Press release

Vallourec reports first quarter 2020 results

Boulogne-Billancourt (France), May 13th 2020 – Vallourec, a world leader in premium tubular solutions, today announces its results for the first quarter of 2020. The consolidated financial information was presented by Vallourec's Management Board to its Supervisory Board on May 12th 2020.

Q1 results: stable EBITDA yoy

- Revenue of €853 million, down 17% year-on-year, mainly driven by lower Oil & Gas revenue
- EBITDA stable at €68 million, versus €67 million in Q1 2019, with margin up +1.5p.p. to 8.0%
- Free cash flow consumption of (€181) million versus (€159) million in Q1 2019, driven by usual seasonality of working capital requirement
- Net debt at €2,267 million

Measures taken to face Covid-19 and Oil crisis

- Safety of employees and contractors as first priority while maintaining service to customers
- Workforce reduction in North America of more than 1/3 (more than 900 positions) across all plants and support functions
- Full adaptation of variable costs; in addition, €130 million gross savings targeted in 2020
- Capex envelope reduced by 20% versus c.€200 million announced in February 2020
- Working capital requirement reduction thanks to ongoing action plans, activity decline and usual reverse seasonality towards the end of the year

Balance sheet and liquidity update

- Liquidity position at €1,779 million as of March
- The resolutions related to Rights Issue of €800 million announced on February 19, 2020 were approved by shareholders at the General Meeting held on April 6, 2020
- While the markets remain volatile, the Group intends to proceed with the execution of the rights issue as soon as the operating environment offers improved visibility and when the general market conditions allow

Outlook: while volatility on our markets still presents high uncertainties

- 2020 activity and results should be significantly impacted by the Covid-19 crisis and associated drop in oil price and E&P capex, despite strong cost savings measures
- In comparison with the first quarter, the following ones should see a severe deterioration of results in North America and to a much lesser degree from Industry markets. This should be offset to a good extent by increased activity in offshore Brazil and supported by resilient iron ore prices and long high alloy products backlog in EA-MEA
- 2020 free cash flow consumption targeted to be significantly reduced from Q1

Information
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

Q1 2020	Q1 2019	Change	*In € million*	Q4 2019
450	571	-21.2%	**Production shipped (k tons)**	520
853	1,025	-16.8%	**Revenue**	1,004
68	67	+€1m	**EBITDA**	94
8.0%	*6.5%*	*+1.5p.p.*	*(as a % of revenue)*	*9.4%*
(29)	(19)	-€10m	**Operating income (loss)**	(9)
(74)	(90)	+€16m	**Net income, Group share**	(111)
(181)	(159)	-€22m	**Free cash-flow**	76
2,267	2,125	+€142m	**Net debt**	2,031

Edouard Guinotte, Chairman of the Management Board, declared:

In this unprecedented context marked by the spread of Covid-19 pandemic, our first concern is to ensure the health and safety of our teams. We therefore implemented strict safety measures in all our plants and offices around the world, while maintaining service to customers.

Covid-19 pandemic has also generated a considerable drop in Oil demand and prices, which is ultimately leading our customers to adjust their investments in Exploration and Production. US shale drilling is by far the most affected. At the end of April, the rig count in the US dropped by close to 50% from end of 2019 with no signs of stabilization in sight. In the rest of the world, the drop in activity is expected to be less pronounced and to materialize gradually, while deliveries in pre-salt in Brazil should increase.

We took immediate actions in each of our operations to adjust production capacities and staff consistently with expected activity. We launched the reduction of over 900 positions in the US, while implementing extensive short-time work and furlough in other regions. In addition, fixed costs and capex are being further reduced across the Group.

These are difficult and extraordinary times for our industry, but I would like to commend all Vallourec teams worldwide for their continued focus, professionalism and collective engagement to adapt and work through this crisis.

Despite the current disruption in some of our markets, we will benefit from demonstrated resilience levers, such as increased deep-offshore drilling and sustained activity of our mine in Brazil or the continuous impact of our Transformation Plan. We entered this new crisis relying on restored competitiveness, the greater flexibility of our industrial footprint and a reduced break-even point. We also expect to reap the early benefits of our Acceleration program in H2 2020 and through 2021-2022. I am therefore confident that Vallourec has all the means to weather out this crisis and prepare for the future.

