under filing number n° D.21-0226 and the amendment to the Universal Registration Document filed with the AMF on June 2, 2021 under filing number n° D.21-0226-A01. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec’s or any of its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if Vallourec’s or any of its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

Presentation of Q3 & 9M 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/20211117_1/
- To participate in the conference call, please dial (password to use is “Vallourec”):
 - +44 (0) 33 0551 0200 (UK)
 - +33 (0) 1 70 37 71 66 (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.

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actionnaires@vallourec.com**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

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Sales volume

<i>In thousands of tons</i>	2021	2020	Change
Q1	358	450	-20.4%
Q2	381	422	- 9.7 %
Q3	391	319	+ 22.6 %
Total	1,130	1,191	- 5.1 %

Forex

<i>Average exchange rate</i>	9 Months 2021	9 Months 2020
EUR / USD	1.20	1.13
EUR / BRL	6.38	5.71
USD / BRL	5.33	5.08

Revenue by geographic region

<i>In € million</i>	9 Months 2021	As % of revenue	9 Months 2020	As % of revenue	Change	Q3 2021	As % of revenue	Q3 2020	As % of revenue	Change
Europe	386	16.2%	406	16.8%	-5.2%	139	16.6%	141	19.7%	-1.4%
North America (Nafta)	524	22.0%	581	24.1%	-9.7%	215	25.8%	99	13.8%	117.5%
South America	810	34.1%	532	22.1%	52.4%	302	36.2%	209	29.2%	44.6%
Asia and Middle East	512	21.5%	664	27.5%	-22.9%	142	17.0%	197	27.5%	-28.1%
Rest of the world	145	6.1%	229	9.5%	-36.6%	37	4.4%	71	9.9%	-48.4%
Total	2,378	100%	2,412	100%	-1.4%	834	100%	716	100%	16.4%

Revenue by market

9 Months 2021	As % of revenue	9 Months 2020	As % of revenue	Change	<i>In € million</i>	Q3 2021	As % of revenue	Q3 2020	As % of revenue	Variation
1,209	50.9%	1,480	61.4%	-18.3%	Oil & Gas	408	48.9%	410	57.3%	-0.3%
134	5.6%	161	6.7%	-16.9%	Petrochemicals	48	5.7%	33	4.6%	43.2%
1,343	56.5%	1,641	68.0%	-18.1%	Oil & Gas, Petrochemicals	456	54.7%	443	61.9%	3.0%
337	14.2%	220	9.1%	53.2%	Mechanicals	130	15.6%	66	9.2%	96.9%
64	2.7%	41	1.7%	55.1%	Automotive	24	2.8%	14	2.0%	68.5%
537	22.6%	340	14.1%	57.7%	Construction & Other	194	23.3%	128	17.9%	51.7%
937	39.4%	601	24.9%	55.9%	Industry & Other	348	41.7%	208	29.1%	67.2%
98	4.1%	170	7.0%	-42.6%	Power Generation	30	3.6%	65	9.1%	-54.4%
2,378	100%	2,412	100%	-1.4%	Total	834	100%	716	100%	16.4%

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Summary consolidated income statement

