Verallia
Public limited company with a share capital of €400,171,523.96
Registered Office: 31 Place des Corolles, Carpe Diem Tower, North Esplanade, 92400 Courbevoie, France
Registered in the Nanterre Trade and Companies Register under number 812 163 913

UNIVERSAL REGISTRATION DOCUMENT

The French version of the Universal Registration Document was approved by the French Financial Markets Authority (*Autorité des marchés financiers* - *AMF*) on 29 April 2020, as the competent authority under Regulation (EU) 2017/1129.

The AMF approves this document after verifying that the information contained in it is complete, consistent and comprehensible. The Universal Registration Document has the following approval number: R. 20-006

Such approval should not be considered as a favourable opinion on the issuer covered by the Universal Registration Document.

The Universal Registration Document may be used for the purpose of offering to the public financial securities or for the admission of financial securities to trading on a regulated market if it is supplemented by a securities note and, where appropriate, a summary and its supplement(s). The package thus formed is approved by the AMF in accordance with Regulation (EU) 2017/1129.

It is valid until 29 April 2021 and, during that period and at the latest at the same time as the securities note and under the conditions of Articles 10 and 23 of Regulation (EU) 2017/1129, must be completed by a supplement to the Universal Registration Document in the event of significant new developments or material errors or inaccuracies.

This document is a free translation of Verallia's *document d'enregistrement universel* dated 29 April 2020, publicly available, in its original French version, at www.amf-france.org and www.verallia.com. This translation is provided for your convenience only. In the event of any ambiguity or conflict between the corresponding statements or other items contained herein, the French language d*ocument d'enregistrement universel* shall prevail.

Copies of this Universal Registration Document are available free of charge from Verallia, 31 place des Corolles, Carpe Diem Tower, Esplanade Nord, 92400 Courbevoie, France and on the websites of Verallia (www.verallia.com) and the French Financial Markets Authority (www.amf-france.org).

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GENERAL COMMENTS

*Verallia S.A., a French public limited company (*société anonyme*), with share capital of €400,171,523.96, registered at 31 Place des Corolles, Tour Carpe Diem, Esplanade Nord, 92400 Courbevoie, France, under the identification number 812 163 913 (Nanterre Trade and Companies Register) is referred to as the "Company" in this Universal Registration Document. The term "the* ***Group****" used herein, unless otherwise stated, refers to the Company, its subsidiaries and its direct and indirect equity interests.*

"Apollo" refers to certain investment funds advised by Apollo Global Management Inc. and/or its subsidiaries.

This Universal Registration Document contains information on the outlook and growth vectors for the Group. This information is sometimes identified by the use of the future tense, the conditional mood and forward-looking terms, such as "consider", "plan", "think", "have the objective", "expect", "intend", "should", "aim", "estimate", "believe", "wish", "could" or, as applicable, the negative form of these terms or any other variant or similar terminology. This information is not historical data and must not be interpreted as guarantees that the facts and data set forth will occur. This information is based on data, assumptions and estimates that the Group believes are reasonable. They may change or be modified because of uncertainties related, for example, to the economic (in particular due to the consequences of the Covid-19 pandemic), financial, competitive or regulatory environment. Moreover, the occurrence of certain risks described in Chapter 3 "Risk Factors" of this Universal Registration Document could have an impact on the activities, financial position and the results of the Group and its ability to achieve its objectives.

Investors are invited to carefully consider the risk factors described in Chapter 3 "Risk Factors" of this Universal Registration Document. The realisation of all or some of these risks could have a significant unfavourable impact on the Group, its activity, its financial position, its results or its outlook. Moreover, other risks not yet identified or not considered material by the Group could have the same adverse impact.

This Universal Registration Document contains information about the Group's markets and its competitive positions, including information on the size and growth outlook of these markets and the Group's market share. In addition to the estimates made by the Group, the items on which the Group's declarations are based come from studies and statistics of third party organisations (see Section 1.3 "Information from third parties, expert declarations and declarations of interest" in this Universal Registration Document) and from professional organisations or even from data published by competitors, suppliers and customers of the Group. Some information contained in this Universal Registration Document is publicly available information that the Company believes is reliable, but that has not yet been verified by an independent expert. The Company cannot guarantee that a third party using different methods to collect, analyse or calculate the data on the business segments would obtain the same results. The Company makes no commitment and no guarantee as to the accuracy of this information. It is possible that this information is incorrect or is no longer up to date. The Group makes no commitment to publish updates of this information except in the context of any legal or regulatory obligation to which it is subject.

Certain calculated data (including data expressed in thousands or millions) and percentages presented in this Universal Registration Document have been rounded. In that case it is possible that the total presented in this Universal Registration Document may present insignificant differences with the totals that would have been obtained by adding the exact values (not rounded) of these calculated data.

In this Universal Registration Document, except where otherwise indicated, a reference to the Southern and Western European market or the Latin American market, as applicable, should be understood as a reference to the corresponding operational segment, i.e., the operating segment of, respectively, (i) Southern and Western Europe, consisting of the production sites located in France, Italy, Spain and Portugal, and (ii) Latin America, composed of the production sites located in Brazil, Argentina and Chile. References to the Northern and Eastern Europe market include Germany, Russia and Ukraine, excluding Poland.

A glossary providing the definitions of the main technical terms and financial aggregates used herein appears at the end of this Universal Registration Document.

1. PERSONS RESPONSIBLE, INFORMATION FROM THIRD PARTIES AND EXPERT REPORTS

1.1 Person responsible for the Universal Registration Document

Michel Giannuzzi, Chairman and Chief Executive Officer of the Company

1.2 Declaration by the person responsible for the Universal Registration Document

"I declare, after having taken all reasonable measures to this effect, that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission that might affect its scope.

I certify, to my knowledge, that the accounts are drawn up in accordance with the applicable accounting standards and give a faithful picture of the assets, financial position and results of the company and of all the companies included in the consolidation, and that the information included in this Universal Registration Document that falls within the management report of the board of directors listed in the concordance table in Annex IV of this Universal Registration Document presents a faithful picture of the evolution of the business, the results and financial position of the Company and all the companies included in the consolidation and a description of the main risks and uncertainties they face."

In Courbevoie, on 29 April 2020

Michel Giannuzzi,
Chairman and Chief Executive Officer

1.3 Third-party information, experts' reports and declarations of interest

This Universal Registration Document contains information about the Group's markets and its positioning in these markets, including information on the size of these markets, the competitive environment and dynamics, and the outlook for growth in these markets. In addition to the estimates made by the Group, the elements on which the Group has based its statements herein come primarily from a market study conducted in connection with the Company's initial public offering by Advancy at the Company's request, and from studies and statistics published by independent third parties and professional organisations and from data published by the Group's competitors, suppliers and customers.

To the Company's knowledge, the information taken from third-party sources has been faithfully reproduced in this Universal Registration Document, and no fact has been omitted that would make this information incorrect or misleading. The Company cannot, however, guarantee that a third party using different methods to collect, analyse or calculate the data on these markets would obtain the same results.

2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 Statutory Auditors

PricewaterhouseCoopers Audit
Member of the Compagnie régionale des Commissaires aux comptes de Versailles
Represented by Itto El Hariri
63, rue de Villiers
92200 Neuilly-sur-Seine, France

Appointed by the Articles of Association of the Company on 18 June 2015 for a term of six years, which is until the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019.

BM&A
Member of the Compagnie régionale des Commissaires aux comptes de Paris
Represented by Gilles Rabier
11, rue de Laborde
75008 Paris, France

Appointed by decision of the sole shareholder on 24 July 2019 for a term of six years, which is until the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2024.

2.2 Alternate Statutory Auditors

Jean-Christophe Georghiou
Member of the Compagnie régionale des Commissaires aux comptes de Versailles
63, rue de Villiers
92200 Neuilly-sur-Seine Cedex, France

Appointed by the Articles of Association of the Company on 18 June 2015 for a term of six years, which is until the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019.

3. RISK FACTORS

Before proceeding with an investment in shares of the Company, investors are invited to examine all of the information contained in this Universal Registration Document, including the risk factors described below. At the date of this Universal Registration Document, these risks are those that the Company believes could have a material adverse effect on the Group, its business, financial position, results or outlook, and that are material to its investment decisions. The attention of investors is nonetheless drawn to the fact that the overview of risks presented in Section 3 of this Universal Registration Document is not exhaustive and that other risks, unknown or not considered herein at the date of this Universal Registration Document and that could have a material adverse effect on the Group, its business, financial position, results or outlook, may or could exist or arise.

This chapter presents the principal risks that could, on the date of this Universal Registration Document, impact the business, financial position, reputation, results or the outlook of the Group, as identified primarily in the preparation of the Group's major risk mapping, which assesses their criticality, that is, their seriousness and probability of occurrence, after taking into account the action plan put in place. Within each of the risk categories described below, the risk factors that the Company considers to be the most material on the date of this Universal Registration Document (identified with an asterisk) are described first.

3.1 Risks related to the business sector of the Group

3.1.1 Risks related to changes in demand for glass packaging*

The Group's business consists of producing glass packaging used for the packaging of liquid or solid food products for everyday or occasional consumption intended for private individuals.

Demand for glass packaging may be affected by factors such as changing consumption patterns, which in turn are influenced by changing lifestyles, food preferences, legislative or sociological developments, or public health and safety considerations. The COVID-19 pandemic, in particular with respect to its potential consequences on the Group's supplies or on consumption in the affected regions (in particular, as of the date of this universal registration document, Asia, Europe and the United States); the long-term decline in wine consumption in mature markets (in France, for example); the prohibition, in certain European countries, of glass containers in certain places open to the public; anti-corruption measures taken in China, which have reduced demand by the Group's customers for wine and spirits bottles; or measures taken in Russia or Ukraine to reduce alcohol consumption, could, for example, have an adverse impact on demand for the Group's products. Moreover, the establishment or increase of customs tariffs and other trade restrictions by some countries (due in particular to the COVID-19 pandemic) could generally cause a slowdown in demand for glass packaging, which could have an adverse effect on the Group's customers' business, leading in particular, to a decrease in their orders from the Group. In addition, demand for glass packaging, currently driven in particular by the health benefits attached to glass, could be affected by competition from other types of packaging, such as aluminium, steel or plastic packaging, or other food packaging methods, such as bulk packaging, due to changing consumer habits linked to regulatory or environmental considerations, for example (see Section 3.1.5 "*Risks related to competition from manufacturers of other types of packaging and a possible substitution of glass packaging by other materials*"). Finally, the development of deposit glass packaging[1] to encourage the reuse of packaging returned by consumers, as is the case in Germany, could result in reduced use of new packaging and thus have an adverse effect on the Group's activities. Changes in the levels and consumption habits of individuals regarding glass products marketed by the Group's customers could thus have the effect of reducing demand for glass packaging, which could have a material adverse effect on the Group's business, results, financial position and outlook.

[1] The deposit is an additional sum of money paid by the consumer for the packaging, and is reimbursed when the packaging is returned to the store.

Demand for glass packaging may also change due to the seasonal nature of some of the glass products sold by the Group's customers, or to weather and climate conditions, particularly in Europe. Demand for glass packaging is typically stronger in the first six months of the year, which generally has the effect of generating higher revenue in the first half than in the second half of a given year (during the six-month period ended 30 June 2019, the Group recorded consolidated revenue of €1,329.4 million, or 51.4% of the consolidated revenue recorded for the year ended 31 December 2019). In practice, customers generally place their orders during this period in order to anticipate the increase in demand for their products, such as beer and rosé wine, experienced in summer. High temperatures can therefore have a positive effect on the Group's activities, as an increase in demand for products sold by its beverage producing customers will result in them buying more glass packaging. Conversely, abnormally low temperatures during the summer may result in a reduction in demand for certain beverages contained in packaging sold by the Group, resulting in a reduction in orders from its customers. The seasonal nature of some of the products offered by the Group could therefore have a material adverse effect on the Group's business, financial position, results and outlook.

In addition, weather and climate hazards can affect agricultural harvests, thus impacting the demand for glass packaging. Long-term climate changes observed globally in recent years and their consequences (such as intense heat waves, hail or the appearance of new insects in some areas) have had and could have a negative impact on agricultural yields in the future. As such, the wine production sector, as well as fruit and vegetable production, have observed a decline in crop yields in recent years, due to short- or long-term seasonal trends resulting from these climatic changes, as was the case in Spain, which was affected by droughts in 2018. Finally, bacteria can contaminate certain fruits and vegetables, thus affecting agricultural, viticultural or olive yields, as was the case for olive trees in Italy in 2018, affected by the *xylella fastidiosa* bacteria, which had an impact on olive oil production volumes and in 2019, the "*tomato brown rugose fruit virus*" (TOBRFV), which renders tomatoes unmarketable, has spread in France (after Germany and the south of Italy in 2018). These events, which have an impact on the volumes produced by the Group's customers, could thus reduce demand for certain of the Group's products and have a material adverse effect on the Group's business, financial position, results and outlook.

Finally, the Group's business is generally sensitive to changes in the economic environment. Most of the Group's production is destined for Europe and Latin America (which are also the Group's manufacturing areas), as well as, indirectly, through its customers' exports, for Asia, a region where wine and spirits are consumed substantially, and the United States. Any significant economic slowdown or recession in one of these geographical areas is likely to have a downward impact on the consumption of the Group's products and/or their selling price and, consequently, to have a material adverse effect on the Group's business, financial position, results and outlook. Sensitivity to changes in the economic environment is more pronounced for occasional consumer products, particularly spirits and champagne, which generally command higher margins, than for everyday food products and/or essential food for daily consumption, for which the Group produces packaging, which are less affected by economic cycles than consumption as a whole. In addition, the effects of unfavourable economic conditions may have a greater impact on producing countries than on consuming countries (for example, exports of champagne and spirits by companies based in France). For example, between 2008 and 2009, the Group recorded a significant decline in its European revenue of around - 8%, due to the reduction in volumes as a result of weak demand, impacted by the economic crisis. In addition, between 2012 and 2013, the Group recorded a drop of around - 3% in its European sales, primarily driven by a decrease in volumes against a backdrop of substantial available capacities and economic crisis, and the resulting stiffer competition on prices.

In addition, the Covid-19 pandemic should have a significant negative impact on the global economy in 2020; the global economy should record a strong recession of 3% in 2020, including -7.5% for Euro zone countries and -7.2% for France[2]. In this context, the Group has, on 7 April 2020, withdrawn its annual financial objectives for the 2020 financial year (see chapter 11 of this Universal registration document).

[2] *International Monetary Fund, World Economic Outlook, April 2020.*

If the current economic situation in the markets where the Group operates or is trying to gain a foothold were to continue to deteriorate, particularly in Europe, this could thus have a material adverse effect on its business, financial position, results and outlook.

3.1.2 Risks related to changes in energy costs*

The Group's manufacturing activities are highly energy-intensive, particularly for natural gas, electricity and fuel oil, as the furnaces used to produce glass must operate continuously at very high temperatures. For the year ended 31 December 2019, energy costs represented 19% of the Group's cost of sales. An increase in energy costs would therefore result in an increase in the manufacturing costs of glass packaging, as well as in transport costs (for sales and for purchases). Given the very nature of glass packaging and the materials necessary for its manufacture (sand and cullet), the cost of transport (for sale and purchase) represents a significant part of the final price of this packaging and is itself affected by the cost of fuel. The cost of energy rose by 6.7% during the year ended 31 December 2019, and significantly impacted the Group's cost trends during this period.

Most of the sales contracts entered into by the Group are concluded for a period of one year, which can be renewed upon the agreement of the parties, and do not include price adjustment clauses that automatically pass on a portion of energy cost increases or decreases to sale prices. The impact of the Group's production cost increases is therefore subject to commercial negotiations with customers when orders are placed or when contracts are renewed annually, and by consequence such increases may be more or less delayed in time or only partially passed on, if they can be passed on at all. Moreover, and even for the limited part of sales covered by contracts with price revision clauses (generally multi-year contracts concluded with the Group's most significant customers) that provide the Group with a contractual basis for the annual renegotiation of its sales prices, there often is a period of several months during which the Group's margins may be negatively affected in the event of an increase in energy costs, or positively affected in the event of a decrease in energy costs, due to the time lag between purchases of natural gas, electricity and fuel oil and sales to Group customers (see Section 7.1.2.3 "*Changes in prices for raw materials and energy*" of this Universal Registration Document). For all of the above reasons, the Group cannot guarantee that it will be able to pass on all of these cost increases instantaneously and in full during these negotiations. Moreover, the above price revision clauses may also require the Group to reduce its sale prices in the event of a decrease in energy costs.

Apart from purchases of energy at a fixed price, negotiated, where applicable, directly with suppliers by the purchasing department, the Group has set up transactions to hedge part of the risks linked to energy costs in the event that contractual adjustment mechanisms could not be provided. This applies to most of the sales contracts concluded by the Group (see Section 3.6.2.2 "*Management of operational risks*" of this Universal Registration Document). However, it cannot guarantee that these mechanisms and hedges, which themselves represent a cost for the Group, will fully cover the additional costs generated by future increases in natural gas, electricity or fuel oil prices; they mainly depend on the Group's underlying assumptions on cost changes. Although these hedges offer short-term protection against fluctuations in natural gas, electricity and fuel oil prices, they do not mitigate the long-term effects of structural worldwide energy price increases during periods of growth. Finally, in case of an unforeseen decrease of energy prices, in particular in the current context of significant decrease in oil prices, hedges implemented by the Group against a potential increase of energy prices could represent a cost for the Group, by depriving it from the opportunity to benefit from the price decrease.