IEA latest simulations indicate that the massive impact of Covid-19 on oil demand should fade over H2 and the ongoing supply cuts would lead the oil market to rebalance accordingly.

Looking further ahead, our value creation levers remain unchanged. We intend to proceed with the execution of the rights issue as soon as the market conditions allow it.

I – MEASURES TAKEN TO FACE COVID-19: HEALTH AND SAFETY

While keeping the safety and protection of its employees and contractors as its first priority, Vallourec is doing its utmost to ensure the continuity of service to its clients.

Operations and working conditions are maintained in strict conformance with recommendations of the World Health Organization as well as governmental and local regulations. We have implemented new rules to avoid contacts and limit the number of employees physically located at the same place, for instance. We have reorganized shift patterns by adapting start and leave time for work shift and we have deployed home officing as a rule when applicable. This is controlled by both local and corporate dedicated coordination cells.

Following Covid-19 lockdown-related measures, our Chinese operations remained closed for one additional week after the Chinese New Year holidays, and our mills in France were shut-down for two weeks in March. All Vallourec plants are now running in consistence with the level of activity.

In the face of this unprecedented situation, Vallourec Group is fully dedicated to maintain its service commitments.

II – ADAPTATION MEASURES TO FACE THE CURRENT STRONG MARKET DOWNTURN

Strong adaptation measures immediately launched and additional gross savings

The Group decided to immediately implement strong adaptation measures by adjusting variable costs and working hours to the activity in each geography.

In North America, a workforce reduction of more than 1/3 (more than 900 positions) across all plants as well as support functions has been decided and will be mostly effective in May 2020.

Additional savings will be generated through strengthening the expenditure control (review of sourcing contracts, lower delegation levels for expenses,..) as well as freezing hiring. Full adaptation of variable costs (including direct labor); in addition, €130 million gross savings targeted in 2020.

The Group will control strictly its cash expenses through the reduction of the 2020 capex envelope by 20% versus c.€200 million announced in February 2020 and of its working capital requirement thanks to ongoing action plans, activity decline and usual reverse seasonality towards the end of the year.

III - CONSOLIDATED REVENUE BY MARKET

Q1 2020	Q1 2019	Change	At constant exchange rates	*In € million*	Q4 2019
613	739	-17.1%	-16.8%	Oil & Gas, Petrochemicals	762
193	236	-18.2%	-12.3%	Industry & Other	205
47	50	-6.0%	-4.0%	Power Generation	37
853	**1,025**	**-16.8%**	**-15.1%**	**Total**	**1,004**

Over the first quarter of 2020, Vallourec recorded revenue of €853 million, down 17% compared with the first quarter of 2019 (-15% at constant exchange rates) with:

- a significant volume impact of -21% mainly driven by Oil & Gas.
- a positive price/mix effect of 6% reflecting better price/mix in Oil & Gas EA-MEA despite lower prices in North America.
- a currency effect of -2%.

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

Oil & Gas revenue reached €552 million in Q1 2020, **a €120m decrease or -18% year-on-year (-18% at constant exchange rates), reflecting mainly lower revenue from North America and EA-MEA**.

- **In EA-MEA**, Oil & Gas revenue decrease reflected lower shipments, in line with deliveries schedule for large orders.
- **In North America**, Oil & Gas revenue decrease was driven by lower deliveries due to the onshore market slowdown, as well as a pressure on prices which continued in Q1.
- **In South America**, Oil & Gas revenue decrease was due to a currency effect.

Petrochemicals revenue was €61 million in Q1 2020, down 9% year-on-year (-8% at constant exchange rates) notably due to lower volumes of line pipes sold in North America.

