Press release

Vallourec reports first quarter 2019 results

Boulogne-Billancourt (France), May 16th 2019 – Vallourec, a world leader in premium tubular solutions, today announces its results for the first quarter of 2019. The consolidated financial information was presented by Vallourec's Management Board to its Supervisory Board on May 15th 2019.

- **Revenue of €1,025 million, up 19% year-on-year** (+17% at constant exchange rates)
- **EBITDA [(1)] at €67 million versus (€5) million in Q1 2018**
- **Reduced free cash flow consumption to (€159) million, €95 million less than in Q1 2018, reflecting:**
  - Improved operating cash flow at (€29) million compared to (€83) million in Q1 2018
  - Reduced net working capital outflow at 117 days of sales versus 121 in Q1 2018
- **Net debt at €2,125 million** (after reclassification of €58 million to lease debt under IFRS 16 [(1)])

- **<u>Confirmed outlook for 2019</u>**

  Based on current economic and market trends [(2)], the Group:

  - Confirms its anticipation of a continued recovery in the Oil and Gas activity primarily driven by international markets
  - Reiterates its targets for 2019, namely:
    - Strong increase in EBITDA, supported by market trends, additional savings as well as ongoing deployment from the Group's new competitive manufacturing routes
    - Continuous improvement in working capital requirement, beyond usual seasonal movements (peak outflow in H1) with a diminishing number of days of working capital requirement on both quarterly average and end of year
    - Capex around €180 million, consistent with the needs of its renewed industrial footprint
  - Based on current market trends and on the objectives outlined above, the Group would respect its banking covenant at the end of the year.

[(1)] Detailed impacts of IFRS 16 on EBITDA, net debt, lease debt, and free cash flow are described in consolidated results analysis (page 4), financial position (page 5) and in appendices on pages 11,12,13 & 14
[(2)] Cf paragraph Information and Forward-Looking Statements

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 2019	Q1 2018	*Change YoY*	*In millions of euros*	Q4 2018
571	**515**	*11%*	**Sales volume (k tons)**	**694**
1,025	**862**	*19%*	**Revenue**	**1,116**
67	**(5)**	*€72m*	**EBITDA** (3)	**89**
6.5%	*(0.6%)*	*+7.1 p.p.*	*As % of revenue*	*8.0%*
(90)	**(170)**	*€80m*	**Net income (loss), Group share**	**(103)**
(159)	**(254)**	*€95m*	**Free cash-flow**	**76**

31-Mar 2019 Post IFRS 16	*Change versus 1-Jan 2019*	*In millions of euros*	1-Jan 2019 post IFRS 16	31-Dec 2018
2,125	*€126m*	**Net debt**(3)	**1,999**	2,058

(3) IFRS 16 Q1 2019: detailed impacts on EBITDA, net debt, lease debt and free cash flow are described in consolidated results analysis (page 4), financial position (page 5) and in appendices on pages 11, 12, 13 & 14.
NB: Net debt of €2,058 million at the end of December 2018 includes €59 million of financial lease debt

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

"In the first quarter, Vallourec delivered again a robust year-on-year increase in its financial performance. The strong growth in EBITDA was notably driven by the recovery of our activity in the EA-MEA regions, our largest Oil & Gas markets, where bookings doubled in 2018.

Furthermore, cash-flow performance improved markedly as free cash flow consumption decreased by almost €100 million year-on-year, as a result of both the EBITDA increase and a reduced operating working capital requirement outflow.

For the rest of the year, we confirm our expectation for a continued market recovery in the O&G market, albeit with varying profiles in our key regional areas. While the North American market has slowed down in the first part of the year, we are very confident in the solidity of the market recovery in EA-MEA which will strongly contribute to our results improvement in 2019, leveraging on the renewed competitiveness of our Brazilian and Chinese routes.

We are also looking forward to the restart of exploration activity in Brazil, where we enjoy strong positions. This is expected as from next year as a result of drilling commitments taken by oil companies following the successful bidding rounds over the last two years.