Thus, any significant increase and/or volatility in the price of natural gas, electricity or fuel oil could have a material adverse effect on the Group's business, results, financial position and outlook.

Finally, some of the Group's subsidiaries, notably in Germany and Italy, have received energy cost subsidies from local authorities, mainly in the form of discounts on energy taxes applicable in the relevant countries (see Section 9.1.2 "*Regulations relating to the glass industry*" of this Universal Registration Document). These subsidies could be called into question, in particular due to the application of European rules on state aid. If that were to occur, the Group's energy costs in the relevant countries, such as Germany and Italy, could increase, which could have a material adverse effect on the Group's business, financial position, results and outlook.

3.1.3 Risks related to changes in the price of raw materials*

The Group's manufacturing processes also use a large amount of raw materials for the manufacture of glass. These raw materials include varying amounts of glass sand, limestone, natural and synthetic soda ash, and cullet (recycled glass), depending on the products manufactured. During the year ended 31 December 2019, purchases of raw materials represented 28% of the Group's total purchases. At the date of this Universal Registration Document, the Group has not entered into any hedges on raw materials.

In recent years, the market for cullet has experienced an imbalance between supply and demand, which has contributed to a significant price increase. However, the price of cullet, having accounted for almost half of the Group's commodity purchases during the year ended 31 December 2019, remains highly variable from one geographic region to another. In Southern and Western European countries, the cullet market in Germany, Spain and Italy in particular experienced difficulties due to pressure on collection or on available processing capacity, as applicable. The price of cullet moreover varies widely from one region to another, due to regulatory and financial disparities in the collection and recycling of used glass and the distance of cullet supply centres from production sites. New glass collection and recycling regulations could have a major effect on cullet availability and its cost for the Group. Lastly, if the Group were unable to obtain sufficient supplies of cullet, or if cullet prices were to significantly increase, a higher proportion of soda ash would be required for the Group's glass production, which would increase energy costs as the melting temperature of soda ash is higher than that of cullet.

Although the Group includes price revision clauses in certain commercial contracts that take into account, directly or indirectly, changes in raw material costs, most of its commercial contracts do not. The impact of the Group's production cost increases is therefore subject to commercial negotiations with customers when orders are placed, or when contracts are renewed annually, and consequently may be more or less delayed in time or only partially passed on, if it can be passed on at all. As a result, any significant increase in the price of raw materials used by the Group to make glass or cullet could have a material adverse effect on the Group's operations, profits, financial position and outlook. During the year ended 31 December 2019, the cost of raw materials rose 0.9%.

3.1.4 Risks related to significant costs to comply with applicable environmental, public health and safety regulations*

The Group operates in a restrictive legislative and regulatory environment with respect to environmental protection, public health and safety. These rules, which differ from country to country, include pollution prevention, treatment of industrial discharges of all kinds (including gases and effluents), control of industrial sites and their operating conditions, their possible remediation (in particular soil), the treatment of packaging waste, noise pollution, production, storage, handling, transport and treatment of hazardous waste, dust and fumes, and, more generally, public health and food safety. An overview of the main regulations to which the Group is subject is provided in Chapter 9 of this Universal Registration Document.

In particular, as a result of changes in legislation or case law, the Group may also have to deal with increasing claims by employees who have contracted diseases that could be related to its activities (such as, for example, the use by the Group, in the past, of asbestos elements to protect its employees and equipment from heat) (see Section 3.2.12 "*Risks related to occupational health and safety*" and Section 18.5 "*Legal and arbitration proceedings*" of this Universal Registration Document). In addition, the Covid-19 pandemic creates a new framework for the assessment of health risks and reinforce the safety and health prevention obligations towards employees, increasing the risk of legal actions that the Group may have to face.

In addition, the glass sector is subject to standards for atmospheric emissions of carbon dioxide, nitrogen oxide and sulphur oxide. The Group's activities also require numerous permits and authorisations in various fields, including those relating to the environment, safety and public health, such as operating permits, wastewater discharge permits, water abstraction permits and authorisations for the transportation and disposal of hazardous waste, which are subject to renewal, modification, suspension and possible revocation by administrative and governmental authorities. In the current context of sanitary crisis related to the Covid-19 pandemic and in light of confinement measures implemented by public authorities in some of the countries where the Group operates, the time for obtaining these authorisations by administrative and governmental authorities might be significantly longer, which could have an impact on the granting of operating authorisations, or even delay the starting of furnaces under construction or reconstruction. In addition, in some countries, and although it is not the case as of the date of this universal registration document, the Group could be required by administrative and governmental authorities to close its production sites, pursuant to containment measures which would apply to the Group's activities.

Thus, the Group has incurred, and will continue to incur, significant costs (both capital and operating expenses) to meet current legal and regulatory requirements and it is likely that these costs will increase significantly in the future. In addition, increased attention by public authorities to potential nuisances from production sites located near urban areas or protected areas could require the Group to incur additional capital expenditure in order to, for example, outfit its sites with quieter machines and invest in specific building insulation systems.

The Group, as an operator of glass-producing sites, which by its very nature emit carbon dioxide (in 2019, the Group emitted 0.510 tons of carbon dioxide per tonne of good glass[3], or tonnes of packaged glass, scope 1 and scope 2[4] (See the Non-Financial Performance Statement attached to this Universal Registration Document)), is subject to increasingly stringent limits on carbon dioxide emissions, in particular, as a result of growing concerns about the impact of carbon dioxide emissions on climate control (see Chapter 9, "*Legislative and Regulatory Environment*" and Section 3.5.1, "*Regulatory risks, including Environmental risks, and its evolution*" of this Universal Registration Document).

The Group's industrial sites use large amounts of water to cool their facilities and the Group is therefore also exposed to the risk of water shortages in certain regions where there may be situations of increased water stress, such as in particular the production sites in Vicsa, Seville and Montblanc, Spain, and Rosario, Chile. If legislative and/or regulatory changes were to occur in this domain, these changes could require the Group to make significant investments.

If the Group is unable to meet the regulatory requirements that are applicable to its activities, fails to obtain or retain the necessary authorisations and permits for its activities, if it was no longer able to operate these sites in satisfactory economic terms, or if it is subject to civil and/or criminal liability in environmental, safety or public health matters, this situation could damage the Group's reputation and lead it to incur significant costs (including costs for restoring, shutting down or closing facilities), criminal or administrative sanctions and compensation for damage caused to third parties, to its employees or to the environment, which could have a material adverse effect on its business, results, financial position and outlook.

3.1.5 Risks related to competition from manufacturers of other types of packaging and a possible substitution of glass packaging by other materials*

The Group competes against manufacturers of other types of packaging, which differ according to market segment. These are mainly manufacturers of aluminium and steel cans in the beer and soft drinks market;

3 One tonne of good glass, or tonne of packed glass corresponds to one tonne of drawn glass as measured at the furnace's exit after taking into account production losses related in particular to the shutdown of furnaces or other equipment for maintenance or quality issues.

4 "Scope 1" corresponds to direct emissions, i.e. CO_2 emissions within the physical boundaries of the plant, related to carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion). "Scope 2" corresponds to indirect emissions, i.e. emissions related to the electricity consumption necessary for the plant's operation.

rigid or flexible plastic packaging (bags), including polyethylene terephthalate ("**PET**") packaging in the water and soft drinks market; aseptic carton packs in the juice and milk market; and "bag-in-box" in the wine market. Furthermore, glass packaging may compete with other forms of food packaging (draught beer, coffee capsules, individual dispensers, bulk, etc.).

In mature markets such as Western Europe, glass packaging manufacturers have thus faced, and continue to face, competition from other forms of packaging, which is more or less pronounced depending on the relevant markets. In these regional markets, this competition has been reflected, since the 1970s, by a gradual decline in demand for the Group's products, particularly those relating to beer, soft drinks, fruit juices and mineral waters. In France, in the past decade the Group's wine packaging activities have been affected by a substitution of bottles for the bag-in-box (over the 2008-2018 period, the penetration rate of bag-in-box against glass material for packaging wine increased from 19% in 2008 to 41% in 2018). This competition, combined with competition from the Group's direct competitors (see Sections 3.2.1 "*Risks related to the balance between supply and demand and the adaptation of manufacturing facilities*" of this Universal Registration Document), has caused in the past (most recently, for the years 2012 and 2013, glass packaging sales volumes in Europe[5] decreased by -2.2% and -0.4%, respectively), and could cause in the future, excess capacity in certain countries, and consequently price decreases for the sector, for various durations.

Factors that may favour the substitution of glass packaging for other forms of packaging include: the respective prices of the different types of packaging, the availability of the types of packaging in sufficient quantity and the respective advantages of the different types of packaging as perceived by customers and final consumers.

Glass material is valued by customers for its environmental benefits, in particular its full recyclability, health benefits and ability to preserve flavours (see Section 5.5 of this Universal Registration Document). However, this advantage could be eroded by technological advancements and investments by manufacturers of non-glass packaging. Consequently, the Group cannot guarantee that consumer preference will not shift to new materials.

In particular, a material such as plastic is generally perceived as lighter than glass. In response to the growing demand from the Group's customers for lighter packaging, in particular to reduce their logistics costs, the Group has developed the products in its ECOVA range, which are lighter than conventional glass packaging, but it cannot guarantee that its customers will not prefer a material such as plastic in the future.

Some of the Group's customers have in the past opted for the use of non-glass packaging for their products, particularly in the market for certain food products and in certain beer segments, due to changes in lifestyles or for other reasons (including marketing), and may in the future opt to promote the use of such packaging by consumers in certain markets. A significant diversion of customer or consumer interest in glass packaging could lead to a significant decrease in sales and/or prices of glass packaging, which could have a material adverse effect on the Group's business, results, financial position and outlook.

3.1.6 Risks related to customs barriers

Although exports of the Group's products represent a limited portion of its revenue, a growing proportion of its customers, particularly wine and spirits producers in France, Italy and Spain, derive a significant portion of their revenue from their exports, which has contributed to the Group's revenue growth over the past three financial years. The volume of exports should be impacted by the Covid-19 pandemic, in addition to the cost of exports depending mainly on the applicable customs tariffs. Therefore, the introduction of borders shutdowns, due to the pandemic, or increase of customs barriers and other trade restrictions by certain countries could cause a slowdown in world trade in general and in particular a decrease in export volumes. This could have an adverse effect on the business of the Group's customers,

[5] Comprises the 28 member countries of the European Union, plus Switzerland and Turkey.

particularly if their products were to be targeted by such measures, resulting in a decrease in their orders with the Group. For example, the US government recently increased tariffs on products from certain sectors and countries which spurred retaliatory increases in tariffs by the affected countries on imports from the United States. In addition, following the World Trade Organization's decision to authorise the United States to tax certain exports from European countries in compensation for damage to the country in respect of subsidies granted to certain European companies, on 2 October 2019, the US authorities decided to impose additional tariffs of 25%, affecting, inter alia, still wines from France and Spain. These measures have been effective since 18 October 2019; the US authorities could change the amount and scope of these tariffs. In addition, following an investigation by the United States Trade Representative office, which concluded that the French digital services tax ("GAFA Tax") was detrimental to US companies. the US administration announced in December 2019 that it was planning to apply a 100% super tax on French products, including sparkling wine. However, this tax proposal must be endorsed by the President of the United States before sanctions can be applied.

Moreover, the absence of an agreement between the European Union and the United Kingdom following its exit from the European Union on 31 January 2020, could result in an increase in the tariffs applied to exports of the Group's customers to the United Kingdom. An increase in customs barriers could also lead to an increased use of packaging methods other than glass, for which the applicable customs tariffs would be lower, in particular due to the lower weight of the goods, which could lead to a decrease in demand for glass packaging. If the aforementioned risks were to materialise, this could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2 Risks related to the Group's operations

3.2.1 Risks related to the balance between supply and demand and the adaptation of the manufacturing facilities*

The Group's business in its regional markets depends on the balance between glass packaging production capacity on the one hand and the volume of demand for such packaging on the other. This relationship between production capacity and volume of demand is particularly relevant for the Group at the regional level, as the cost of transporting glass packaging often renders it difficult to transfer excess capacity from one market to another when the markets involved are distant.

The addition of new production capacity in a given market, against a background of strong competition between container glass producers, can result in an imbalance between a sudden increase in supply and a more gradual increase in demand. Such imbalance may also be caused by a sudden drop in demand, due in particular to unforeseeable events such as the Covid-19 pandemic, or an increase in demand that is below the Group's or its competitors' forecasts. Coupled with the essentially regional nature of the Group's markets, the occurrence of such events may result in downward pressure on prices in the market in question until demand adjusts to supply, which could have a material adverse effect on the Group's commercial and financial performance, its results and outlook. The 2012 and 2013 financial years in particular were marked by significant available capacity on the market, with supply exceeding demand in certain regions, following a decrease in glass packaging sales volumes in Europe[6] of -2.2% and -0.4%, respectively.

On the other hand, some events can result in a rapid and significant increase in demand for packaging. However, the Group's industrial organisation (non-stop work over five shifts, 365 days a year) limits the ability to immediately adapt supply to more volatile demand. Moreover, additional capacity requires a large investment and takes considerable time to install and start up. The German wine production market thus experienced a shortage of glass packaging at the beginning of 2019 due to capacity constraints. In addition, the 2017, 2018 and 2019 financial years saw available capacity squeezed in Spain and in Italy, (where there had been strong growth) which led to demand exceeding supply. In order to meet demand, the Group began the construction of a new furnace in Azuqueca, Spain, and in Villa Poma, Italy, in 2019, which should be operational in 2020, subject to the impact that the Covid-19 pandemic could have on the

[6] Comprises the 28 member countries of the European Union, plus Switzerland and Turkey.

glass packaging market and the construction works relating to these furnaces, for which the start schedule will be adapted to demand on markets they have to serve which is, as of the date of this universal registration document, subject to the impact of the consequences of the Covid-19 pandemic (see Sections 3.1.1 and 5.7 "*Investments*" of this Universal Registration Document). The temporary inability to satisfy a sudden increase in demand for glass packaging could cause some of the Group's customers to substitute other types of packaging for their products from the Group's competitors, or result in new conditions that could favour the export of competing products by competitors located in border areas. Such events could therefore have a material adverse effect on the Group's business, results, financial position and outlook.

In addition, cyclical situations where demand for glass packaging exceeds supply (or is perceived as such and therefore generates demand for precautionary storage) may occasionally favour the Group's business. However, such situations could be only temporary and could turn around abruptly as customers deplete downstream inventory, new production capacity is brought on line, or demand drops off. Such events could have a material adverse effect on the Group's business, financial position, results and outlook.

Lastly, the Group may have to resize, upwards or downwards, its industrial base in certain regions in order to adapt to these significant changes in supply or demand. These fluctuations could lead the Group to temporarily or permanently shut down certain furnaces or plants, which could entail significant costs. In case of an anticipated significant increase in demand relative to supply or a lack of production capacity, such as due to repairs, the Group may instead build up stocks as a precautionary measure. In order to increase its production capacity, the Group would need to expand certain facilities or commission new furnaces, which usually takes 18 to 24 months. In these cases, the resized manufacturing facilities may no longer be adapted to the then-applicable market conditions, or demand may no longer be as high as when the expansion or commissioning of new furnaces began.

Such upward or downward resizing of manufacturing capacity could, if it does not enable the Group to adapt to changes in supply and demand, have a material adverse effect on its business, financial position, results and outlook.

3.2.2 Risks related to the implementation of the operational excellence programme of the Group*

As part of its industrial strategy, the Group has implemented an operational excellence programme for the last several years (see Section 5.3.2 of this Universal Registration Document), which has been significantly strengthened with the deployment of the Verallia Industrial Management (VIM) 2.0 initiative, applied since the beginning of 2018, which focuses on security, quality, industrial performance, reduction of production costs, (in particular due to the implementation of the Performance Action Plan (PAP) to improve industrial performance), and team management. This programme has helped the Group to significantly improve its profitability, as the implementation of these initiatives has also led to a decrease in cash production costs[7], amounting to €44 million for the year ended 31 December 2019, which had a positive impact on the Group's adjusted EBITDA (see Section 7.2.9 "*Adjusted EBITDA*" in the Universal Registration Document). The Group intends to continue to implement this plan in support of its development strategy and the achievement of its mid-term objectives set out in Chapter 10 of this Universal Registration Document.

The Group may not be able to implement this plan within the timeframe and in accordance with the terms initially planned, or may not derive the benefits initially expected from it, which could have a material adverse effect on its business, financial position, results and outlook.