Industry & Other (23% of consolidated revenue)

Industry & Other revenue amounted to €193 million in Q1 2020, down 18% year-on-year (-12% at constant exchange rates):

- In Europe, Industry revenue was down year on year reflecting mainly lower volumes.
- In South America, Industry & Other revenue was down, reflecting lower Automotive volumes and unfavorable currency effect, partially offset by higher volumes in Mechanical Engineering. The mine revenue was almost stable.

Power Generation (5% of consolidated revenue)

Power Generation revenue amounted to €47 million in Q1 2020, down 6% year-on-year. This decrease is due, as previously indicated, to the decline in global demand for coal-fired conventional power plants.

As a reminder, the closure of the Reisholz site in Germany, dedicated to coal-fired conventional power plants, will be effective in H2 2020.

IV - Q1 2020 CONSOLIDATED RESULTS ANALYSIS

In Q1 2020, EBITDA was stable at €68 million and up 1.5p.p. in percentage of revenue to 8.0%, as a result of:

- An industrial margin of €161 million, slightly down €7 million compared with Q1 2019, while up 2.5p.p. in percentage of revenue, due to lower activity in Oil & Gas in North America offset to a large extent by positives in other business segments.

- A 3.2% decrease in sales, general and administrative costs (SG&A) at €90 million, representing 10.6% of revenue compared with 9.1% in Q1 2019.

Operating result decreased by €10 million to a loss of (€29) million, compared to a loss of (€19) million in Q1 2019, mainly due to a restructuring provision of €21 million recorded in North America related to our adaptation plan partly offset by lower depreciation of industrial assets.

Financial result was negative at (€35) million, **a €26 million improvement** compared to (€61) million in Q1 2019, reflecting higher financial expenses being more than offset by other financial income for €29 million, including mainly the settlement of a dispute in Brazil for €26 million.

Income tax amounted to (€20) million mainly related to Brazil, compared to (€8) million in Q1 2019.

This resulted in a net loss, Group share, of (€74) million, compared to (€90) million in Q1 2019.

V - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q1 2020, **cash flow from operating activities reached (€31) million,** almost stable compared to (€29) million in Q1 2019.

Operating working capital requirement

Operating working capital requirement increased by €119 million, reflecting usual seasonality, versus an increase of €113 million in Q1 2019. Net working capital requirement slightly increased to 119 days of sales, compared to 117 in Q1 2019.

Capex

Capital expenditure was (€31) million, compared to (€17) million in Q1 2019.

Free cash flow

As a result, in Q1 2020, the Group generated **a negative free cash flow of (€181) million,** compared with (€159) million in Q1 2019.

Asset disposals & other items

Asset disposals & other items amounted to (€55) million, as a result of currency effects on net debt and of the repayment of leasing debts (IFRS16) for (€10) million.

Net debt and liquidity

As at March 31st 2020, net debt stood at €2,267 million, compared with €2,031 million on December 31st 2019.

As at March 31st 2020, lease debt stood at €115 million.

Cash as at March 31st 2020 amounted to €1,656 million, and €123 million of the €1,934 million committed bank facilities were unused.
At the same date, long term debt amounted to €1,745 million and short-term debt to €2,178 million, including €81 million of commercial paper and €1,811 million drawn from the €1,934 million committed banking facilities, of which €100 million maturing in July 2020 and €1,724 million in February 2021.

As at March 31st 2020, the banking covenant ratio, as defined in the banking contracts [4] and tested once a year on December 31st, was estimated at 92%.

VI – Rights issue

The Shareholders Meeting held on April 6, 2020 adopted the resolutions necessary for the implementation of the rights issue of €800 million announced on 19 February 2020.

On April 6, 2020, Vallourec decided a reduction in the nominal value of the shares.

Vallourec launched on April 12, 2020 a reverse stock split on an exchange basis of 40 existing shares for 1 new share. This will be effective on May 25, 2020. Following these transactions, the nominal value of shares will be equal to €0.02.

While the markets remain volatile, the Group intends to proceed with the execution of the rights issue as soon as the operating environment offers improved visibility and when the general market conditions allow.