We are progressing, notably in Germany, on the delivery of at least €200 million additional cost savings that we recently announced and we confirm that a significant part is achievable as soon as 2019.

Based on this outlook and on current macroeconomic and market trends, we confirm our targets for 2019, with, in particular, a strong increase in EBITDA, an improvement in working capital requirement in number of days on both quarterly average and end of year, and the respect of our banking covenant at the end of 2019."

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.

I - CONSOLIDATED REVENUE BY MARKET

In millions of euros	Q1 2019	Q1 2018	*Change YoY*	*Change YoY at constant exchange rates*	Q4 2018
Oil & Gas, Petrochemicals	739	584	*27%*	*23%*	821
Industry & Other	236	180	*31%*	*34%*	235
Power Generation	50	98	*-48%*	*-48%*	60
Total	**1,025**	**862**	***19%***	***17%***	**1,116**

Over the first quarter of 2019, Vallourec recorded revenue of €1,025 million, up 19% compared with the first quarter of 2018 (+ 17% at constant exchange rates) with a positive volume impact of 11% mainly driven by EA-MEA Oil & Gas markets, and a positive price/mix effect of 6% mainly resulting from higher OCTG prices in North America. In Industry & Other, higher revenue was recorded in South America.

Compared with Q4 2018, Q1 2019 Group revenue was down 8% with lower volumes in Oil and Gas EA-MEA due to deliveries seasonality, partly offset by slightly higher revenue from North America (Oil & Gas) and from South America (Industry & Other).

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

Oil & Gas revenue reached €672 million in Q1 2019, **a strong €181m increase or +37% year-on-year (+33% at constant exchange rates)**.

- **In EA-MEA**, Oil & Gas revenue increased significantly year-on-year, driven by a strong growth in OCTG sales, further to bookings recorded over 2018.
- **In North America,** Oil & Gas revenue increased year-on-year, driven primarily by the price increase effective from Q3 2018.
- **In South America,** Oil & Gas revenue was slightly down year-on-year.

Petrochemicals revenue was €67 million in Q1 2019, down 28% year-on-year (-31% at constant exchange rates) notably due to lower sales in North America and reallocation to higher margin products in Middle East Asia.

Industry & Other (23% of consolidated revenue)

Industry & Other revenue amounted to €236 million in Q1 2019, up 31% year-on-year (+34% at constant exchange rates):

- In Europe, Industry revenue and volumes were almost flat year on year
- In Brazil, Industry & Other revenue was up, particularly driven by the mine operations.

Power Generation (5% of consolidated revenue)

Power Generation revenue amounted to €50 million in Q1 2019, down 48% year-on-year. This decrease is due, as previously indicated, to a decline in global demand for coal-fired conventional power plants.

As a reminder, the Group has initiated a divestiture plan of the assets dedicated to coal-fired conventional power plants.

II - Q1 2019 CONSOLIDATED RESULTS ANALYSIS

In Q1 2019, EBITDA reached €67 million, improving by €72 million year on year including:

- Industrial margin of €168 million, up €65 million compared with Q1 2018 (up 4.5p.p.), reflecting (i) higher volumes, (ii) favorable price/mix in O&G (iii) positive forex effect and (iv) savings as a result from the Transformation plan, these elements largely offsetting higher raw materials costs

- Sales, general and administrative costs (SG&A) down 8% at €93 million, representing 9% of revenue compared with 12% in Q1 2018, and reflecting tight cost control.

- EBITDA includes a positive €8 million IFRS 16 impact and a €6 million net increase in provisions.

Excluding changes in provisions and IFRS 16 impact, Q1 2019 EBITDA amounted to €65 million, to be compared with (€13) million in Q1 2018 and €62 million in Q4 2018.

Operating result improved by +€111 million to a loss of (€19) million, compared to a loss of (€130) million in Q1 2018, as a result of higher EBITDA, lower "asset disposal, restructuring and other" charges and no impairment charges. As a reminder, in Q1 2018, these non-recurring elements amounting to (€46) million were essentially related to restructuring measures undertaken in Europe.
"Amortization and other depreciation" include a (€7) million IFRS 16 impact (depreciation of right-of-use).