Moreover, if the Group were unable to achieve certain of the objectives set under this plan, it could encounter difficulties in maintaining its competitive position and effectively managing its production costs, which could have a material adverse effect on its business, financial position, results and outlook. In addition, the Group could face risks related to the results of the transformations induced by this plan,

[7] Production costs excluding commercial, general and administrative costs, transport costs, depreciation and amortisation and provisions for claims.

such as an unexpected and temporary decline in the performance of its production processes. Finally, the initiatives put in place and their results, in particular cost reductions, may not be sustainable. The occurrence of any of the events described above could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.3 Risks related to the operation of industrial sites*

The Group's manufacturing processes involve working molten materials at very high temperatures, using heavy machinery and equipment. These production processes entail risks such as industrial accidents, molten glass spillage and explosions, fires and environmental hazards such as accidental releases of polluting or hazardous products – including their fumes. Such events may cause unforeseen interruptions in the Group's activity, the total or partial destruction of its facilities, environmental pollution or even personal injury or the death of Group employees and/or local residents (despite the expertise brought for the design and operation of these furnaces and facilities) as a result of human errors, equipment failures, defects or malicious acts, terrorism or exceptional events such as the Covid-19 pandemic or *force majeure*.

Those risks are aggravated for sites exposed to an increased risk of natural disasters (in particular droughts, fires, flooding or earthquake).

For example, the partial collapse of a furnace vault in 2019 at the Kamyshin site in Russia, resulted in a repair cost of approximately €0.2 million for the Group and required the production to be interrupted for about 20 days; and the furnace fire at the Chalon-sur-Saône site, France, partially damaged the fibrocement roof.

Such events, particularly if they concerned sites operated by the Group near urban areas (such as in Chalon-sur-Saône, France), could subject the Group to legal proceedings brought against it by potential victims for damages and/or result in penalties.

In addition, the operations and results of the Group depend on its ability to maximise the utilisation of its industrial tool, in order to achieve the optimal production level. The production processes of the Group feature high fixed production costs and a continuous production requiring heating furnaces at high temperatures 24 hours a day.

Prolonged interruptions of supplies of energies (for example: gas, electricity, fuel) or materials necessary for the supply of furnaces (for example: sand, soda ash, cullet) can lead to the deterioration, or even the loss of the production tool.

Some of the geographical zones in which the Group operates such as Latin America, Ukraine and Russia are subject to frequent energy supply shortfalls (notably electricity), which could lead to a shut-down of furnaces and thus a halt in production. Argentina experiences frequent power outages, especially during winter.

In addition, due to the Covid-19 pandemic, some production sites of the Group could experience difficulties for their supplies in raw materials. Since the beginning of the containment measures in Europe, the Group has been forced to limit the production of some of its sites in this geographical zone due in particular to the local circulation restriction or containment measures or requests of withdrawal rights of some of its employees. Generally, due to the circulation restriction measures related to the sanitary crisis, the Group's employees could no longer have access to the production sites.

Any interruption in the production process is likely to cause loss of revenue for the Group while continuing to incur fixed costs, prevent the Group from fulfilling orders from its customers and/or lose customers. The loss of customers could add to contractual penalties, in case of delayed deliveries. The Group could also face significant delays in respect of reconstruction works of its furnaces or unscheduled investments such as furnace repair that become necessary following the occurrence of incidents, liability claims and a significant increase in the cost of its insurance policies.

Such interruptions or accidents are likely to result in a loss of revenue and thus have a material adverse effect on the Group's business, reputation, financial position, results and outlook.

3.2.4 Risks related to the occurrence of natural disasters

The Group's industrial facilities are exposed to risks related to the occurrence of natural disasters such as fires, floods, hurricanes and earthquakes (or other climatic events). In 2019, in Italy, in the Savone region, one of the Group's external storage warehouses was flooded, and products were damaged; in addition, a warehouse collapsed at the Bad Wurzach site in Germany, following heavy snowfall and rain. Furthermore, some production sites are located in Chile and Argentina, where earthquake risk is elevated. In addition, the Essen production site in Germany and the Group sites in the Italian Po river valley are located in flood zones.

These climatic events may require the Group to set up additional means of protection on sites in high-risk areas, which would entail additional costs. Moreover, the insurance market, due to the extent of the damage that may be caused by such events, is likely to increase the cost and/or limit, or even refuse to maintain coverage subscribed by the Group for natural disasters and in particular for earthquakes due to the Group's strong exposure in Argentina and Chile. Thus, when the Group renewed its damage policy in 2019 for 2020, it could only maintain its 2019 earthquake coverage in 2020 for these two countries by accepting a sharp increase in premiums and an increase in deductible for this risk.

The occurrence of a natural disaster could result in the destruction of all or part of the Group's facilities, personal injury or death of employees and local residents and interrupt production as well as the ability to fulfil customer orders for an indefinite period. The inability to resume deliveries quickly following a natural disaster at a production site or the various costs and constraints related to repairs or associated temporary palliative measures could have a material adverse effect on the Group's business, financial position, results and outlook. In particular, in the aforementioned countries, such as Argentina and Chile, the Group has only one production site, which limits in particular the possibilities for alternative supplies from another Group production site. Furthermore, such events could involve the Group in legal proceedings brought against it by potential victims for damages and/or result in the application of penalties, which could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.5 Risks related to environmental liabilities

Some of the Group's industrial sites have been involved in glass production or decoration for several decades. These are either production sites historically operated by the Group or production sites initially operated by third parties and subsequently acquired by the Group. Some of the Group's sites were previously used by other heavy industries, especially in Germany and Russia, or for military production or storage.

Due to their age and/or their original location or use, the building materials and/or equipment of certain Group sites, including French, may contain components with asbestos. In addition, it cannot be excluded that some Group sites may have undergone soil or water contamination in the past. As a result, they may have an environmental liability, which could result in costly obligations to remove or isolate contaminated materials. For example, in Brazil, the closure of the Canoas site in 2012 required pollution control operations, at the request of the local government, which are still ongoing as of the date of this universal registration document.

In addition, cases of soil contamination have been detected at some of the Group's production sites in the past. Remediation obligations may be imposed on the owners, operators or past or present users of contaminated sites, including sites belonging to third parties where waste may have been sent, without seeking fault or non-compliance with the law in respect of the activities causing such contamination. The Group cannot exclude that such costs may be imposed on it in the future, due to the identification of additional environmental impacts or additional obligations. In particular, in 2019, the Group left the Agua Branca production site located in the Sao Paulo metropolitan area of Brazil. It cannot be excluded that a remediation obligation may be imposed in the event that soil contamination is detected during the closure of the site or in the future. The Group may also be required, under European directive 2010/75/EU on industrial emissions, as amended (the "**IED Directive**"), or under other laws and regulations, to conduct soil and groundwater assessments at some of its sites, which may reveal previously unknown contamination. The Group has therefore recorded "provisions for environmental risks" for a total of €13 million as of 31 December 2019; no assurance can be given that these provisions will cover the actual costs incurred in relation to the identified liabilities.

Environmental liabilities that may arise from the sale of sites or the discontinuation of operations, and more generally during the operation of the Group's sites, could have a material adverse effect on the business, image, results, financial position, and outlook of the Group.

3.2.6 Risks related to substantial investments and their financing

In order to maintain the operational excellence of its industrial facilities, the Group makes significant recurring investments, representing approximately €200 million per year in recent years, including expenses related to the construction of new equipment and the reconstruction and maintenance of its existing facilities. The Group intends to continue to pursue a disciplined investment policy, aimed at limiting recurring investments to approximately 8% of the Group's consolidated revenue (excluding the capitalisation of the right of use related to the application of IFRS 16).

The Group must generally rebuild five to seven furnaces per year on average. For example, the Group invested, during the year ended 31 December 2019, €24 million to completely rebuild one of the two furnaces at the Lagnieu site (France) and €33 million to rebuild one of the two furnaces at the Burgos site (Spain) and to modernise the production lines at these two sites. The Group also announced an additional €10 million in 2020 for the renovation of the second furnace and its production lines at the Burgos site. The Group has also completed the construction of a new site in Jacutinga, Brazil, and in Chile (in connection with the stoppage of the site's old furnace) which started in February 2020. The Group also started the construction of a new furnace on the sites of Azuqueca in Spain and Villa Poma in Italy (see Section 5.7 "*Investments*" of this universal registration document).

The Group intends to continue its disciplined investment policy, with recurring investments amounting to approximately 8% of the consolidated revenue of the Group (see Section 5.7 "*Investments*" of this universal registration document). The Group may be unable to finance such expenditures if it does not generate enough cash from operations or if its available credit lines are insufficient. The Group's ability to generate cash flows depends in particular on demand for the Group's products, the cost of energy and raw materials, and the Group's success in developing and manufacturing new products. The Group may not be able to incur its capital expenditure if operating cash flows are not sufficient or if it is unable to obtain the necessary funds under its existing credit agreements or if it is unable to incur additional debt as a result of such events.

If the Group were unable to meet its investment needs for any reason, it could be unable to maintain and develop its production capacities, which could have a material adverse effect on its business, results, financial position and outlook.

3.2.7 Risks related to defective products

Although the Group implements stringent control measures (see Section 3.6.2.2 of this Universal Registration Document), if one of its products does not comply with its standards, in particular due to accidental or intentional contamination of raw materials, failure of production equipment or human error, the Group could be forced to incur substantial costs in order to carry out the necessary corrective actions while suffering damage to its image or that of the brands used. These actions could result in the Group suspending the production of certain products and/or recall products from its customers and/or have its own customers recall their products from their entire distribution chain, including from end consumers. The Group could then be required to compensate its customers and/or other companies along the distribution chain and/or end consumers for any damages, which could include bodily injury (if, for example, the Group's packaging fails to withstand the pressure from carbonated beverages). In some countries, the Group's direct customers, other companies along the distribution chain, and its indirect customers, or end consumers could obtain a court order requiring the Group to pay compensation even if the Group is not negligent or at fault. The Group could also be subject to regulatory investigations, market withdrawal, affirmative injunctions, and/or legal proceedings if it introduces a new product on the market that is deemed dangerous, fails to notify regulators of a safety problem, or fails to take corrective measures.

Any defect in the quality or safety of any of the Group's products could result in liability claims by its direct customers or end consumers for any damage suffered as a result of this defect, and could also lead to negative publicity, damage to its reputation and loss of market share. Such events could have a material adverse effect on the Group's business, reputation, results, financial position or outlook.

3.2.8 Risks related to the international activities of the Group

As of 31 December 2019, the Group operated 32 production sites (with a total of 57 furnaces) and 3 decoration sites in 11 countries in which it has a manufacturing presence.

The Group recorded 16% of its consolidated sales for the year ended 31 December 2019 in Eastern European countries, as well as Latin America, i.e., Russia, Ukraine, Brazil, Argentina and Chile.

In general, the Group's activities in these countries involve higher risks than in Western European countries, including:

- volatility of gross domestic product (for example, Argentina recorded a 2.2% decline in its gross domestic product in 2019, after posting decline of 2.5% in 2018, which itself followed a growth of 2.7% in 2017[8]);
- a relatively unstable economic situation (inflation rates are frequently higher and fluctuating, such as in Argentina (which is facing hyperinflation (see Section 3.4.1 "*Risks related to exchange rates*" of this Universal Registration Document) and Brazil) and social and political instability;
- increased risks relating to corruption and business ethics;
- weaknesses of health systems which renders them vulnerable in case of a crisis such as the Covid-19 pandemic;
- changes in regulations, which can be significant, particularly tax regulations, or their imperfect application, and complex tax regimes, such as in Brazil, Russia or Ukraine;
- difficulties in obtaining enforcement of contracts or court decisions (notably in Russia and Ukraine) or difficulties in recovery or in obtaining enforcement of, or complying with, vague or ambiguous legal provisions;
- nationalisation or expropriation of private property (expropriation without sufficient compensation to rebuild the plant or equipment identically);
- exposure to various legal regimes, including those relating to intellectual property and collective proceedings;
- customs duties, protectionist measures and licensing obligations for imports and exports;
- difficulties in recruiting or retaining employees;

8 Source: World Bank.

- non-compliance with the Group's risk management procedures due to the Group's decentralised structure;

- significant fluctuations in interest and exchange rates (such as the devaluation of the Argentine peso and hyperinflation in Argentina (see Note 2.5 to the Notes of the Group's consolidated financial statements for the year ended 31 December 2019) or the recent depreciation of the Chilean peso;

- exchange controls and other adverse interventions or restrictions imposed by governments, such as, for example, in Argentina (including limitations on the payment of dividends or other payments from foreign subsidiaries, withholding taxes or any other taxation based on payments or investments made by foreign subsidiaries and any other restrictions imposed by foreign governments);

- the risk of war, which materialised in Ukraine with the Crimean crisis (including the risk that employees in these countries could be mobilised);

- Frequent public unrest (such as the context of current social tensions in Chile) and corrupt practices;

- risks of sanctions in certain countries (notably Russia and Ukraine), which may in particular target the Group's customers or suppliers, or the risk of a conflict between sanctions measures taken by different countries or between applicable local regulations more generally, placing the Group in a situation where compliance by the Group with a sanction measure taken by a given country leads to the violation of a sanction measure taken by another country; and

- acts of terrorism.

Although the Group's activities in the above-mentioned regions are not concentrated in a single country, the occurrence of adverse events or circumstances in one or more of the countries in which the Group operates could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.9 Risks related to relations with certain suppliers and subcontractors

The Group uses many suppliers of raw materials and components. The Group's top 10 suppliers accounted for approximately 16% of the Group's supplies for the year ended 31 December 2019. However, for certain very specific supplies, the Group may rely on a limited number of suppliers. This is the case in particular for the supply of soda ash, in a sector where production is highly concentrated, and for the Group's sand supplies.

A failure of one or more significant suppliers or an exclusive supplier, including as a result of labour unrest, unexpected stock shortages, quality defects, export restrictions or sanctions and, more generally, any disruption in supply could therefore alter the Group's production capacities or result in additional costs that could have an adverse impact on its business, results, financial position, assets and outlook.

In addition, the Group may, for a limited number of services and products provided to its customers, use subcontractors acting in the name and on behalf of the Group, which remains responsible for the services performed by them. In the context of these subcontracting activities, the Group is exposed to the risk related to the management of these subcontractors and the risk that they may not perform their work satisfactorily, in accordance with applicable regulations, or within the time limits set. For example, the Group uses a large number of transport companies to deliver its products to its customers, exposing it in particular to the risk of carriers' availability (such as in the event of a strike by their employees, as was the case in Brazil in May 2018, or in all the European countries where the Group is located due to the Covid-19 pandemic), which could result in significant delivery delays if the Group does not have a carrier capable of delivering the relevant products on the required date. In France, the yellow jackets movement triggered transport blockages in 2019, and at the end of the year, strikes related to pension reform affected the movement of freight trains, with an impact on the costs of raw material delivery. The Group also uses external service providers for the storage of its products prior to delivery, mainly in France, which requires appropriate logistical processes with these service providers for the efficient delivery and secure storage of its products. If these subcontractors were unable to comply with their obligations, the Group's ability to meet its commitments, comply with current regulations or satisfy the expectations of its customers could be jeopardised, or the Group could be held liable, which could damage its reputation and have a material adverse effect on its business, results, financial position and outlook.

In addition, in France, the Group's subcontractors are generally small companies, which may generate an important part of their revenue, or even their whole revenue, from the Group. Due to the legislative provisions governing the termination of contracts in France when one of the parties is in a situation of economic dependence, the Group could face difficulties in terminating a subcontracting contract with a defaulting subcontractor, or could be required to pay compensation in this respect, which could, in the event that this situation persists, have a material adverse effect on the Group's business, financial position, results or outlook.

Lastly, the Group cannot guarantee that its suppliers and subcontractors comply with local labour laws and environmental and ethical standards in the course of their activities. If it turns out that these suppliers and subcontractors have not complied with local labour laws or environmental or ethical standards, the Group's reputation and results could be adversely affected. In addition, the replacement of a supplier or subcontractor as a result of such events could force the Group to bear additional costs and disruptions or interruptions in production. The occurrence of one or more of these risks could therefore have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.10 Risks related to relations with the Group's customer base

For the year ended 31 December 2019, the Group generated 17% of its consolidated revenue from its top 10 customers.

Although the Group generally has long-term commercial relationships with its main customers, it cannot guarantee that these, or any of its other contracts and commercial relationships, will actually be renewed. The Group cannot guarantee that if these contracts are renewed, they will be done so on favourable terms and conditions. Some of the Group's contracts or commercial relationships could be terminated under certain circumstances, such as if the Group fails to meet its contractual obligations. Finally, the phenomenon of customer concentration (such as the mergers of brewers AB InBev and SAB Miller in the beer sector or of the subsidiaries of Heineken and Kirin in Brazil in recent years) could also lead to these customers concentrating their glass packaging supplies, which could benefit a competitor of the Group, increase pricing pressure or lead to the Group's dependence on these "major accounts" in markets where their share of sales is significant.

The loss of one or more of the Group's main customers, a significant reduction in the Group's sales to its main customers or a substantial change in the conditions governing its commercial relations, due of the above-mentioned events, could have a material adverse effect on the Group's business, reputation results and outlook.