[4] Banking covenant: As defined in the banking agreements, the "banking covenant" ratio is the ratio of the Group's consolidated net debt including the shareholder loan in Brazil and the "financial lease debt" (excluding "operational lease") to the Group's equity, restated for reserves of changes in fair value of financial instruments and foreign currency translation reserve. This indebtedness ratio is tested once a year on December 31st, and must be below a limit of 100% on this date.

VII – 2020 OUTLOOK

While volatility on our markets remains high, activity and results should be significantly impacted by the Covid-19 crisis and associated drop in oil price and E&P capex, despite strong adaptations measures.

Oil & Gas

- **In EA-MEA,** while many IOCs are cutting CAPEX by c.25%, NOCs are expected to maintain most of their operations and tendering activities, especially in the Middle East. Our deliveries in coming quarters should benefit from the long backlog in high alloy products booked in 2019.

- **In North America**, shale operators drastically reduce their drilling plans following the massive drop in WTI prices: US rig count was at 374 as of May 8th, a 54% decline versus December 2019. Further reduction in rig count is expected and will strongly impact OCTG shipments over the year.

- In **Brazil,** while Petrobras announced a significant reduction of its 2020 capex, the number of drilled wells is still forecasted to increase. Deliveries of premium OCTG are expected to ramp-up in H2.

Industry & Other

- In **Europe and Brazil**, demand from Industry is expected to be strongly impacted by Covid-19 crisis.

- Volume of **iron ore** produced in Brazil is expected to be in line with 2019, while prices are so far showing resilience.

Adaptation Measures

- Full adaptation of variable costs (including direct labor); in addition, €130 million gross savings targeted in 2020.
- 2020 capex envelope reduced by 20%.
- Working capital requirements reduction thanks to ongoing action plans, activity decline and usual reverse seasonality towards the end of the year.

In comparison with the first quarter, the following ones should see a severe deterioration of results in North America and to a much lesser degree from Industry markets. This should be offset to a good extent by increased activity in offshore Brazil and supported by resilient iron ore prices and long high alloy products backlog in EA-MEA.

2020 free cash flow consumption targeted to be significantly reduced from Q1.

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 Universal Registration Document filed with the AMF on March 20th 2020.

Cautionary Statement

This press release does not, and shall not, in any circumstances constitute a public offering or an invitation to the public in connection with any offer.

No communication and no information in respect of this transaction may be distributed to the public in any jurisdiction where a registration or approval is required. No steps have been or will be taken in any jurisdiction (other than France) where such steps would be required. The issue, the subscription for or the purchase of Vallourec's shares may be subject to specific legal or regulatory restrictions in certain jurisdictions. Vallourec assumes no responsibility for any violation of any such restrictions by any person.

This announcement is not a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and the Council of June 14, 2017 (as amended or superseded, the "Prospectus Regulation"). No securities offering will be opened to the public in France before the delivery of the visa on a prospectus prepared in compliance with the Prospectus Regulation, as approved by the AMF.

In France, an offer of securities to the public may only be made pursuant to a prospectus approved by the AMF. With respect to the member States of the European Economic Area (each, a "relevant member State"), other than France, no action has been undertaken or will be undertaken to make an offer to the public of the shares requiring a publication of a prospectus in any relevant member State. Consequently, the securities cannot be offered and will not be offered in any member State (other than France), except in accordance with the exemptions set out in Article 1(4) of the Prospectus Regulation, or in the other case which does not require the publication by Vallourec of a prospectus pursuant to the Prospectus Regulation and/or applicable regulation in the member States.

This press release does not constitute an offer of the securities to the public in the United Kingdom. The distribution of this press release is not made, and has not been approved, by an authorized person ("authorized person") within the meaning of Article 21(1) of the Financial Services and Markets Act 2000. As a consequence, this press release is directed only at (x) persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (iii) are high net worth entities falling within Article 49(2) of the Order and (y) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). The securities are directed only at Relevant Persons and no invitation, offer or agreements to subscribe, purchase or acquire the securities may be proposed or made other than with Relevant Persons. Any person other than a Relevant Person may not act or rely on this document or any provision thereof. This press release is not a prospectus which has been approved by the Financial Conduct Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

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The distribution of this press release in certain countries may constitute a breach of applicable law. The information contained in this press release does not constitute an offer of securities for sale in the United States, Canada, Australia or Japan.