Financial result was negative at (€61) million, compared to (€43) million in Q1 2018, mainly due to (i) higher interest charges as a result of the €400 million senior notes issued in April 2018 (ii) foreign exchange result from hedging of commercial operations and (iii) a (€3) million IFRS 16 impact (interest expenses on lease debt).

Income tax amounted to (€8) million mainly related to Brazil, compared to no tax in Q1 2018.

This resulted in a net loss, Group share of (€90) million, compared to (€170) million in Q1 2018.

III - CASH FLOW & FINANCIAL POSITION

Cash flow from operating activities

In Q1 2019, **cash flow from operating activities reached (€29) million** compared to (€83) million in Q1 2018, **an improvement of €54 million**.

Operating working capital requirement

Operating working capital requirement increased by €113 million, versus an increase of €152 million in Q1 218. This better performance was achieved, beyond the usual seasonal increase from Q4 to Q1, thanks to a year-on-year improvement in days of sales: in line with our objectives, net working capital requirement was reduced to 117 days of sales, compared to 121 in Q1 2018.

Capex

Capital expenditure was almost stable at (€17) million, compared to (€19) million in Q1 2018.

Free cash flow

As a result, in Q1 2019, the Group generated **a negative free cash flow of (€159) million, corresponding to an improvement of €95 million** compared with (€254) million in Q1 2018.

Net debt and liquidity

As at March 31st 2019, net debt stood at €2,125 million, compared with €1,999 million on January 1st 2019. €59 million were reclassified from net debt to lease debt on January 1st 2019, applying IFRS 16 (cf table on page 13).

As at March 31st 2019, lease debt stood at €137 million including the IFRS 16 (i) reclassification of €58 million previously accounted as net debt and (ii) recognition of €79 million previously reported as operational lease in the "off balance sheet" items.

On February 19th 2019, Sumitomo Corporation contributed in cash to a capital increase of Vallourec Star, a Vallourec's subsidiary in the United States, pro rata its holding percentage (19.47%), for an amount of €51 million.

The Company continues to benefit from a sound liquidity position. Cash as at March 31st 2019 amounted to €1,072 million, and €1,532 million of its €2,128 million committed bank facilities were unused.
At the same date, long term debt amounted to €1,747 million and short-term debt to €1,450 million, including €400 million of private bonds, €102 million of commercial paper and €596 million drawn from the €2,128 million committed banking facilities. Half of the amount drawn from these facilities (€299 million) has been repaid in April.
As a reminder, on February 19th 2019, €600 million bank facilities maturing originally in 2020 were extended to February 2021.

As at March 31st 2019, the banking covenant ratio, as defined in the banking contracts [4] and tested once a year on December 31st, was estimated at 78%. IFRS 16 implementation has no impact on the banking covenant ratio.

[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" which was recorded in net debt on December 31st, 2018 (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.

IV – TRANSFORMATION PLAN

New initiatives, announced in February 2019 and targeting at least €200 million additional gross savings by 2020, are under deployment.

Notably in Q1, the headcount in Germany was reduced by 135 out of the 600 total headcount reduction targeted by 2020, in the frame of the extensive savings action plan which has been launched.

V – MAIN MARKET TRENDS

In 2019, assuming current macro-economic and market conditions, Vallourec anticipates continued market recovery in the O&G market albeit with varying profiles in our key regional areas.

Oil & Gas

- In EA-MEA, the Group should strongly benefit from the increase in activity for Oil & Gas projects, as well as the further deployment of its competitive new routes with in particular a strong backlog in North Sea, South East Asia, Middle East and Africa.
- In North America, following the market slowdown observed in the first part of the year, the second semester could benefit from a positive impact of the recent rebound in WTI prices, potentially counterbalanced by the increased cash discipline from operators.
- In Brazil, drilling activity is expected to remain broadly stable throughout the year.