Moreover, under trade practices in the markets in which the Group operates, a significant number of the agreements entered into by the Group with its customers, notably with medium or small-sized customers as well as with some of its major customers, are not particularly formalised and generally consist of either periodically renegotiated pricing agreements among the parties (generally without prior agreement on volumes) or informal and adjustable partnership agreements with a duration varying from a few months to three years depending on the geographical area. However, this flexibility may result in a less precise definition of the parties' rights and, in the event of disagreement between the parties on the substance of their agreement, could lead to disputes, disagreements or conflicts that could have a significant adverse impact on the Group's business, financial position, results and outlook.

Finally, certain Group customers could decide to develop their own glass packaging production or relocate their packing and packaging zones, which could lead to the loss of some customers. The occurrence of such events could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.11 Risks related to IT systems

The Group relies on its information systems to ensure the conduct of its activities (including to monitor its supplies, orders and product invoicing, communicate with its customers, manage its personnel and provide necessary information to its various operational managers for decision-making). The management of its activity is thus increasingly dependent on information systems (infrastructure, networks and software applications). Despite a policy of strengthening and continuously monitoring the resilience and security of its information systems, a major failure or interruption resulting from an incident (such as a power outage or fire), computer virus, computer attack or other cause could have a negative impact on the conduct of the Group's business.

In June 2017, the Group, like many other companies and organisations in France and abroad, was affected by the NotPetya cyberattack. The Group immediately isolated all of its systems in order to preserve its data and stop the spread of the virus, and suspended its e-mail service. The Group's plants continued production but some deliveries to customers were nevertheless interrupted during this period.

In addition, the Group outsources certain elements of its information systems and certain activities in order to optimise the management of its resources and improve the efficiency and security of its IT infrastructure. The Group relies on the quality of work and the expertise of its service providers in this area and, despite the care taken in selecting these providers, is therefore exposed to the risk that they may fail to fulfil their obligations.

Finally, the Group grants access rights to certain parts of its information systems to a significant number of its employees as well as to third parties, such as external service providers (IT service providers and consultants, in particular). Despite the control procedures in place, the Group cannot guarantee that a user could not access data or functionalities to which he or she was not supposed to have access, which could lead, for example, to the disclosure of sensitive data or the manipulation of the Group's operational or financial data.

The occurrence of such events could have a material adverse effect on the Group's business, financial position, results and outlook.

3.2.12 Risks related to occupational health and safety

Human resources are one of the pillars of the Group's business. Regulations in the field of labour law, including occupational health and safety and the use of temporary workers, particularly affect its business. Although the Group makes significant efforts to ensure compliance with these regulations and to ensure that temporary employees have an equivalent level of training, qualification and reliability compared to its own employees, it cannot guarantee the absence of potential deficiencies in these areas. Any failure by the Group, its employees (notably its temporary employees) or its subcontractors to comply with these obligations could result in significant fines, claims against the Group and the company that employs such persons related to the violation of these provisions or the loss of authorisations and qualifications. In addition, these regulations are subject to regular changes and the constraints imposed may be reinforced; adapting the Group's organisation to comply with such regulations could generate significant costs.

The Group is also exposed to the risk of accidents involving its employees or sub-contractors at their workplace (particularly industrial sites) or in transit, or involving employees of external service providers working on the Group's sites. Despite the attention paid to safety and working conditions, the Group cannot exclude the occurrence or increase, in frequency and severity, of work-related accidents and illnesses.

In particular, the Group's glass business requires its employees to work in an environment requiring control of heat radiation and contact with hot parts in order to preserve both employees and the installations, which in the past led to the use of asbestos at certain Group production sites.

As such, the Group is exposed to claims for recognition and compensation for asbestos-related occupational diseases in addition to obligations that may be provided for under various social protection schemes in the countries where the Group operates, including under the "employer's inexcusable misconduct" clause in France (see Section 3.5.2 "*Risks related to claims for occupational illnesses*" of this Universal Registration Document). As at 31 December 2019, the amount provided for these applications for inexcusable misconduct amounted to €1.1 million. In addition, the Group is also facing claims by its employees and former employees to repair potential anxiety damage suffered due to alleged exposure to harmful or toxic substances which may generate a high risk to develop severe pathology, on the grounds of statutory law and breach of the employer's safety obligation (see Section 18.5 "*Judicial and Arbitration Procedures*" of this Universal Registration Document). Group employees are also likely to be exposed to other materials which, even if they are considered harmless today, could in the future be considered dangerous to health, as was the case for asbestos in the past. Furthermore, new technologies, as well as the implementation of new procedures, following in particular events such as the Covid-19 pandemic, services, tools and machines could have unexpected effects on the working conditions of the Group's employees, which in turn could have significant adverse consequences for the Group. Finally, in the context of the Covid-19 pandemic outbreak affecting, inter alia, regions where the Group has production facilities, the occurrence of one or more cases of Covid-19 pandemic affecting the Group's employees or sub-contractors could force the Group to limit, or even to completely interrupt production at the sites where the employees or sub-contractors concerned work, which could have an adverse impact on the Group's activities.

3.2.13 Risks related to labour relations

The Group's operations may be disrupted by labour disputes such as strikes, walkouts, industrial action or other social unrest, which could also have a material adverse effect on the Group's operations, profits and image. A substantial number of hours are typically lost to strikes every year in France. Verallia France, for example, experienced several sustained strike movements during the 2019 year, notably at the Cognac and Chalon sur Saône production sites, as well as a general movement at the end of the year related to the pension reform.

In the various countries where its plants are located, the Group, in accordance with its principles of action and its concern for social dialogue, is a party to numerous collective agreements stemming from negotiations with the social partners, some of which are concluded for a fixed period and are therefore subject to periodic renegotiation. These negotiations have caused and could continue to cause labour tension or strikes when the parties involved have difficulty agreeing on mutually-acceptable terms and conditions. Social negotiations, and in particular the negotiations of the above-mentioned collective agreements or periodic wage negotiations, are likely to increase operating costs due to the resulting payment of higher salaries or benefits in kind or in cash, which could have a material adverse effect on the Group's business, results, financial position and outlook.

3.2.14 Risks related to acquisitions

The Group may consider value-creating acquisitions in order to generate additional revenue growth.

In the context of such acquisitions, the Group could encounter the following difficulties:

- the integration of new companies could result in substantial costs, as well as delays or other financial and operational difficulties;
- the assumptions made in the business plans of the acquired companies could prove to be incorrect, particularly in terms of synergies and performance;

- the completion of acquisitions in a new country and/or in a country that is not the Group's home country could involve increased risks; and
- the acquisition of new companies could generate unforeseen legal constraints, such as liabilities that are more significant than those assessed during the due diligence phase of acquisition.

In general, the expected benefits of future or completed acquisitions may not materialise within the expected timeframe and at the expected levels, which could have a material adverse effect on the Group's business, financial position, results and outlook.

For example, the Group acquired Alver, an Algerian glassmaker in 2011; in view of the deterioration in operational performance and the limited prospects for improving the subsidiary's results, the Group then sold it in May 2018 for a symbolic price.

3.2.15 Risks related to partnerships

As part of its activities, the Group has entered into and may enter into a number of strategic partnerships and joint ventures with local companies, as is the case in Argentina through the Group's Rayen Cura subsidiary, in which it holds 60% of the shares, alongside the diversified Chilean group Cristalerias Chile. As part of the corresponding partnership or joint venture agreements, the Group may be required, for the purpose of taking certain decisions, to seek the agreement of its partners, whose interests may not be aligned with its own.

In addition, if one of the Group's partners were to face financial hardship, change its strategy, wish to terminate a strategic partnership or, more generally, if there is disagreement on the terms of the partnership (as was the case for the IVN joint venture, established by the Group in Brazil (see Sections 7.1.2.7. "*Acquisitions, disposals and changes in scope*" and 18.5 "*Legal and arbitration proceedings*" of this Universal Registration Document), this could, for example, affect the Group's ability to implement its strategy, force it to cease operations under sub-optimal conditions and expose it to the risk of litigation, particularly with its partner, and consequently have a material adverse effect on its business, financial position, results and outlook.

3.3 Risks related to the Company

3.3.1 Risks related to the Group's debt and the restrictive clauses of its financing contracts

As of 31 December 2019, the Group's total gross debt amounted to €1,809.8 million (see Section 8.2.2 "*Financial liabilities*" of this Universal Registration Document).

The Group's debt could have negative consequences, including:

- requiring the Group to devote a significant portion of its cash flows from operating activities to debt service and repayment, reducing the Group's ability to use available cash flows to finance organic growth, investments and other general corporate purposes;
- increasing the Group's vulnerability to business slowdown or economic conditions;
- placing the Group in a less favourable position compared to competitors that have less debt relative to cash flow;
- limiting the Group's flexibility to plan or react to changes in its activities and sectors;
- limiting the Group's ability to make investments for growth;
- limiting the Group's ability to carry out its external growth policy; and

- limiting the ability of the Group and its subsidiaries to borrow additional funds or raise capital in the future, and increasing the costs of such additional financing.

In addition, the Group's ability to meet its obligations, pay interest on its borrowings or refinance or repay its borrowings under the terms and conditions provided for therein will depend on its future operating performance and may be affected by several factors (including economic conditions, debt market conditions, regulatory developments, etc.), some of which are independent of the Group.

The Group is also exposed to the risk of interest rate fluctuations insofar as a significant portion of its debt bears interest at a variable rate equal to EURIBOR plus a margin. In addition to potential fluctuations in EURIBOR (see Section 3.4.3 "*Risks related to interest rates*" of this Universal Registration Document), margins applicable under the Senior Facilities Agreement, which constitutes a significant proportion of the Group's debt, increase according to the total net debt to pro forma consolidated EBITDA ratio as defined in the Senior Facilities Agreement (pro forma consolidated EBITDA corresponds to adjusted EBITDA as defined in this universal registration document) (see Section 8.2.2.1 "Senior Facilities Agreement" of this Universal Registration Document).

In the event of insufficient liquidity to service its debt, the Group may be forced to reduce or defer acquisitions or investments, sell assets, refinance its debt or seek additional financing, which could have a material adverse effect on its business or financial position. The Group may not be able to refinance its debt or obtain additional financing on satisfactory terms.

Furthermore, the Senior Facilities Agreement requires the Group to comply with specific covenants, particularly financial covenants and a specific ratio (see Section 8 "*Liquidity and capital resources*" of this Universal Registration Document). Subject to exceptions customary for this type of financing, these covenants limit, among other things, the Group's ability to:

- grant security interests;
- disposals of assets;
- carry out certain mergers; and
- change the nature of the Group's activities.

The restrictions contained in the Senior Facilities Agreement could affect the Group's ability to carry out its operations and limit its ability to react to market conditions or to seize business opportunities that may arise. For example, these restrictions could affect the Group's ability to finance business investments, make strategic acquisitions, investments or alliances, restructure its organisation or finance its capital requirements. In addition, the Group's ability to comply with these covenants could be affected by events beyond its control, such as economic, financial and industrial conditions. A breach by the Group of its commitments or restrictions could constitute an event of default under the terms of the Senior Facilities Agreement.

In the event of default which is neither remedied nor waived, the creditors concerned may terminate their commitment and/or require that all outstanding amounts become immediately due. This could activate cross-default clauses on other contracts of the Group. Such events could have a material adverse effect on the Group, and even lead to its bankruptcy or liquidation.

The occurrence of one of the risks described above could have a material adverse effect on the Group's business, operating results and financial position.

3.3.2 Risks related to the control of the Company by its majority shareholder

As of 31 December 2019, Horizon Investment Holdings, a company held at 100% by Horizon Parent Holdings S.à.r.l., itself held at 100% by AIF VIII Euro Leverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc., holds 55.3% of the share capital and voting rights of the Company. As a result, Horizon Investment Holdings will be in a position to have a significant influence on the strategic decisions to be taken by the Company and/or, depending on attendance levels at general meetings, on the approval or rejection of any resolutions submitted to the ordinary general assembly of shareholders and to the extraordinary assembly of shareholders including the nomination of board members, approval of the annual financial statements, distribution of dividends, authorisation to increase the share capital or to issue securities, authorisations of mergers or similar transactions or any other decision requiring shareholder approval in the circumstances described above. In addition, in light of its size, if a partial or total sale of its stake by Horizon Investment Holdings were to take place, or if such sale was perceived as probable or imminent, the market price of the shares of the Company may be significantly and negatively affected.

3.4 Market risks

3.4.1 Risk associated with exchange rates*

A part of the Group's assets, liabilities, income and expenses are denominated in currencies other than the euro. The preparation of the Group's financial statements (denominated in euros) requires the conversion of these assets, liabilities, income and expenses into euros at the then-applicable exchange rates. Consequently, changes in exchange rates against the euro affect the amount of the relevant line items in the Group's financial statements even if their value remains unchanged in their original currency (foreign exchange translation risk).

Beyond this conversion risk, the Group's results are not significantly affected by changes in exchange rates, since, as a general rule, the Group's costs and revenues are denominated in the same currency. This is due to the regional or local nature of the Group's markets.

However, some subsidiaries located in Eastern European countries that export products in the currency of the importing country may be exposed to exchange rate fluctuations; the same applies to subsidiaries located in Latin American countries that purchase raw materials and energy or make investments in US dollars and euros (foreign exchange transaction risk). In the normal course of business, the Group may also be exposed to foreign exchange risk on certain financial liabilities denominated in a currency other than the functional currency of certain subsidiaries. As of 31 December 2019, the fair value of total foreign exchange derivative financial instruments amounted to -€1.1 million.

The main currencies of the Group's exposure to translational foreign exchange risk are Brazilian real, Argentine peso and Russian ruble, which sensitivity to equity is described in Note 20.2.2 "*Foreign exchange risk*" of the Group's consolidated financial statements for the year ended 31 2019.

During the year ended 31 December 2019, the Group's results were impacted by the sharp devaluation of the Argentine peso and, to a lesser extent, the Brazilian real, which were impacted by the economic and political crises affecting these countries (see Section 7.1.2.4 of this Universal Registration Document).

Moreover, following the sharp increase in the cumulative inflation rate over several years in Argentina, such that it is considered to be a hyperinflationary economy, the Group was required to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* to its activities in Argentina as from 1 January 2018. Applying this standard requires the revaluation of non-monetary assets and liabilities, equity and profit and loss to reflect changes in purchasing power in local currency. These revaluations may lead to a gain or loss on the net monetary position included in net financial income. In addition, this standard requires the subsidiary's income statement to be converted at the closing rate rather than the average rate for the period. For the year ended 31 December 2019, the net impact on revenue of hyperinflation in Argentina was €3.1 million.

3.4.2 Liquidity risk

Liquidity risk is the risk of not having the necessary funds to meet commitments when they come due. This includes, on the one hand, the risk that assets cannot be sold quickly under satisfactory conditions if necessary and, on the other hand, the risk of early repayment of liabilities or non-access to credit under satisfactory conditions.

In the context of a crisis, the Group may not be able to obtain the financing or refinancing necessary to implement its investment plan or to obtain such financing or refinancing on acceptable terms.

The contractual expiration dates of the Group's financial liabilities, including interest payments, are presented in Note 20.1 "*Liquidity risk*" of the Group's consolidated accounts for the year ended 31 December 2019.

In addition to financial debt, as of 31 December 2019, the Group's financial liabilities include €383.6 million in trade payables and €277.0 million in other current liabilities (including amounts due under fuel and gas swaps).

3.4.3 Risks related to interest rates

The Group is exposed to the risk of interest rate fluctuations due to the fact that some of its debts bear interest rates that are indexed to the European interbank offered rate ("EURIBOR"), plus a margin. In addition, the Senior Facilities Agreement also bears interest at a variable rate indexed to EURIBOR. EURIBOR could increase considerably in the future, resulting in higher interest expense for the Group, reducing free cash flow for investments and limiting its ability to service its debts. As of 31 December 2019, the Group's outstanding variable rate debt, after taking into account derivative instruments, amounted to €297.8 million and the Group's outstanding fixed rate debt amounted to €1,512.1 million, including accrued interests. In 2018, the Group entered into interest rate swaps for a nominal amount of €1,500 million with a maturity date in August 2022 (see Section 3.6.2.2.2 "*Operational risk management*" of this Universal Registration Document). In October 2019, following the Refinancing, the Group proceeded to the unwinding of €250 million of interest rate swaps.

The sensitivity, as at 31 December 2019, of pre-tax income to the impact of changes in the interest rate applicable to the Group's debt cost is presented in Note 20.2.1 "*Interest rate risk*" of the Group's consolidated accounts for the year ended 31 December 2019.

3.4.4 Credit risk and counterparty risk

Credit and/or counterparty risk is the risk that a party to a contract with the Group will default on its contractual obligations resulting in a financial loss to the Group.

Financial assets that could expose the Group to credit and/or counterparty risks are mainly receivables from its suppliers or partners (in particular in the event of non-payment or failure to meet payment deadlines), cash and cash equivalents, investments and derivative financial instruments.