9 Months 2021	9 Months 2020	Change	In € million	Q3 2021	Q3 2020	Change
2,378	2,412	-1.4%	Revenue	834	716	16.4%
(1,760)	(1,961)	-10.2%	Cost of sales	(627)	(562)	11.6%
618	451	37.0%	Industrial Margin	207	154	34.4%
26.0%	18.7%	+7.3p.p.	(as a % of revenue)	24.8%	21.5%	+3.3p.p.
(233)	(250)	-6.8%	Sales, general and administrative costs	(75)	(77)	-2.6%
(29)	(19)	-€10m	Other	(4)	(6)	+€2m
356	182	+€174m	EBITDA	128	71	+€57m
15.0%	7.5%	+7.5p.p.	(as a % of revenue)	15.3%	9.9%	+5.4p.p.
(121)	(158)	-23.4%	Depreciation of industrial assets	(43)	(47)	-8.5%
(32)	(37)	-13.5%	Amortization and other depreciation	(10)	(10)	na
-	(441)	na	Impairment of assets	-	-	na
96	(53)	na	Asset disposals, restructuring costs and non-recurring items	(3)	(7)	na
299	(507)	+€806m	Operating income (loss)	72	7	+€65m
(211)	(179)	17.9%	Financial income/(loss)	(36)	(64)	-43.8%
88	(686)	+€774m	Pre-tax income (loss)	36	(57)	+€93m
(141)	(51)	+€90m	Income tax	(41)	(21)	+€20m
(4)	(2)	na	Share in net income/(loss) of equity affiliates	(1)	(1)	na
(57)	(739)	+€682m	Net income	(6)	(79)	+€73m
(8)	(103)	na	Attributable to non-controlling interests	1	(10)	na
(49)	(636)	+€587m	Net income, Group share	(7)	(69)	+€62m
(0.6)	(2.2)	na	Net earnings per share (in €) *	(0.03)	(6.0)	na

na = not applicable

* 9M and Q3 2020 figures adjusted for new number of shares following reverse stock split effective on May 25 2020

Information

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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.

Summary consolidated balance sheet

In € million

Assets	9/30/2021	12/31/2020	Liabilities	9/30/2021	12/31/2020
			Equity - Group share *	1,645	(187)
			Non-controlling interests	21	321
Net intangible assets	42	50	Total equity	1,666	134
Goodwill	25	25	Shareholder loan	-	9
Net property, plant and equipment	1,719	1,718	Bank loans and other borrowings (A)	1,392	1,751
Biological assets	39	30	Lease debt (D)	54	84
Equity affiliates	36	42	Employee benefit commitments	149	203
Other non-current assets	159	128	Deferred taxes	16	20
Deferred taxes	189	187	Provisions and other long-term liabilities	189	142
Total non-current assets	2,209	2,180	Total non-current liabilities	1,800	2,200
Inventories	1,023	664	Provisions	74	104
Trade and other receivables	544	468	Overdraft and other short-term borrowings (B)	153	1,853
Derivatives - assets	3	37	Lease debt (E)	17	24
Other current assets	187	203	Trade payables	557	426
Cash and cash equivalents (C)	552	1,390	Derivatives - liabilities	24	21
			Other current liabilities	267	241
Total current assets	2,309	2,762	Total current liabilities	1,092	2,669
Assets held for sale and discontinued operations	49	107	Liabilities held for sale and discontinued operations	9	37
Total assets	4,567	5,049	Total equity and liabilities	4,567	5,049

* Net income (loss), Group share	(49)	(1,206)
Net debt (A+B-C)	993	2,214
Lease debt (D+E)	71	108

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Free cash flow

9 Months 2021	9 Months 2020	Change	In € million	Q3 2021	Q3 2020	Change
16	(128)	+€144m	Cash flow from operating activities (A)	18	(32)	+€50m
(232)	(5)	-€227m	Change in operating WCR [+ decrease, (increase)] (B)	(93)	94	-€187m
(84)	(90)	+€6m	Gross capital expenditure (C)	(28)	(27)	-€1m
(300)	(223)	-€77m	Free cash flow (A)+(B)+(C)	(103)	35	-€138m

Cash flow statement

9 Months 2021	9 Months 2020	In € million	Q3 2021	Q3 2020
16	(128)	Cash flow from operating activities	18	(32)
(232)	(5)	Change in operating WCR [+ decrease, (increase)]	(93)	94
(216)	(133)	Net cash flow from operating activities	(75)	62
(84)	(90)	Gross capital expenditure	(28)	(27)
1,520	(75)	Asset disposals & other items	(171)	(37)
1,220	(298)	Change in net debt [+ decrease, (increase)]	(274)	(2)
993	2,329	Financial net debt (end of period)	993	2,329

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).

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