Presentation of Q1 2020 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/webcast/vallourec-en/20200513_1/

- To participate in the conference call, please dial (password to use is "Vallourec"):
    - +44 (0) 20 3003 2666 (UK)
    - +33 (0) 1 7099 4740 (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 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.

Calendar

July 29th 2020	Release of second quarter and first half 2020 results

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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
- Banking covenant
- Free cash flow
- Cash flow statement
- Definitions of non-GAAP financial data

Sales volume

In thousands of tons	2020	2019	Change
Q1	450	571	-21.2%
Q2		605	
Q3		595	
Q4		520	
Total	**450**	**2,291**	

Forex

Average exchange rate	Q1 2020	Q1 2019
EUR / USD	1.10	1.14
EUR / BRL	4.92	4.28
USD / BRL	4.47	3.77

Revenue by geographic region

In € million	Q1 2020	As % of revenue	Q1 2019	As % of revenue	Change
Europe	148	17.4%	153	14.9%	-3.3%
North America (Nafta)	270	31.7%	338	33.0%	-20.1%
South America	152	17.8%	167	16.3%	-9.0%
Asia and Middle East	226	26.5%	247	24.1%	-8.5%
Rest of the world	57	6.7%	120	11.7%	-52.5%
Total	**853**	**100%**	**1,025**	**100%**	**-16.8%**

Revenue by market

Q1 2020	As % of revenue	Q1 2019	As % of revenue	Change	*In € million*	Q4 2019	As % of revenue
552	64.7%	672	65.6%	-17.9%	Oil & Gas	686	68.3%
61	7.2%	67	6.5%	-9.0%	Petrochemicals	76	7.6%
613	**71.9%**	**739**	**72.1%**	**-17.1%**	**Oil & Gas, Petrochemicals**	**762**	**75.9%**
79	9.3%	113	11.0%	-30.1%	Mechanicals	77	7.7%
18	2.1%	31	3.0%	-41.9%	Automotive	23	2.3%
96	11.2%	92	9.0%	4.3%	Construction & Other	105	10.4%
193	**22.6%**	**236**	**23.0%**	**-18.2%**	**Industry & Other**	**205**	**20.4%**
47	**5.5%**	**50**	**4.9%**	**-6.0%**	**Power Generation**	**37**	**3.7%**
853	**100%**	**1,025**	**100%**	**-16.8%**	**Total**	**1,004**	**100%**

Summary consolidated income statement

Q1 2020	Q1 2019	Change	*In € million*	Q4 2019
853	**1,025**	-16.8%	**Revenue**	**1,004**
(692)	**(857)**	-19.3%	Cost of sales	**(824)**
161	**168**	-4.2%	**Industrial Margin**	**180**
18.9%	*16.4%*	*+2.5p.p.*	*(as a % of revenue)*	*17.9%*
(90)	(93)	-3.2%	Sales, general and administrative costs	(87)
(3)	(8)	na	Others	1
68	**67**	+€1m	**EBITDA**	**94**
8.0%	*6.5%*	*+1.5p.p.*	*(as a % of revenue)*	*9.4%*
(59)	(66)	-10.6%	Depreciation of industrial assets	(66)
(14)	(15)	na	Amortization and other depreciation	(14)
-	-	na	Impairment of assets	-
(24)	(5)	na	Asset disposals, restructuring costs and non-recurring items	(23)
(29)	**(19)**	-€10m	**Operating income (loss)**	**(9)**
(35)	(61)	-42.6%	Financial income/(loss)	(66)
(64)	**(80)**	+€16m	**Pre-tax income (loss)**	**(75)**
(20)	(8)	na	Income tax	(36)
(1)	(1)	na	Share in net income/(loss) of equity affiliates	(2)
(85)	**(89)**	+€4m	**Net income**	**(113)**
11	(1)	na	Attributable to non-controlling interests	2
(74)	**(90)**	+€16m	**Net income, Group share**	**(111)**
(0.2)	**(0.2)**	0	**Net earnings per share (in €)**	**(0.2)**