3.5 Legal risks

3.5.1 Risks related to regulations, in particular environmental regulations and their changes*

The Group's activities are subject to various regulations (including the stock market regulation since the Company's initial public offering), in particular with regard to the compliance and compatibility of the products it sells with their own regulations, industrial, safety, health and environmental standards (see Section 9 "*Legislative and regulatory environment*" of this Universal Registration Document).

A modification or strengthening of the regulatory provisions applicable to the Group's activities, a tightening of their application, a conflict between the laws and regulations adopted by different countries and/or a change in their interpretation by the competent authorities, such as with respect to environmental liability laws based on the "polluter pays" principle and resulting from European Directive 2004/35/EC (see Chapter 9 of this Universal Registration Document), could result in additional costs or investments that could be significant, and which could have a significant adverse effect on the Group's business, results, financial position and outlook.

New regulations such as those related to recycling or deposit containers could give rise to additional costs or logistical constraints for certain Group customers, who could in turn decide to scale back or stop their use of glass packaging. This could cause the Group to reduce, suspend, or terminate the production of certain types of products or shut down one or more of its production plants, with no assurance that it would be able to offset the corresponding losses or restart a plant that had been shut down. Regulatory changes could also affect the Group's prices, margins, capital expenditure, and operations, especially if these regulations lead to significant or structural changes in the food packaging market that could affect the Group's share of the glass market, production volumes, or production costs. The occurrence of one or more of the above events could have a significant adverse effect on the Group's business, results, financial position and outlook.

For example, due to growing concerns about the impact of carbon dioxide emissions (a so-called "greenhouse gas") on climate change, some environmental regulations to reduce carbon dioxide emissions have been, and will continue to be, adopted (see Chapter 9 "*Legislative and regulatory environment*" of this Universal Registration Document.) Thus, in accordance with the regulation on carbon dioxide emission quotas (see chapter 9 above) and in view of the Group's quota deficit, the Group recorded a provision of €37.7 million during the 2019 financial year. Moreover, in order to secure the prices at which it will have to acquire allowances, and in anticipation of the end of Phase III (see chapter 9 above), the Group has made forward purchases of carbon dioxide allowances on the market for a total amount of €34.9 million as of 31 December 2019, corresponding to the expected deficits under Phase III. The settlement of forward purchases and the delivery of allowances will result in a cash outflow for the Group (which will therefore record a reversal of the aforementioned provision in the amount of such outflows), mainly in 2021. Moreover, taking into account future changes in the applicable regulations (see chapter 9 above), the Group already anticipates that the number of allowances allocated free of charge will be lower than in the past, as a result of which it will probably not be able to meet its carbon dioxide emissions restitution obligations. In light of the start of Phase IV (2021-2030) (see chapter 9 above), the Group has already made forward purchases of carbon dioxide quotas on the market during the year 2019 for a total amount of €24.6 million as of 31 December 2019. In addition, in the event of a significant increase in the production capacity of one or more of its sites, the Group would have to ask the competent authorities to revise the level of quotas allocated to such site or sites, without any assurance that such a request would be favourably received or on the level of quotas to be allocated. The Group therefore believes that, despite the efforts it may make to reduce its carbon dioxide emissions, it will be required to pursue its policy of acquiring allowances on the market for significant amounts, which could result in an increase of its operating costs and could have a material adverse effect on its business, results, financial position and outlook. This situation could also force the Group to make a technological change, resulting in significant investments in the sites concerned, in particular to design and build low-carbon dioxide furnaces, which may result in an increase in its capital expenditure and could have a material adverse effect on its business, results, financial position and outlook.

Furthermore, a change in legislation or the position of the administrations responsible for the issue of operating authorisations, in particular in Germany, Ukraine and Italy on the date of this Universal Registration Document, could force the Group to meet significantly lower limits on nitrogen oxide emissions than those currently applicable to its production sites. These new limits could in particular apply, depending on the country, to existing facilities, newly constructed furnaces or reconstructions of furnaces with an increase of capacity. The application to the relevant sites of a significantly lower limit on the emission of nitrogen oxide than that currently in force could imply, in order to comply with this, the installation of a filter, the cost of which is estimated at approximately €1.5 million.

Environmental concerns may cause State and Community authorities to implement other regulations that are likely to be binding on the Group and could have a material adverse effect on its business, results, financial position and outlook. In the European Union, in principle each bottle may not contain more than 100 ppm of heavy metals (limit imposed by Directive 94/62/EC "Packaging and Packaging Waste", as amended). By way of derogation, bottles made from recycled glass may contain more than 100 ppm of heavy metals (see Chapter 9 of this Universal Registration Document). However, this exemption does not apply to bottles decorated with enamels containing heavy metals, even in tiny amounts. Given the difficulty of complying with the 100 ppm per bottle limit, certain bottles produced by the Group from recycled glass may no longer be allowed to be adorned with decoration containing heavy metals, in order not to lose the benefit of the above derogation, which could limit the Group's production options and which could have an adverse effect on the Group's business, results, financial position and outlook. In addition, a number of States of the United States in which some of the Group's customers are likely to sell their products packaged in bottles produced by the Group, such as still and sparkling wine bottles and spirits containers, impose a limit of 100 ppm per bottle, with no possible derogation for bottles made with recycled glass. The Group cannot control its customers' final exports and cannot therefore exclude the possibility that bottles that it has produced at production sites located in the European Union from recycled glass and containing more than 100 ppm per bottle, as authorised under the above-mentioned derogation, will be used for the packaging of products sold in the aforementioned States, in violation of applicable local regulations, which could expose it to financial sanctions and have a significant adverse effect on the Group's results, business, financial position and outlook.

Lastly, the Group has been, and still is, a party to various legal or pre-litigation proceedings as a result of its involvement in violations of applicable environmental regulations. Thus, in 2019, following an accident that led to the death of an employee of a subcontractor one of the Group's French sites, the restart of an electrofilter stopped for maintenance and on which the fatal accident occurred, has been delayed due to ongoing legal proceedings related to this fatal accident. As emissions from this site then became higher than the limits authorised for a time exceeding that authorised by the administration, threat was made to limit its production in order to comply (without filter) with the operating conditions given by its authorisation.

If the Group fails to comply with environmental regulations, thus exposing itself to financial and/or criminal penalties, or even temporary or permanent closure of the sites concerned, this could have a significant adverse effect on the Group's results, business, financial position and outlook.

3.5.2 Risks related to claims for occupational illnesses*

The Group's glass-making operations require its employees to work very carefully with hot elements and thermal radiation in order to protect their own safety and to preserve plant equipment. In the past, the glass industry – like many industries using high-temperature processes – used asbestos-containing materials, primarily protective equipment, until technological advancements made it possible for the asbestos to be replaced by other materials. Since the mid-1990s, asbestos elements have gradually been removed from the Group's sites in Western Europe, both in human protection and in production equipment. Due to the age of some of the Group's sites, construction may have used fibrocement. When modernising or repairing these buildings, the cost of these repairs is increased due to the constraints associated with the removal of these types of materials.

Nevertheless, in some countries where the Group operates, particularly Russia and Ukraine, some of its production sites may still contain asbestos elements. In these countries, the Group is making its best efforts to implement plans to remove asbestos elements likely to be present on its equipment. These plans can take several years to complete.

The Group has received compensation claims for occupational diseases resulting from exposure to asbestos at Group sites, especially in France under the "employer's inexcusable misconduct" clause. Such compensation would be in addition to the coverage provided by the different social security systems in the countries where the Group operates. Moreover, the Group's social security contributions could rise considerably due to the higher costs faced by these systems. As at 31 December 2019, the amount provided for inexcusable misconduct claims amounted to €1.1 million. In addition, the Group is also facing claims by its employees and former employees to repair potential anxiety damage suffered due to alleged exposure to harmful or toxic substances which may generate a high risk of developing serious pathology on the grounds of statutory law and for breach of the employer's safety obligation (see Section 18.5 "*Judicial and Arbitration Procedures*" of this Universal Registration Document).

Although the Group has an occupational health and safety policy aimed at improving the working conditions at all its sites, workplace-related claims (apart from those related to asbestos) have been filed against the Group in the past and more could be filed in the future. This is the case in particular for requests relating to the noise environment generated by forming machines (such as claims that have been filed in Brazil), the use of glass sand in the composition of glass and products likely to contain heavy metals or solvents for decoration activities or exposure to fumes. Claims could also be filed against the Group for occupational diseases resulting from substances found at certain Group production sites; such claims could relate to asbestos-related illnesses (as mentioned above), silicosis, or legionellosis. The Group is also exposed to an increase in claims for recognition of diseases related to musculoskeletal disorders (MSDs) resulting from certain repetitive operations or procedures. If such claims are successful, they could have a material adverse effect on the Group's business, financial position, results and outlook.

3.5.3 Risks related to litigation and ongoing investigations

During their ordinary course of business, the Group's companies could be involved in legal, administrative, criminal, or arbitration proceedings, especially concerning civil liability, competition, industrial, fiscal, or intellectual property claims, or claims relating to the environment and discrimination. The most significant ongoing disputes or for which the Group has received notifications are described in Section 18.5 of this Universal Registration Document. In some of these proceedings, significant monetary claims have been made or may be made against one or more Group companies. The relevant provisions, if any, that the Group may have to record in its financial statements may not be sufficient, which could have a material adverse effect on its business, financial position, results and outlook. As of 31 December 2019, the Group's total provisions for litigation amounted to €8.1 million (see Note 18 to the Group's consolidated financial statements for the year ended 31 December 2019, contained in Section 18.1.1 of this Universal Registration Document).

New proceedings, stemming from existing proceedings or otherwise, related to risks already identified by the Group or to new risks, could be initiated against a Group entity. These procedures, if they were to have an unfavourable outcome, could have a material adverse effect on the Group's business, financial position, results and outlook.

3.5.4 Risks related to taxation and its changes

The Group is subject to complex and evolving tax legislation in the various countries in which it operates. In particular, because of its international activity, it is subject to transfer pricing rules, which can be particularly complex and subject to divergent interpretations. The Group is also subject to rules limiting the deductibility of interest in France.

Changes in tax legislation could have a material adverse effect on the Group's tax position, its effective tax rate or the amount of taxes and other levies to which it is subject and its reporting obligations. In addition, the tax laws and regulations of the various countries in which the Group operates may subject to very different interpretations. The tax and social security regime applied to the Group's business activities and past or future intra-group reorganisations involving Group companies, shareholders, employees and/or managers is or may be based on interpretations of French or foreign laws and regulations. The Group therefore cannot guarantee that the relevant tax authorities will agree with its interpretation of the applicable legislation in their jurisdictions. Furthermore, tax laws and regulations or other compulsory levies may be changed and their interpretation and application by the jurisdictions or administrations involved may change, in particular in the context of joint initiatives taken at international or Community level (OECD, G20, European Union), which could increase the tax burden on the Group. A challenge to its tax position by the relevant authorities could result in the Group paying additional taxes, potentially significant reassessments and penalties or increase the costs of its products or services in order to pass on these taxes, which could have a significant adverse effect on its business, results, financial position and outlook.

3.5.5 Risks relating to competition law regulations

The Group is subject to competition law regulations at a national and European level. In markets where the Group has a strong presence, these regulations may reduce its operational flexibility and limit its ability to make significant new acquisitions and thus implement its external growth strategy.

The Group also receives periodic requests for information from the competition authorities. Thus, its Russian subsidiaries (KMS and Kamyshin) have been the subject of requests for information from the Russian competition authorities concerning the glass bottle market for wine and the possible impossibility for the glassmakers to cope with demand, including for Crimea. At the date of this Universal Registration Document, the Company does not have any information about the investigations conducted by the Russian competition authorities on this market.

If, as the result of a request for information and/or an inquiry, a competent competition authority were to conclude that the Group was participating in anti-competitive practices, the Group could be subject to sanctions that could include fines. The Group or some of its employees could also be subject to criminal proceedings in this context. In addition, the Group could also be subject to subsequent claims for significant damages before the civil courts by direct or indirect customers of the relevant products. Any such anti-competitive practices could damage the Group’s reputation and, if held liable, expose it to fines or other significant sanctions (including exclusion from certain markets).

The occurrence of such events could have a material adverse effect on the Group’s business, results, financial position and outlook.

3.6 Insurance and risk management

3.6.1 Insurance policy

The Group’s insurance policy is coordinated by the Group’s Legal Department, with the support of the operational departments.

The Industrial Department is responsible for defining industrial risk management policy. In coordination with the Industrial Department, each Group company provides the Legal Department with the information required to identify and qualify risks that are insured or insurable by the Group and implements the useful means to ensure business continuity in the event of a disaster. On this basis, the Legal Department, with the assistance of the broker, negotiates annually with the major insurance carriers to set up the most appropriate coverage for these risks.

The Group’s main policies, underwritten by internationally renowned insurance companies, include civil liability insurance and property damage and subsequent business interruption insurance. Group policies are supplemented, for risks not covered by them, on a case-by-case basis, by policies taken out locally for a subsidiary or site in question.

The implementation of insurance policies is based on the determination of the level of coverage necessary to deal with the reasonably estimated occurrence of liability, damage or other risks. This assessment takes into account the evaluations made by insurers as policyholders of the risks and with respect to damage to property, the findings of the annual audits carried out by the lead contractor’s engineering services of the Group’s programmes. The underwriting criteria take into account the supply of the insurance market, which excludes certain risks, or imposes specific limits, for example, in the event of natural events such as floods, storms, earthquakes and tsunamis. These events could have a significant uninsured financial impact, both for the cost of reconstruction and for lost production, in the case of extreme scenarios.

Due to the tightening of market conditions and the increase in the deductibles of its damage programme, the Group has chosen for its damage 2020 programme a risk transfer to the insurance market through a reinsurance captive established in Europe which intervenes in excess of €2 million per loss with a limit of €3 million in aggregate per year for all the Group entities.

The joint subsidiaries in which the Group is a minority and holds non-controlling interests are outside the scope of the above programmes. Insurance is contracted separately.

3.6.2 Risk management policy

3.6.2.1 Objectives, organisation, mechanism

Objectives

Risk management is closely monitored by the Group's management, which closely involves the internal control and internal audit functions.

- The main mission of risk management is to identify, assess and prioritise risks and to assist the Group's management in choosing the most appropriate risk management strategy and, in order to limit significant residual risks, define and monitor related action plans;
- The identification and treatment of the Group's major risks are monitored by a dedicated organisation under the supervision of the Group Risk Committee;
- The main objective of internal control is to enable the Group to achieve its objectives by defining and implementing appropriate internal controls to address the risks identified in the conduct of the Group's business. Internal control also implements an annual self-assessment campaign of its internal control systems by each Group entity and monitors related action plans;
- The main mission of internal audit is to ensure the effectiveness of internal control systems and to provide recommendations for improvement where necessary.

Organisational framework

The identification and treatment of major risks is insured under the responsibility of the Group Risk Committee, which draws on its risk referents, and thus enables the Group to identify and prevent the risks it may face. The Audit and Internal Control Department, which reports directly to the Chief Financial Officer and functionally to the Chairman and Chief Executive Officer of the Group, is responsible for (i) developing an audit program that takes into account, in particular, the mapping of major risks and (ii) monitoring risk management in close collaboration with the Group Risk Committee.

Risk management and internal control are the responsibility of the operational departments of each of the Group's entities, under the functional control of the Audit and Internal Control Department. Within each of these entities, the person responsible for risk management (generally the chief financial officer, or a person under his or her hierarchical or functional responsibility) is in charge of verifying the proper application of prevention procedures and has the possibility of implementing new procedures, which, after review by the Audit and Internal Control Department, can be applied to the entire Group. The Audit and Internal Control Department plays a central role in establishing an internal control system at the Group level that defines the appropriate controls to be put in place to address the Group's identified risks. This system defines the framework within which subsidiaries exercise their responsibilities in terms of risk management and internal control. It also coordinates the operation of the entire system.

In addition, since January 2019, a Group Risk Committee, comprising in particular the Chairman and Chief Executive Officer of the Group, the Chief Financial Officer, the General Counsel, the Human Resources

Director, the Director of Audit and Internal Control and the Director of Major Risks, has been meeting at least three times a year to monitor action plans in the areas of internal control, risk management and audit. Furthermore, risk committees meet regularly at regional level, including the chief operating officer, the General Counsel, the Human Resources Director and the Chief Financial Officer of the operational region concerned.

Risk management and internal control system

The Group's overall risk management and internal control system is applied at different levels (sites, functional departments, subsidiaries, regions) and is based on several elements, including:

– management of industrial risks;

– management of other operational risks;

– mapping of the Group's major risks;

– monitoring the Group's internal control system;

– the compliance monitoring system;

– the internal audit, which, as an independent audit role, evaluates the effectiveness and functioning of the main processes of the audited companies, in coordination with other risk management systems, and reports to the Group Risk Committee.

With regard to internal control and risk management, at the date of this Universal Registration Document, the Group follows the main recommendations proposed by the AMF's reference framework and application guides as updated in July 2010, and the recommendations of the working group's report on the audit committee, also published in July 2010.