Industry & Other

- In Europe, a decreasing demand associated with some pressure on prices is currently experienced, in particular in Germany.
- In Brazil, the improved economic outlook should benefit the Industry market. Outlook for the mine is positive, and an extension of its capacity is under study.

Raw materials & currencies

- Scrap costs have stabilized following their strong increase in H1 2018.
- The unfavorable currency impact experienced in 2018 should not replicate in 2019, assuming stable currency levels.

VI - OUTLOOK 2019

Based on current economic and market trends [5], the Group:

- Confirms its anticipation of a continued recovery in the Oil and Gas activity primarily driven by international markets
- Reiterates its targets for 2019, namely:
  - Strong increase in EBITDA, supported by market trends, additional savings as well as ongoing deployment from the Group's new competitive manufacturing routes
  - Continuous improvement in working capital requirement, beyond usual seasonal movements (peak outflow in H1) with a diminishing number of days of working capital requirement on both quarterly average and end of year
  - Capex around €180 million, consistent with the needs of its renewed industrial footprint
- Based on current market trends and on the objectives outlined above, the Group would respect its banking covenant at the end of the year.

[5] Cf paragraph Information and Forward-Looking Statements

Information and Forward-Looking Statements

This press release contains forward-looking statements. These statements include financial forecasts and estimates as well as assumptions on which they are based, statements related to projects, objectives and expectations concerning future operations, products and services or future performance. Although Vallourec's management believes that these forward-looking statements are reasonable, Vallourec cannot guarantee their accuracy or completeness and these forward-looking statements are subject to numerous risks and uncertainties that are difficult to foresee and generally beyond Vallourec's control, which may mean that the actual results and developments may differ significantly from those expressed, induced or forecasted in the statements. These risks include those developed or identified in the public documents filed by Vallourec with the AMF, including those listed in the "Risk Factors" section of the Registration Document filed with the AMF on March 29th 2019.

Presentation of Q1 2019 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/20190516_1/

- To participate in the conference call, please dial (password to use is "Vallourec"):
    - +44 (0) 20 3003 2666 (UK)
    - +33 (0) 1 7037 7166 (France)
    - +1 212 999 6659 (USA)

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

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

May 23rd 2019	Annual Shareholders' Meeting
July 24th 2019	Release of second quarter and first half 2019 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
- Lease debt IFRS 16
- Banking covenant
- Free cash flow
- Cash flow statement
- Definitions of non-GAAP financial data

Sales volume

In thousands of tons	2019	2018	Change YoY
Q1	**571**	515	*11%*
Q2		572	
Q3		583	
Q4		694	
Total	**571**	**2,364**	

Forex

Average exchange rate	Q1 2019	Q1 2018
EUR / USD	**1.14**	1.23
EUR / BRL	**4.28**	3.99
USD / BRL	**3.77**	3.25

Revenue by geographic region

In millions of euros	Q1 2019	*As % of revenues*	Q1 2018	*As % of revenues*	*Change YoY*
Europe	153	*15%*	137	*16%*	*12%*
North America	338	*33%*	279	*32%*	*21%*
South America	167	*16%*	140	*16%*	*19%*
Asia & Middle East	247	*24%*	264	*31%*	*-6%*
Rest of World	120	*12%*	42	*5%*	*186%*
Total	**1,025**	***100%***	**862**	***100%***	***19%***

Revenue by market

In millions of euros	Q1 2019	*As % of revenue*	Q1 2018	*As % of revenue*	*Change YoY*	Q4 2018
Oil & Gas	672	*66%*	491	*57%*	*37%*	737
Petrochemicals	67	*6%*	93	*11%*	*-28%*	84
Oil & Gas, Petrochemicals	**739**	***72%***	**584**	***68%***	***27%***	**821**
Mechanicals	113	*11%*	93	*11%*	*22%*	146
Automotive	31	*3%*	38	*4%*	*-18%*	34
Construction & Other	92	*9%*	49	*6%*	*88%*	55
Industry & Other	**236**	***23%***	**180**	***21%***	***31%***	**235**
Power Generation	**50**	***5%***	**98**	***11%***	***-48%***	**60**
Total	**1,025**	***100%***	**862**	***100%***	***19%***	**1,116**