na = not applicable

Summary consolidated balance sheet

In € million

Assets	3/31/2020	12/31/2019	Liabilities	3/31/2020	12/31/2019
			Equity - Group share *	1,161	1,467
			Non-controlling interests	480	513
Net intangible assets	62	63	**Total equity**	**1,641**	**1,980**
Goodwill	366	364	**Shareholder loan**	**17**	**21**
Net property, plant and equipment	2,455	2,642	Bank loans and other borrowings (A)	1,745	1,747
Biological assets	51	62	Lease debt (D)	89	104
Equity affiliates	129	129	Employee benefit commitments	187	228
Other non-current assets	124	132	Deferred taxes	12	9
Deferred taxes	217	249	Provisions and other long-term liabilities	59	61
Total non-current assets	**3,404**	**3,641**	**Total non-current liabilities**	**2,092**	**2,149**
Inventories	1,067	988	Provisions	127	121
Trade and other receivables	680	638	Overdraft and other short-term borrowings (B)	2,178	2,077
Derivatives - assets	14	7	Lease debt (E)	26	30
Other current assets	211	237	Trade payables	633	580
Cash and cash equivalents (C)	1,656	1,794	Derivatives - liabilities	31	18
			Other current liabilities	287	329
Total current assets	**3,628**	**3,664**	**Total current liabilities**	**3,282**	**3,155**
Total assets	**7,032**	**7,305**	**Total equity and liabilities**	**7,032**	**7,305**

*** Net income (loss), Group share**	**(74)**	**(338)**
Net debt (A+B-C)	**2,267**	**2,031**
Lease debt (D+E)	**115**	**134**

Information
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.

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Banking covenant

As defined in the banking agreements, the "banking covenant" ratio is the ratio of the Group's consolidated net debt including the "financial lease debt" and the shareholder loan in Brazil to the Group's equity, restated for reserves of changes in fair value of financial instruments and foreign currency translation reserve. This indebtedness ratio is tested once a year on December 31st, and must be below a limit of 100% on this date.

Banking covenant (in € million)	3/31/2020	12/31/2019
Net debt (excluding financial lease debt)	2,267	2,031
Financial lease debt	38	50
Net debt	2,305	2,081
Shareholder loan	17	21
Restated net debt (1)	2,322	2,102
Equity	1,641	1,980
Foreign currency translation reserve - Group share (a)	856	608
Reserves - changes in fair value of financial instruments (a)	25	(4)
Equity restated (2)	2,522	2,584
Ratio of banking covenant restated (1)/(2)	92%	81%

(a) Including minority interests.

Free cash flow

Q1 2020	Q1 2019	Change	*In € million*	Q4 2019
(31)	(29)	-€2m	Cash flow from operating activities (A)	(14)
(119)	(113)	-€6m	Change in operating WCR [+ decrease, (increase)] (B)	170
(31)	(17)	-€14m	Gross capital expenditure (C)	(80)
(181)	**(159)**	**-€22m**	**Free cash flow (A)+(B)+(C)**	**76**

Cash flow statement

Q1 2020	Q1 2019	*In € million*	Q4 2019
(31)	(29)	Cash flow from operating activities	(14)
(119)	(113)	Change in operating WCR [+ decrease, (increase)]	170
(150)	(142)	Net cash flow from operating activities	156
(31)	(17)	Gross capital expenditure	(80)
(55)	33	Asset disposals & other items	(3)
(236)	(126)	Change in net debt [+ decrease, (increase)]	73
2,267	**2,125**	**Financial net debt (end of period)**	**2,031**

Definitions of non-GAAP financial data

Banking covenant: as defined in the banking agreements, the “banking covenant” ratio is the ratio of the Group’s consolidated net debt including the “financial lease debt” and the shareholder loan in Brazil to the Group’s equity, restated for reserves of changes in fair value of financial instruments and foreign currency translation reserve. This indebtedness ratio is tested once a year on December 31st, and must be below a limit of 100% on this date.

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).