3.6.2.2 Operational risk management

Risk management refers to the measures implemented by the Group to identify, analyse and control the risks to which it is exposed. The risk management system is regularly monitored by the management of the Group's operating entities. The chief executive officers of the regions and the functional managers of Verallia Packaging report major risks to the Group Risk Committee and other operational risks to the Audit and Internal Control Department.

As part of its major risk management procedure, the Group draws up a mapping of the main risks. The process of developing and reviewing the mapping of major risks, which was initiated in 2016 by the Audit and Internal Control Department, makes it possible to identify the major risks to which the Group is exposed and to assess, for each of them, their potential impact, taking into account their criticality, that is, their seriousness and probability of occurrence, after taking into account the action plan put in place, and in particular the persons responsible within the Group for monitoring and associated controls.

This mapping of major risks was updated at the end of 2019 and enables the Group to define and monitor the various specific action plans implemented to control the identified risks.

For example, the internal action and policy plans implemented by the entities or departments concerned to manage the major risks and other risks identified by the Group include the following:

– *Risks related to changes in the demand for glass packaging.* In order to limit the negative impact that certain factors such as changes in consumer habits, food preferences, legislative or sociological changes or public health and safety considerations may have on the demand for glass packaging produced by the Group, the Group strives to offer its customers products that are best suited to their needs and meet high quality and safety standards, enabling it to maintain a leading competitive position despite the existence of any economic difficulties that may be present. In addition, the Group has a diversified portfolio of customers (as of 31 December 2019, the Group's top 10 customers accounted for 17% of consolidated revenue and the most significant customer accounted for approximately 4% of consolidated revenue), enabling it to limit its dependence on a country, a sector of the glass packaging market or customer, and has developed a flexible and adaptable industrial base, with the objective of being able to quickly allocate and adjust production.

– *Risks related to changes in energy costs*. Exposure to changes in energy costs is managed under the terms of a policy defined and implemented by the Group Purchasing Department, in consultation with the Group's Finance Department and Treasury, and in accordance with the guidelines set by the company's Board of Directors. Most of the Group's sales contracts are concluded for a renewable one-year period, and do not include price adjustment clauses that automatically reflect some of the increases or decreases in energy costs in the sales prices. For these contracts, the Group endeavours, when placing orders or renewing contracts annually, to negotiate with its customers an increase in the sales price allowing it to pass on, in full if necessary, the expected increase in energy costs. In addition, the Group endeavours to include price revision clauses in its multi-year sales contracts with some of its most significant customers, taking into account in particular changes in energy costs and inflation, which may make it possible to pass on some of the increases (but also decreases) in energy costs to sales prices. Other than fixed-price energy purchases that may be negotiated directly with suppliers by the purchasing department, if contractual mechanisms cannot be negotiated (which covers most of the Group's sales contracts), the Group also enters into energy cost hedging transactions in the form of derivative instruments.

The objective of the hedging strategy is to limit significant year-on-year cost increases, while at the same time allowing the Group to capture market opportunities when prices are low. The parameters of this strategy are defined according to market conditions, for a 3-year period, with a target coverage rate at the end of year N of 100% for year N+1, 50% for year N+2 and 25% for year N+3. These parameters are then and validated by energy committees including the Chairman and Chief Executive Officer, the Chief Financial Officer and the Group Purchasing Director.

As from the 2018 financial year, the Group has implemented a new pricing policy, under which the Group negotiates sales price increases with its customers – at the time of placing orders or when renewing contracts annually, as the case may be – at the end of the year, based on anticipated changes in production costs, based, where applicable, on the prices negotiated with its suppliers for the coming year or the parameters of any derivative instruments put in place (in the case of energy purchases, for example), thus giving it visibility on the impact of changes in production costs in the coming year and enabling it to pass this on as effectively as possible to its sales prices. This policy has enabled the Group to generate a positive spread[9] on its sales as of the 2018 financial year (see Section 7.2.9 of this Universal Registration Document).

[9] The spread represents the difference between (i) the increase in selling prices and the mix applied by the Group after passing on the increase in its production costs, and (ii) the increase in its production costs. The spread is positive when the increase in selling prices applied by the Group is greater than the increase in its production costs. The increase in production costs is recorded by the Group at constant production volumes and before production gap and the impact of the Performance Action Plan (PAP).

The table below summarises the Group's energy price hedges in the form of derivative instruments as of 31 December 2019:

Derivative instruments	As of 31 December 2019 (in € million)	
	Notional amount	Fair value
Fuel oil swaps (€)	16.5	2.8
Gas swaps (€)	124.4	(31.9)
Electricity swaps (€)	11.1	(0.9)
Total		(30.0)

– *Risks related to changes in the price of raw materials.* In order to limit the impact of changes in raw material prices, the Group seeks, with the support of its Purchasing Department and insofar as possible, to negotiate with its suppliers price structures that are best suited to its expectations of changes in raw material costs in the short and medium term. In particular, with regard to cullet, a key element in the glass industry chain, the Group is developing numerous initiatives to optimise its use by improving the collection of household glass, as well as by improving the quality of cullet during processing or by increasing its use in glass production (some of the Group's furnaces use up to 95% cullet). The Group also owns several cullet treatment facilities, in which the Group implements new treatment solutions in order to be able to recycle most of the cullet at its disposal in its furnaces (see the section below on managing the risks associated with relations with certain suppliers and subcontractors). Finally, the Group tries to pass on the increase in the cost of raw materials directly or indirectly to its sales prices, in particular through price revision clauses included in some of its multi-year contracts concluded with certain of its most significant customers or, in most cases, through commercial negotiations with customers when placing orders or renewing contracts annually.

– *Risks related to significant costs to comply with environmental, public health and safety regulations in effect.* The Group devotes a significant portion of its investments to the renovation of its industrial equipment such as furnaces, the compliance and safety of production equipment and installations and the improvement of productivity. In addition, at the date of this Universal Registration Document, all the Group's glass production sites have obtained ISO 14001 and OHSAS 18001 certifications, and 25 glass production sites are ISO 22000 certified (see Section 5.10.2 "*Production*" of this Universal Registration Document). These certifications guarantee in particular the management of the impacts of the Group's activities.

Furthermore, in order to adapt its manufacturing facilities to the current and future strengthening of regulations on the limitation of carbon dioxide emissions (see Chapter 9 "*Legislative and regulatory environment*" of this Universal Registration Document), the Group has made it a priority to improve the energy efficiency of its production sites and reduce their carbon dioxide emissions. The Group's objective is to reduce carbon dioxide emissions by 2% per year and per ton of packaged glass by 2030 for all glass production plants (see the Extra-financial performance statement attached as an Annex II to this universal registration document). Actions are therefore being carried out in the Group's plants to reduce furnace consumption, such as sealing and thermal insulation of furnaces, optimisation of glass temperature, combustion adjustments and adjustment of combustion air volumes. Finally, other initiatives based on circular economy principles allow the recovery of the energy consumed, by extracting heat from furnaces for heating buildings in particular, as implemented at the Wirges and Neuburg sites in Germany.

Finally, in order to limit its exposure to the risk of an increase in the costs associated with the acquisition of carbon dioxide allowances, which the Group will have to carry out in the coming years, the Group is implementing a dynamic hedging policy based on the future purchases of fixed price allowances, in which parameters are defined for a three-year period, with a target coverage rate at the end of year N of 100% for year N+1, 75% for year N+2 and 50% for year N+3.

In order to secure the prices at which it will have to acquire the allowances, and in anticipation of the end of Phase III (2013-2020), the Group has made forward purchases of carbon dioxide allowances on the market for a total amount of €34.9 million as of 31 December 2019, corresponding to the expected deficits. In anticipation of the start of Phase IV (2021-2030), the Group has already made forward purchases of carbon dioxide allowances on the market during the 2019 financial year for a total amount of €24.6 million as of 31 December 2019.

– *Risks related to the operation of industrial sites.* The Group's industrial risk management policy is based on two main areas: (i) prevention through an independent audit performed annually at each site, which results in the preparation of a report containing recommendations for personnel and equipment; and (ii) protection through risk mitigation plans including objectives for short- and medium-term capital expenditure, management actions, and new procedures or processes. In order to protect itself against prolonged interruptions in the supply of energy or materials needed to operate machines and equipment, the Group has set up a business continuity plan at each of its key sites. Each business continuity plan defines different actions to be implemented in the event of a disaster, which contributes to securing the relevant production site.

  The Group also continuously strives to develop and operate safe industrial processes, promote a zero accident culture and ensure the protection of the health and safety of its employees. The Group implements Health, Safety and Hygiene procedures that take into account the main issues related to industrial processes such as workstation ergonomics, the reduction of potential dust exposure, exposure to noise and heat and chemical risk management.

– *Risks related to defective products.* In order to reduce the risk of warranty or liability claims for damage caused by the products delivered, internal verification and validation procedures are in place within the Group, which ensure that its teams' activities comply with a strict quality approach (the Hazard Analysis Critical Control Point (HACCP) approach – see Section 9.1.1.1 – and/or ISO 22000). These procedures are based on monitoring equipment, in which the Group regularly invests, to control the quality and safety of its products throughout the production process and at each of its production sites, and include visual, mechanical, video or light beam inspection to check the closure, dimensions, thickness of the glass and the appearance of the packaging. Any container that does not comply with the Group's quality standards is automatically rejected and recycled. The Group also implements traceability procedures to identify any issues related to the quality of its products. Lastly, any harmful consequences caused by the products delivered by the Group are covered by an insurance policy taken out by the Group.

– *Risks related to the development and introduction of new products*. The Group is committed to implementing all necessary means to ensure that the developed products are adapted to the increasing complexity of production methods and to changes in consumer preferences and legal and regulatory obligations, particularly in terms of safety.

– *Risks related to relations with certain suppliers and subcontractors.* To the extent possible, the Group ensures that it has several suppliers, diversifies their geographical origin and chooses those offering the most innovative products, and conducts a number of initiatives, in particular to identify new suppliers each year, in order to limit dependence on particular suppliers, or develops the internalisation of the supply of certain raw materials. For example, with regard to the supply of cullet, the Group operates 8 cullet processing centres, including two located in France, operated through Everglass; three located in Italy including two operated through Ecoglass and one operated in a partnership with Vetreco; one located in Germany and two in Spain, one of which is operated through a partnership with Calcin Iberico. In addition, the Group carefully ensures that its suppliers and subcontractors comply with applicable labour laws, social protection laws and social and environmental standards. For example, the Group has set up a charter concerning environmental and ethical standards that its suppliers must follow.

– *Risks related to business ethics and corruption.* The Group pays strict attention to the compliance of its procedures and employee practices with applicable regulations. All employees must be familiar with and comply with the Group's policies, including the compliance program. The compliance program is implemented through the definition of policies, procedures, information, training and controls. The main themes of the Group's compliance program are (i) prevention of corruption, (ii) compliance with competition law rules, (iii) compliance with economic sanctions and embargoes, and (iv) protection of personal data. As part of the implementation of Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), which is effective as of 25 May 2018, the Group has initiated a compliance process, which is currently underway. With regard to the prevention of corruption, the Group has implemented an anti-corruption code of conduct, as well as specific training for those most exposed to the risks of corruption, and an alert system as part of the measures put in place in accordance with the French law of 9 December 2016 on transparency, the fight against corruption and influence peddling and the modernisation of economic life (the so-called "Sapin II" law). In addition, the Group has joined the United Nations Global Compact, one of the fundamental principles of which is the fight against corruption in all its forms. Policies, training and controls are also in place for the other themes of the compliance program. Lastly, in 2018 the Group reviewed its overall IT policy. In order to limit, in particular, the fraudulent use of data (by employees or third parties), the Group is strengthening its authorisation structure and implementing stricter procedures to control access rights.

– *Risks related to management teams.* The Group's success depends to a certain extent on the continuity and skills of its management team. In order to manage the risk related to the possible departure of one or more members of its management team, the Group has, in recent years, ensured that it is gradually reinforced with the arrival of new talent and that management is closely involved in the Group's success and performance, notably by including a significant variable short and mid-term portion in their compensation.

– *Liquidity risk.* The Group's overall exposure to liquidity risk is managed by the Group's Treasury and Financing Department. Subsidiaries generally contract their short- or long-term financial debt with Verallia Packaging. The Group's policy aims to ensure the sustainability of its financing and, in line with this objective, to optimise its financial cost. Long-term debt therefore systematically represents a high percentage of overall debt.

– *Credit risk and counterparty risk.* With regard to its financial counterparties, the Group limits the exposure to default risk of these counterparties by using only reputable institutions and by regularly monitoring their ratings by the main rating agencies. Nevertheless, the credit quality of a financial counterparty may change rapidly and the high rating of a counterparty does not eliminate the risk of a rapid deterioration in the financial situation of that counterparty.

– *Risks related to exchange rates.* The Group regularly monitors and evaluates trends in exchange rate fluctuations, and its operating subsidiaries seek to invoice or be invoiced in their functional currency. The Group also ensures that its production sites are located as close as possible to its customers. Further, in order to hedge transactional currency risk, the subsidiaries involved enter into currency hedging derivatives either with Verallia Packaging, which concludes – in its own name but on behalf of the subsidiaries – these transactions, or, failing which, with their relationship banks. The Group's interest rate hedging policy is to align the main features of the hedging instrument with those of the underlying whenever possible in order to minimise potential sources of ineffectiveness and the impact on related income.

– *Risks related to interest rates.* This risk is managed by the Treasury and Financing Department, which has implemented, in accordance with the guidelines set by the Company's Board of

Directors, a policy to guarantee the financial cost of the Group's global medium-term debt against the risk of interest rate fluctuations. As part of this policy, certain Group subsidiaries have entered into hedging derivatives with Verallia Packaging, which has entered into interest rate hedging transactions for this purpose – in its name and on its behalf but also for the benefit of these subsidiaries. In 2018, the Group hedged a significant portion of its exposure against an increase in EURIBOR by setting up interest rate swaps for a nominal amount of €1,500 million with a maturity in August 2022 (in October 2019, following the Refinancing, the Group has proceeded to the unwinding of €250 million of interest rate swaps). As with the management of exchange rate risks, the Group's interest rate risk hedging policy is to align the main features of the hedging instrument with those of the underlying whenever possible in order to minimise potential sources of ineffectiveness and the impact on related income.

4. INFORMATION ON THE COMPANY AND THE GROUP

4.1 Company name

At the date of this Universal Registration Document, the Company's name is "Verallia".

4.2 Registration location and number

The Company is registered with the Nanterre Trade and Companies Register (RCS Nanterre) under number 812 163 913.

LEI: 5299007YZU978DE0ZY32

4.3 Date of incorporation and term of the Company

The Company was incorporated on 23 June 2015 for a term of 99 years, unless it is dissolved early or extended by collective decision of the shareholders pursuant to law and the Articles of Association.

The corporate year begins on 1 January and closes on 31 December of each year.

4.4 Headquarters, legal form and governing laws

The registered office of the Company is located at 31 Place des Corolles, Tour Carpe Diem, Esplanade Nord, 92400 Courbevoie, France. The telephone number of the registered office is +33 1 71 13 11 00.

At the date of this Universal Registration Document, the Company is a French public limited company (*société anonyme*).

The address of the Company's website is: www.verallia.com. The information provided on the Company's website is not part of this Universal Registration Document.

5. OVERVIEW OF THE GROUP'S ACTIVITIES[10]

5.1 General presentation

The Group is the third largest producer in the world and the leading European producer[11] (based on revenue) of glass packaging for beverages and food. In terms of volumes sold, it is the second largest producer in Latin America[12]. The Group offers innovative, customised and environmentally friendly solutions to more than 10,000[13] customers worldwide.

During the year ended 31 December 2019, the Group reported consolidated revenue of €2,585.9 million and consolidated adjusted EBITDA[14] of €615.2 million.

The Group's business lines are organised into three operating segments:

– *Southern and Western Europe*, comprising production plants located in France, Italy, Spain and Portugal. Southern and Western Europe accounted for 68% of consolidated revenue and 67% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Southern and Western Europe are mainly oriented towards bottles for still and sparkling wines and packaging for spirits, which are export-driven market segments;

– *Northern and Eastern Europe*, comprising production plants located in Germany, Russia, Ukraine and Poland. Northern and Eastern Europe accounted for 22% of consolidated revenue and 20% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Northern and Eastern Europe are mainly oriented towards bottles for beer, particularly in Germany, and jars and bottles for food, mostly for local markets;

– *Latin America*, comprising production plants located in Brazil, Argentina and Chile. Latin America accounted for 10% of consolidated revenue and 13% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Latin America are mainly oriented towards bottles for still wines, an export-driven market segment, as well as bottles for beer, in Brazil.

The Group's "Glo-Cal" business model is built on the strength of its international network - illustrated by an industrial presence in 11 countries, with 32 glass production sites combining 57 furnaces, 3 decoration plants, 5 technical centres, 13 product development centres and 8 cullet processing centres as of 31 December 2019 (including two in joint-venture) - combined with proximity relationships maintained with its customers by nearly 10,000 employees, including a significant sales force of more than 300 employees.