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Summary consolidated income statement

Q1 2019	Q1 2018	Change YoY	*In millions of euros*	Q4 2018
1,025	**862**	*19%*	**REVENUE**	**1,116**
(857)	(759)	*13%*	Cost of sales*	(910)
168	**103**	*63%*	***Industrial margin***	**206**
16.4%	*11.9%*	*+4.5p.p.*	*(as % of revenue)*	*18.5%*
(93)	(101)	*-8%*	SG&A costs*	(106)
(8)	(7)	*na*	Other income (expense), net	(11)
67	**(5)**	*€72m*	**EBITDA** (6)	**89**
6.5%	*-0.6%*	*+7.1p.p.*	*EBITDA as % of revenue*	*8.0%*
(66)	(70)	*-5%*	Depreciation of industrial assets	(69)
(15)	(9)	*na*	Amortization and other depreciation (7)	(8)
-	(13)	*na*	Impairment of assets	(38)
(5)	(33)	*na*	Asset disposals, restructuring and other	(17)
(19)	**(130)**	*€111m*	**OPERATING INCOME (LOSS)**	**(43)**
(61)	(43)	*42%*	Financial income (loss) (8)	(55)
(80)	**(173)**	*€93m*	**PRE-TAX INCOME (LOSS)**	**(98)**
(8)	-	*na*	Income tax	(3)
(1)	-	*na*	Share in net income (loss) of associates	-
(89)	**(173)**	*€84m*	**NET INCOME (LOSS) FOR THE CONSOLIDATED ENTITY**	**(101)**
(1)	3	*na*	Non-controlling interests	2
(90)	**(170)**	*€80m*	**NET INCOME (LOSS), GROUP SHARE**	**(103)**
(0.2)	**(0.4)**	*€0.2*	**EARNINGS PER SHARE (in €)**	**(0.2)**

IFRS 16 impacts on P&L include:
(6) Removal of operational lease expenses from EBITDA: +€8m
(7) Depreciation of right-of-use: -€7m
(8) Interest expenses on lease debt: -€3m

na = not applicable
(*) Before depreciation and amortization

Summary consolidated balance sheet

Assets	31-Mar 2019 *post IFRS 16*	1-Jan 2019 *post IFRS 16*	31-Dec 2018 *pre IFRS 16*	Liabilities	31-Mar 2019 *post IFRS 16*	1-Jan 2019 *post IFRS 16*	31-Dec 2018 *pre IFRS 16*
				Equity, Group share [9]	1,757	1,802	1,802
				Non-controlling interests	522	462	462
Net intangible assets	69	71	71	**Total equity**	**2,279**	**2,264**	**2,264**
Goodwill	365	358	358	**Shareholder loan**	**30**	**29**	**29**
Net property, plant and equipment	2,753	2,777	2,691	Bank loans and other borrowings (A)	1,747	1,746	1,797
Biological assets	63	60	60	Non current lease debt (D)	110	115	-
Associates	133	134	134	Employee benefits	214	214	214
Other non-current assets	152	156	156	Deferred tax liabilities	17	15	15
Deferred tax assets	259	250	250	Provisions and other long-term liabilities	68	50	50
Total non-current assets	**3,794**	**3,806**	**3,720**	**Total non-current liabilities**	**2,156**	**2,140**	**2,076**
				Provisions	124	136	136
Inventories and work-in-progress	1,197	1,135	1,135	Overdrafts and other short-term borrowings (B)	1,450	993	1,001
Trade and other receivables	714	599	599	Current lease debt (E)	27	30	-
Derivatives - assets	4	3	3	Trade payables	595	582	582
Other current assets	243	216	216	Derivatives - liabilities	42	32	32
Cash and cash equivalents (C)	1,072	740	740	Tax and other current liabilities	321	293	293
Total current assets	**3,230**	**2,693**	**2,693**	**Total current liabilities**	**2,559**	**2,066**	**2,044**
TOTAL ASSETS	**7,024**	**6,499**	**6,413**	**TOTAL EQUITY AND LIABILITIES**	**7,024**	**6,499**	**6,413**