The Group's strong global presence enables it to meet the needs of its international customers, such as leading multinational companies, by implementing a global commercial approach, while ensuring that all

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[10] Unless otherwise stated, market information in this Chapter 5, including size and growth prospects, is principally from third-party sources presented in Section 1.3 "*Third-party information, statements by experts and declarations of interest*" of this Universal Registration Document.

[11] On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

[12] Based on volumes sold in 2019 in Argentina, Brazil and Chile.

[13] Customers who placed at least one order during the 2017–2019 period.

[14] Adjusted EBITDA corresponds to operating profit adjusted for certain expenses and/or income of a non-recurring nature or likely to distort the interpretation of the Group's performance, such as depreciation and amortisation, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal effects, closing and carve-out expenses, and other items. Adjusted EBITDA is not a standardised accounting measure meeting a single, generally accepted definition. It should not be considered as a substitute for operating profit, net income or cash flows from operating activities, or a substitute of liquidity. Other issuers may calculate adjusted EBITDA differently from the definition used by the Group. A reconciliation of adjusted EBITDA to operating profit found in the IFRS consolidated financial statements is presented in Section 7.1.4 of this Universal Registration Document.

countries in which it conducts business can benefit from its innovation capacities and leading technical expertise. Furthermore, the Group's international organisation enables it to set up the best industrial and commercial practices at the Group level, which it then strives to share consistently across its different sites, and also provides the means to develop a global purchasing policy and obtain the best conditions for its procurement operations.

In addition, thanks to the Group's locally-situated production sites, designed according to a decentralised organisation based on local entities with a large capacity to act independently, the Group has commercial and industrial flexibility that allows it to adapt to the needs of its customers according to local specificities. Furthermore, in order to establish long term relationships with its customers, the Group relies on strong sales team of more than 300 employees, based locally, and is able to propose co-development offerings to its customers while implementing flexible production facilities, adapted to the needs of its customers. Moreover, the Group tailors its offering to the specific features of each regional or local market by proposing a large portfolio of differentiated products according to the geographic area or country. Lastly, this densely woven geographic presence allows the Group to offer its customers premium-quality service while reducing delivery deadlines, transport costs, customs duties and working capital requirements.

5.2 The Group's strengths and competitive advantages

5.2.1 Glass packaging, a market supported by favourable global trends and benefitting from attractive dynamics in the Group's end markets

Global trends favouring the use of glass

The glass packaging market is driven by favourable trends, mainly fuelled by the growing use of glass by consumers.

The glass packaging market is currently fuelled by the trend toward alternative materials, for plastic in particular, and the choice for glass, illustrated by growing consumer preference for glass because of its environmental qualities, its ability to be fully recycled and its inert properties (no risk of migration of chemical products, such as Bisphenol-A, which is a health hazard), and its capacity to protect flavours. According to a study conducted for the European Container Glass Federation (FEVE) in 2017 by the Friends of Glass organisation, over 50% of European consumers indicated that they had given priority over the last three years to the use of glass packaging over other packaging materials such as plastics or metal.

Glass is the preferred choice for upmarket products because of its inherent premium image, particularly for sparkling wines (nearly 100% penetration[15] in 2018), spirits (nearly 100% penetration[15] in 2018), and still wines (around 75% penetration[15] in 2018), products in respect of which the Group has a strong presence. Glass is also used to package beer, but to a lesser extent (around 65% penetration[15] in 2018).

A European market that has been significantly consolidated and benefits from a dynamic offer and favourable demand

The European glass packaging market has been significantly consolidated in the last 20 years. The first five market players, including the Group, represented around 71% of market shares in Europe in 2019[16].

Furthermore, at the date of this Universal Registration Document, the Group considers that the overall production capacity utilisation ratio on the glass packaging market has been high during the year ended 31

[15] The penetration rates presented correspond to the portion represented by glass (in terms of volumes for a sample of five European countries, namely France, Italy, Spain, Portugal and Germany) as packaging material for food and beverages, compared to other packaging materials (mainly plastic, cardboard, bag-in-box and metal cans).

[16] Based on revenue generated in 2019 by market players in the EU 28 countries and in Switzerland, Ukraine, Turkey and Russia, as extracted from publicly available information (annual reports and press releases in particular).

December 2019, high in the geographic areas where it carries out its business operations, limiting the risk of overcapacity. In Southern and Western Europe and Northern and Eastern Europe[17], domestic demand for glass packaging increased over the 2014-2018 period by around 1.2 million tonnes, which is higher than production capacity (which increased by around 0.4 million tonnes over the same period).

A market characterised by strong technical, logistical and capital constraints

The glass packaging production business requires command of complex technologies and know-how as well as the investment of significant amounts of capital.

The Group's business operations require command of industrial processes with a strong technical component to guarantee the safety, quality and durability of products for consumers, as well as the use of qualified labour and a first-class procurement policy. Furthermore, the geographical proximity with customers is a key factor in the glass production business, due to the significant impact of transportation costs, the need to be responsive in terms of services and the Group's and its customers' determination to reduce the carbon footprint of their activities.

In order to maintain a high level of technical expertise, the Group uses qualified and experienced labour (furnace operators, a highly technical sector, have on average 20 years of experience) and has put in place significant employee training plans, such as talent development programmes, on-line training and the creation of glass manufacturing schools. The Group also relies on the density of its industrial footprint, the local establishment of its production sites and its first-class logistics processes to maintain geographic proximity with its customers.

The glass production business requires the investment of significant amounts of capital. In particular, the cost of building an entire plant and one furnace (and its associated facilities, such as mixing equipment, a distribution canal, feeders, blowing machines, annealing lehrs and inspection and palletisation equipment) represents approximately €80 million for one site with an annual production capacity of around 80,000 tonnes, according to Group estimates. Furthermore, the commissioning of a new production site is relatively long, generally taking two years for production to begin after the start of construction. Lastly, plants have to be operated around the clock and at a high capacity level to ensure the profitability of invested capital, requiring precise planning of production capacities.

Profitability is also linked to the achievement of significant minimum volumes, taking into account the substantial fixed costs base and the high initial investment level inherent in the glass production sector. Achieving these minimum production volumes requires having an established customer base and a strong local presence.

The Group believes that these characteristics of the glass production sector are a source of significant competitive advantage, due to the Group's size, density and the strong local presence of its industrial facilities, combined with its cutting-edge technical expertise derived from its extensive sector-based experience.

Positioning at the heart of a circular economy

The Group's activities are carried out in the context of a circular economy approach, in which glass, which can be infinitely recycled without any alteration regardless of the number of times it is recycled, is a natural component, with recycled bottles and jars being transformed into new packaging. In this context, cullet (made up of glass from selective sorting) is a key link in the circular chain (see the Extra-Financial Performance Declaration annexed to this Universal Registration Document).

[17] Excluding Poland.

5.2.2 A differentiated positioning with a strong value proposal for the Group's customers

A solid competitive positioning in the main geographic areas of the global glass packaging market

The Group is the third largest producer globally and the leading European producer[18] (based on revenue) of glass packaging for beverages and food products in 2019. In particular, the Group considers itself to be a co-leader in the markets for still wines and sparkling wines and spirits, a market that is particularly driven by exports. The Group also enjoys a strong positioning in the markets for non-alcoholic beverages and food products.

Additionally, in terms of volumes sold, the Group is the second largest producer in Latin America (10% of the Group's consolidated revenue for the year ended 31 December 2019), with a leadership position in the market for still wines and sparkling wines, the largest market in Latin America and mainly driven by exports of Chilean and Argentine wines. The beer bottles market in Brazil is a high-growth market, fuelled by the growth in demand for beer, and by a growing trend towards the use of single-use bottles.

A mix of attractive end markets

The end markets addressed by the Group are diversified, broken down between bottles for still wine (33% of the Group's revenue[19] for the year ended 31 December 2019), bottles for sparkling wine (12% of the Group's revenue[19] for the year ended 31 December 2019), containers for spirits (13% of the Group's revenue[19] for the year ended 31 December 2019), bottles for beer (13% of the Group's revenue[19] for the year ended 31 December 2019), jars and bottles for the food market (17% of the Group's revenue[19] for the year ended 31 December 2019) and bottles for soft drinks (12% of the Group's revenue[19] for the year ended 31 December 2019).

The Group considers that it is the world co-leader (in terms of revenue) in the markets for still wines and sparkling wines and is particularly present in the market for spirits, which have numerous competitive advantages, which represented 58%[19] of its revenue in the year ended 31 December 2019.

The markets for still wines and sparkling wines are characterised by a fragmented customer base, composed of a large number of local and regional wine producers, thus reducing the Group's dependency on a single customer or a small number of significant customers. On the other hand, the beer market is highly consolidated, in particular in the United States, where the Group is not present. Sales of bottles for beer, representing a significant portion of the revenues generated by certain major players in the glass packaging market, only accounted for 13% of the Group's revenue[19] for the year ended 31 December 2019.

Strong presence on premium products

A significant portion of the Group's revenue (58% for the year ended 31 December 2019)[19] comes from the sale of bottles for still wines, bottles for sparkling wines and containers for spirits.

The Group has a particularly strong presence in countries that produce premium wines and spirits, such as France, Italy, Spain and Portugal.

The Group has developed strong exposure to premium products by relying firstly on its dense industrial base, which enables it to forge long-term relationships with locally established producers of champagne and cognac, and secondly, by offering a range of differentiated products, including under its Selective Line brand, which allows it to provide customised packaging solutions for premium products in particular. The Group's customer base includes leading premium brands.

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[18] On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

[19] Based on revenue generated solely from the sale of jars and bottles, accounting for 97.4% of the Group's consolidated revenue for the year ended 31 December 2019.

Premium products are characterised in particular by lower sensitivity to price fluctuations compared to other more standardised products, as the personalisation and high quality of these products are strong factors in the purchasing decisions of this customer segment, for whom the cost of glass packaging, even for premium products, remains marginal compared to the total cost of the final product.

A large range of products and flexible production facilities to address a significant and diversified customer base

Packaging is a major component of the marketing strategy for agrifood and beverage producing industries, which comprise the Group's customers, which it accompanies throughout the glass packaging creation process.

To meet the needs of its customers, the Group designs and manufactures a large range of products covering the entire spectrum of the glass packaging end market for beverages and food, with each product able to be proposed in a range of colours, shapes, sizes and styles.

The Group also stands out for its proven capacity to improve its standard products, for stronger customisation. In 2019, 95% of the revenue earned by the Group in Southern Europe and Western Europe and in Northern and Eastern Europe (excluding Ukraine and Russia) was generated by the sale of 60% of items in its product range. The sale of 40% of the remaining items represented 5% of revenue for the same period. The margin earned on the sale of the 40% of items representing 5% of revenue is on average 10 percentage points higher than the margin earned on the sale of 60% of the remaining items.

In order to propose differentiated products, the Group mainly draws on its decoration activities, run by its Saga Décor and Société Charentaise de Décor subsidiaries in France and Verallia Polska in Poland. These subsidiaries specialise in bottle finishing and using glass decoration techniques such as satin-finishing, lacquering, screen-printing, decal transfers or hot marking.

The Group's innovation capacities and technical expertise led it to win prizes in 2019 at both the *A'Design Awards* and the *Packaging Oscars of the Italian Institute of Packaging* (Quality Design category) for its Estathé glass bottle (iced tea by Ferrero, which is one of the group's iconic products in Italy); in 2018, it brought home the first Design Award at the Pink Rosé Festival 2018 for the Roseline Prestige vintage wine bottle, and the Design Award at the 2018 *Inspirational Packaging Awards* for the MG gin bottle.

The Group has developed a range of high value added services to address as best as possible marketing expectations, the economic needs of its customers and the growing trend for upmarket, customised products observed in the glass packaging market.

This is why the Group offers a joint-development service in which it develops unique models with its customers (speciality products) through 13 product development centres located in each country where the Group has operations. Thanks to their technical know-how, these centres are able to improve on customer proposals to ensure that the bottle or jar designs envisaged by customers are industrially feasible.

Furthermore, in order to respond to the growing demand for upmarket glass bottles from its most demanding international customers in still and sparkling wines, spirits, beers and mineral water, the Group has developed the Selective Line, which became a registered trademark in 2008 and offers an up-market catalogue of models.

The Group also has a range of eco-designed products, ECOVA, to address the desire of some of its customers to propose image-enhancing products, which are attractive to consumers while guaranteeing reduced environmental impact for each container over its lifetime.

More recently, the Group launched a series of digital applications for its customers to accompany them in the context of joint development activities (see Section 5.6.1.2 "*Services - "Digital applications*" of this Universal Registration Document).

Lastly, each year, the Group organises design competitions in several countries. Known as the "*Verallia Design Awards*", these competitions bring together hundreds of participants from the best design and packaging schools, invited to propose projects for bottles and jars as a way of encouraging future thinking about uses of glass packaging and creating a portfolio of innovative and ready-to-be-developed designs that can be proposed to customers (see Section 5.6.1.2 "*Services - Joint-development"* of this Universal Registration Document).

Furthermore, the Group applies significant industrial resources to offer its customers products that meet the highest market standards for quality. In this way, the Group endeavours to constantly improve the quality of its products thanks to cutting-edge quality control systems, a comprehensive employee training program and a very rigorous control of production processes. The Group's historic presence in the glass packaging market and the quality and reliability of its products underpin its status as a glass packaging producer with recognised expertise. For example, the modernisation of the Lagnieu site (France) during the year ended 31 December 2019 also provided an opportunity to roll out a training programme of over 1,000 hours, organised around the use of modernised machines, safety at work, production quality and industrial excellence.

The Group's robust historic presence on the glass packaging market has also enabled it to forge strong and long-term relationships with its more than 10,000 customers[20], including both locally-based small-sized companies (such as regional wine producers or local breweries) and leading multinationals (such as Pernod Ricard, LVMH, Heineken, Andros and Nestlé). In order to develop long-term relationships and retain the loyalty of its customers, the Group depends on its strong local presence, and on the strength of its sales force of more than 300 people.

The Group's customer base is not very concentrated, with its top ten customers representing 17% of consolidated revenue and the Group's most significant customer representing approximately 4% of consolidated revenue for the year ended 31 December 2019. The concentration of customers varies depending on the markets concerned.

The customer base for still and sparkling wine bottles, the Group's largest end market in terms of revenue (45% of the Group's revenue[21] for the year ended 31 December 2019), is very fragmented and locally based. In order to forge long-term relationships with wine producers, the Group relies on its strong local presence in the wine-growing regions and its capacity to offer products and services that are tailored to the needs of its customers.

Customers for beer bottles, bottles for soft drinks and containers for spirits (respectively 13%, 12% and 13%[21] of the Group's revenue for each of these market segments for the year ended 31 December 2019) are more concentrated and are mainly represented by a limited number of leading world-class players, with a certain number of local players on the spirits market. The concentration of customers for jars and bottles for the food market (17% of the Group's revenue[21] for the year ended 31 December 2019) is moderate, with a certain number of local players existing alongside a limited number of leading global players.

5.2.3 Operational excellence initiatives to support enhanced profitability

The implementation of a programme to improve industrial performance to support robust financial performance

The Group deploys significant efforts to maintain a high level of operational excellence, relying in particular on cutting-edge industrial facilities and a solid organisation for its procurements in each geographic area and country. The Group also benefits from the support of an integrated network of

[20] Customers who placed at least one order during the 2017–2019 period.

[21] Based on revenue generated solely from the sale of jars and bottles, accounting for 97.4% of the Group's consolidated revenue for the year ended 31 December 2019.

industrial experts capable of assisting the Group's management and operational teams on all of its investments and projects.

The Group's industrial policy is based in particular on regular audits of production sites and constant modernisation and adaptation of its industrial facilities in order to meet the needs of the Group's customers and evolving regulations in each of the countries where it operates.

The Group also continuously implements measures to improve the operational efficiency of its production sites. In the context of its industrial strategy, the Group has been implementing an operational excellence programme over the past few years, which has been significantly enhanced since the beginning of the 2018 financial year with the deployment of the Verallia Industrial Management (VIM) 2.0 initiative, focused on safety, quality, industrial performance and reducing manufacturing costs, thanks in particular to an industrial performance improvement plan (Performance Action Plan (PAP)) and the management of teams.

For example, under the programme, more than 500 projects managed by 250 managers at the production site level are being deployed by the Group, with the goal of systematically reducing cash production costs[22] by 2% per year. The Group applies costs optimisation measures inspired by *World Class Manufacturing* to all its production sites, which are based mainly on cost deployment[23], and has developed more generally an in-depth industrial methodology based on root cause analysis[24] with its employees and within its sites, in order to optimise its costs while improving the quality of its products. The Group also implements stock management optimisation measures or measures aimed at improving the flexibility of its production lines, including weekly production plans and monthly industrial and commercial plans. Furthermore, the Group continuously improves its logistics processes to ensure on-time delivery to its customers. Lastly, the Group conducts in-depth comparative analyses on its production sites in order to align its industrial processes with industry best practices.