Net debt (A+B-C)	***2,125***	***1,999***	***2,058*** [10]	[9] ***Net income (loss), Group share***	***(90)***		***(502)***

[10] *Net debt of €2,058 million at end of December 2018 includes €59 million of financial lease debt*

Lease debt (D+E)	***137***	***145***	***(*)***	

(*) Cf detailed explanation in Lease debt IFRS 16 page 13

Lease debt IFRS 16

31-Mar 2019 post IFRS 16	Change versus 1-Jan 2019	In millions of euros	1-Jan 2019 post IFRS 16	31-Dec 2018
58	*-€1m*	Financial lease debt (11)	59	**59**
79	*-€7m*	Operational lease (12)	86	-
137	***-€8m***	**Total lease debt (IFRS 16) (13)**	**145**	**-**

(11) Included in Net debt prior to IFRS 16; reclassified to lease debt on January 1st 2019

(12) Operational lease reported in off balance sheet items prior to IFRS 16; recognized as lease debt on January 1st 2019

(13) - New lines items (current & non-current lease debts) identified in the balance sheet under IFRS 16.
- At March 31st, 2019, lease debt of €137 million is split into: Non Current Lease Debt : €110 million
Current Lease Debt € 27 million

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" which was recorded in net debt on December 31st, 2018 (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.

Figures in million euros	31-Mar 2019	31-Dec 2018
Net debt (14)	2,125	2,058
Financial lease debt (included in net debt on Dec 31st 2018)	58	-
Shareholder loan	30	29
Net debt restated (a)	**2,213**	**2,087**
Group Equity	2,279	2,264
Foreign currency translation reserve	559	624
Reserves - changes in fair value of financial instruments	16	8
Group equity restated (b)	**2,854**	**2,896**
Banking covenant ratio = (a) / (b)	**78%**	**72%**

(14) Net debt at December 31st, 2018 includes €59 million of financial lease debt

Free cash flow

In millions of euros	Q1 2019	Q1 2018	*Change*	Q4 2018
Cash flow from operating activities **(A)**	(29)	(83)	*€54 m*	(13)
Change in operating WCR **(B)** [+ decrease, (increase)]	(113)	(152)	*€39 m*	154
Gross capital expenditure **(C)**	(17)	(19)	*€2 m*	(65)
Free cash flow * (A)+(B)+(C)	**(159)**	**(254)**	***€95 m***	**76**

*IFRS 16 impact: €5 million (EBITDA impact of €8 million minus interests on lease debt of €3 million)

Cash flow statement

Q1 2019	Q1 2018	*In millions of euros*	Q4 2018
(29)	(83)	Cash flow from operating activities	(13)
(113)	(152)	Change in operating WCR [+ decrease, (increase)]	154
(142)	**(235)**	**Net cash flow from operating activities**	**141**
(17)	(19)	Gross capital expenditure	(65)
33	13	Asset disposals & other items (15)	(37)
(126)	**(241)**	**Change in net debt [+ decrease, (increase)]**	**39**
2,125	1,783	Financial net debt (end of period) (16)	2,058

(15) On February 19th 2019, Sumitomo Corporation contributed in cash to a capital increase of Vallourec Star, a Vallourec's subsidiary in the United States, pro rata its holding percentage (19.47%), for an amount of €51 million

(16) - Financial lease debt (€58m as at March 31st 2019) previously included in the net debt is now recognized under lease debt (IFRS 16).

- Net debt of €1,999 million at January 1st, 2019

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 shareholder loan in Brazil and the “financial lease debt” which was recorded in net debt on December 31st, 2018 (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.

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, starting January 1st, 2019, is 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. Starting January 1st, 2019 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).