The performance action plan implemented by the Group has led to an increase of its production capacities and improved the effectiveness of its production sites, while improving product quality, all for a relatively limited level of investment. This had a positive impact on the Group's results over the 2017-2019 period, with a full impact on 2018 and 2019. As such, the Group has increased its production capacities over the last three years while improving the yield of its production sites[25] and has significantly reduced the rate of blocked pallets[26] and the rate of customer claims. For example, improving the output of its production sites and production speed in 2019 helped to generate additional production capacity of 48 kT without additional investment, which supported volume growth during the 2019 financial year estimated at 0.8%, or the equivalent of an additional half furnace. The implementation of these initiatives also led to a decrease in cash production costs[27] of €44 million for the year ended 31 December 2019, with a positive impact on the Group's adjusted EBITDA.

In addition to improving the Group's industrial and financial performance, the roll-out of the Group's operational excellence goal is also reflected through its sustainable development policy (see the Extra-Financial Performance Declaration annexed to this Universal Registration Document).

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[22] Production costs excluding commercial, general and administrative costs, transport costs, depreciation and amortisation and provisions for claims.

[23] World Class Manufacturing is based on 10 pillars, one of the most fundamental of which is cost deployment. This consists of associating a cost with the various issues identified and taking specific action to reduce them.

[24] This method involves addressing the causes of a problem, rather than treating its immediate symptoms.

[25] Measured by the ratio of saleable glass tonnage to tonne of pulled glass. One packed glass tonnage corresponds to one tonne of pulled glass measured straight out of the furnace and taking into account production losses linked in particular to shutdowns of the furnace or other equipment for maintenance or quality issues.

[26] The rate of blocked pallets represent the rate of jars and bottles affected by a quality defect that was not detected during the quality inspections set up throughout the production process, but detected at the end of the production process and before delivery to the customer.

[27] Production costs excluding commercial, general and administrative costs, transport costs, depreciation and amortisation and provisions for claims.

Investments that have supported the development of a dense and flexible industrial base and leading technical expertise

The Group develops, produces and sells a large range of products, designed to address the specific needs of the local markets in which it operates. The performance of the Group's production sites and their capacity to adapt to different markets are essential in light of the high investment costs required by the production of glass packaging. To attain this objective, the Group has developed an operational model known as "Glo-Cal", based on the combination of the strength of its international network (illustrated by an industrial presence in 11 countries, with 32 glass production sites combining 57 furnaces, 3 decoration plants, 5 technical centres, 13 product development centres and 8 cullet processing centres as of 31 December 2019) combined with proximity relationships maintained with its customers by nearly 10,000 employees, including a significant sales force of more than 300 employees.

The development of a flexible, interconnected and standardised industrial base enables the Group to optimise its production and logistics costs and to temporarily transfer production from one site to another, within the same geographic area, in case of repair of furnaces or other equipment or a one-off increase in demand at the local level.

In order to maintain leading industrial facilities, the Group carries out significant investments, based on strict outlay criteria. Thus, during the year ended 31 December 2019, the Group incurred investment expenses[28] totalling €252.5 million.

Most of the Group's Capex is made up of so-called recurring investments, the main ones being the furnace renovation and IS machines maintenance operations. The Group's recurring investments amounted to €206.7 million for the year ended 31 December 2019. The Group's investment strategy in recent years has been more particularly focused on standardising and streamlining its industrial facilities, as well as on research and development programmes mainly aimed at spurring the innovation of the production process and reducing the environmental impact (reduction of carbon dioxide emissions in particular) of the Group's business operations.

The Group regularly carries out repairs on its furnaces in order to maintain efficient and fully operational industrial facilities, thus maximising the use of its production capacities. A complete reconstruction of a furnace is generally required after a production period of around 10 to 14 years, for an amount of around €10 to €15 million in general.

Repairing furnaces can also be the opportunity for the Group to make changes in the equipment to improve productivity. For example, the Company invested, during the year ended 31 December 2019, €24 million to rebuild one of the furnaces at the Lagnieu site (France) and €33 million to rebuild one of the two furnaces at the Burgos site (Spain) and to modernise the production lines at these two sites. The Company also announced it would invest an additional €10 million in 2020 to update the second furnace at the Burgos site and the modernisation of its production lines.

In addition to these recurring investments, the Group also performed a number of strategic investments during the year ended 31 December 2019, amounting to €45.8 million, relating primarily to the construction of a new plant in Jacutinga, Brazil (located in the Sao Paulo metropolitan area) following the shutdown of the Agua Branca plant, and to a lesser extent, during the year 2019, the construction of a two new furnaces (one in Azuqueca, Spain and the other in Villa Poma, Italy) in order to raise its production capacities in response to increased demand in certain markets.

[28] The Group's capital expenditure represents purchases of property, plant and equipment and intangible assets required to (i) maintain the value of an asset and/or adapt to market demands and to environmental, health and safety constraints (known as "recurring Capex") or (ii) increase the Group's capacities. The acquisition of securities is excluded.

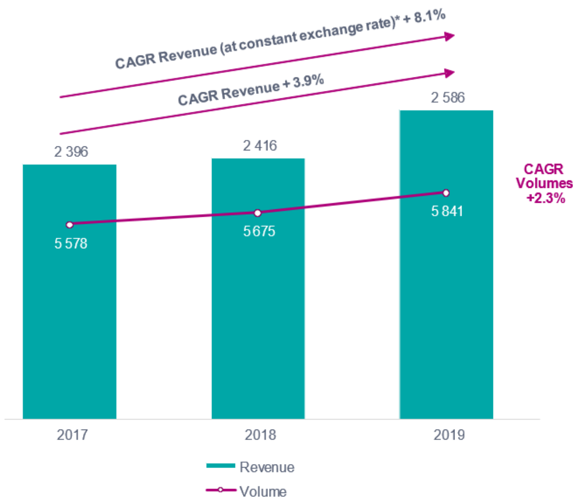
For a more detailed presentation of the Group's investments, see Section 5.7 "*Capital expenditure*" of this Universal Registration Document.

5.2.4 An attractive and resilient financial profile generating continuous growth of the Group's profitability and cash flow

The Group believes that it has demonstrated its capacity to grow its business consistently, while significantly improving its margins and profitability.

The 2017-2019 period was marked by a significant improvement in the Group's financial performance. This performance, which was particularly pronounced from 2017 onwards, was driven by: (i) the growth in sales volumes; (ii) a pricing policy that allowed it to absorb the increase in production costs and generate, from 2018 onwards, a positive spread[29] on its sales; (iii) the significant improvement in the Group's operational efficiency, chiefly as a result of the implementation of the Performance Action Plan (PAP) as part of the roll-out of the Verallia Industrial Management (VIM) 2.0 initiative.

Change in 2017-2019 consolidated revenue (in EUR million) and sales volumes (in kT)



* *Also excluding the impact of hyperinflation in Argentina (IAS 29) (see Section 7.1.2.4 of this Universal Registration Document).*

The Group's adjusted EBITDA also recorded steady growth, with a CAGR of 10.5% over the 2017-2019 period, representing a 280 basis point improvement in the adjusted EBITDA margin[30].

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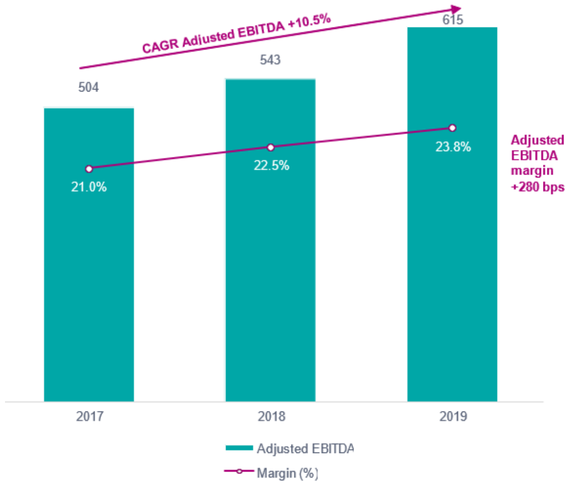
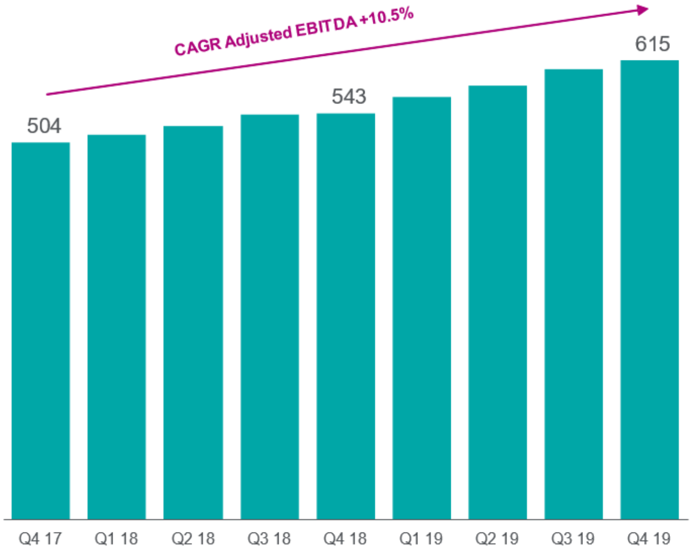
29 The spread represents the difference between (i) the increase in selling prices and the mix applied by the Group after passing on the increase in its production costs, and (ii) the increase in its production costs. The spread is positive when the increase in selling prices applied by the Group is greater than the increase in its production costs. The increase in production costs is recorded by the Group at constant production volumes and before production gap and the impact of the Performance Action Plan (PAP).

30 The adjusted EBITDA margin corresponds to the amount of adjusted EBITDA relative to revenue.

Change in 2017-2019 adjusted EBITDA (in EUR million)



Change in adjusted EBITDA for the last twelve months over the 2017-2019 period (in EUR million)[31]

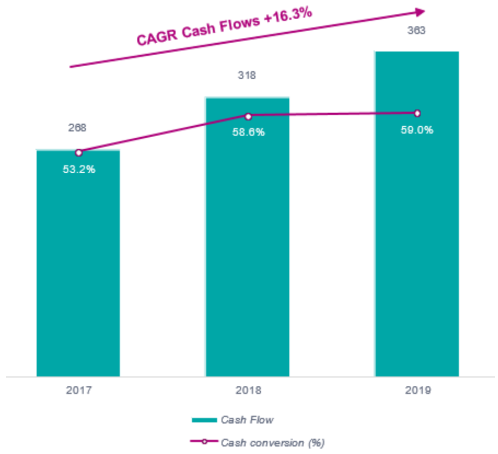


Furthermore, the Group's Capex level, combined with financial and operational discipline focused on the profitability of projects and a reduction in working capital requirement (see Section 8.4.3 of this Universal Registration Document), allowed it to generate solid cash flows and to significantly increase its cash flow and cash conversion[32] over the 2017-2019 period. Thanks to this generation of cash flow, the Group has recorded a steady reduction in its net financial debt and its ratio of net financial debt to adjusted EBITDA.

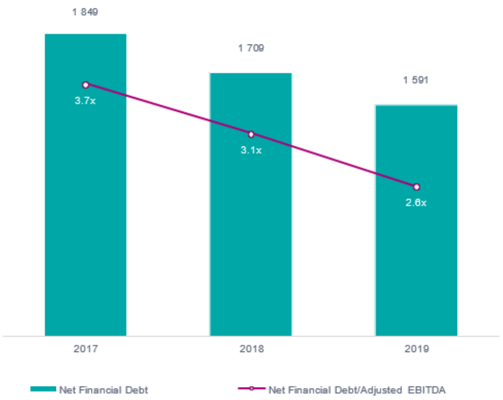
[31] Including the positive impact of IFRS 16 on adjusted EBITDA as of 1 January 2019.

[32] Cash conversion is defined as the ratio between cash flows and adjusted EBITDA. Cash flows correspond to adjusted EBITDA minus Capex. A reconciliation of adjusted EBITDA and cash conversion to the Group's accounting aggregates is presented in Section 7.1.4 of this Universal Registration Document.

Cash flows and cash conversion(in EUR million and as a % of adjusted EBITDA)



Ratio of net external financial debt to adjusted EBITDA (in EUR million)[33]



The Group's steady generation of cash flow has permitted an active capital allocation strategy. The Group therefore intends to use its disposable cash as follows: (i) shareholder return transactions, mainly through dividend pay-outs, (ii) repayment of financial debt and (iii) strategic projects such as the construction of new production facilities (greenfield projects), new furnaces for its existing sites (brownfield projects) or value-creating external growth transactions.

5.2.5 An experienced management team with solid industrial experience

The Group's development is led by a management team organised around Michel Giannuzzi, Chief Executive Officer of the Company, who has a solid industrial background gained from his previous position as Chief Executive Officer of Tarkett from 2007 to 2017, where he successfully completed its IPO on the regulated market of Euronext Paris in 2013. He was previously in charge of various profit centres in the automotive market with parts makers Valeo and Michelin. Many of the members of the Group's management team also have extensive backgrounds in the glass packaging and automotive production sector.

The Group has a decentralised organisation, ideal for ensuring quick-response times and close relationship with its customers. The local CEOs of each of the three geographic areas are independent and free to implement the Group's strategy as they see fit. Furthermore, a large number of the Group's key activities, such as marketing, sales and production, are carried out and managed locally, under the supervision of the Group's central divisions. The Group's international customer base is monitored by experienced country managers who work closely with the local sales and marketing directors of the customer's other countries.

5.3 Strategy

The Group intends to assert itself as the preferred glass packaging supplier of the food and beverage production sectors, by relying on cutting-edge industrial performance and solid financial performance while ensuring the development of the diversity and talent of its teams and by actively contributing to the preservation of the environment and development of the community.

To back this ambition, the Group has built its strategy on the four main pillars below:

33 Net debt contracted with third parties.

5.3.1 Continue disciplined growth

The Group intends to continue the growth of its activities while improving its customer satisfaction rate, in order to enhance customer loyalty and generate recurring income, and continue to improve the efficiency of its logistics processes. Improving logistics, reliability and delivery lead times is a major objective for the Group, which has invested significantly in tools for managing its product portfolio. Furthermore, the Group seeks to improve identification of its customers' needs that may not have been addressed; the Group therefore plans to develop its customer experience continuous improvement programme, based on the NPS (Net Promoter Score) indicator to track the recommendation intentions of customers, which is currently being rolled out in the Group.

The Group also intends to continue its disciplined pricing policy in order to at least offset the impact of growing production costs, in particular the cost of energy, and thus maintain its margins. The Group also seeks to roll out a pricing policy based on the added value of its products and reflecting the specific nature of the different segments of its customer base, targeting lower margin activities in particular. The Group has also set a target of increasing the margin generated on its products by relying on software with an AI-based price optimisation model and will further optimise its product portfolio.

To generate additional growth of its revenue, the Group also plans to make value-creating acquisitions.

5.3.2 Accelerate the deployment of the Group's operational excellence programme

As part of its industrial strategy, the Group has been implementing an operational excellence programme for the past few years, significantly enhanced since the beginning of the 2018 financial year with the deployment of the Verallia Industrial Management (VIM) 2.0 initiative, focused on security, quality, industrial performance and cost reduction, thanks in particular to the implementation of the Performance Action Plan (PAP)) and the management of teams. The Group seeks to speed up the deployment of this programme in order to continue increasing its margins.

First of all, the Group intends to speed up the Verallia Industrial Management (VIM) 2.0 initiative, by focusing more particularly on the elimination of unsafe practices in order to reach "zero accidents" and improving working conditions in order to position the Group's work environment as one of the safest in the sector. In connection with VIM 2.0, the Group intends to further improve its industrial methodology based on root cause analysis in order to increase the number of issues solved and by getting more managers and all its employees involved. Lastly, the Group will continue to implement measures to improve the daily management of its production sites, with the standardisation of management processes at the plant level and the implementation of a Shop Floor Management method[34].

In addition, the Group continues its efforts to improve the quality of its products, improving the ratio of products that are compliant on the first attempt (through increased responsiveness of production teams in the decision-making process).

Furthermore, the Group intends to continue improving the Overall Equipment Effectiveness (OEE) of its sites, by better identifying capacity problems and potentially under-utilised furnaces, and seeks to increase the output of its IS machines in order to improve its yields.

The Group also continues to implement selective action plans as part of its industrial performance action plan (PAP), by intensifying in particular its comparative analysis efforts for its 32 glass production sites and by systematically implementing a cost deployment method across all of its production sites, with the

[34] Lean management method specific to production workshops, that involves the development of overall workshop management, including with respect to inventory, equipment, operations, manufacturing and treatment, and based on direct cooperation between employees and managers in order to resolve issues directly on-site and continuously improve the production process.

goal of systematically reducing cash production costs[35] by 2% a year. To this end, more than 500 projects involving approximately 250 managers are being deployed and regular reviews have been implemented to ensure that goals are achieved.

Furthermore, the Group continues to implement projects launched at the end of 2018 aimed at improving the performance of its logistics chain, in order to improve the delivery rate to customers within fixed deadlines, and intends to strengthen the steps taken to cut storage and transport costs.

Finally, the Group continues to strictly manage its working capital requirements, by reducing excess costs through improvement of the logistics chain, with the goal of reducing the turnover rate of finished goods, and intends to improve the management of moulds and spare parts, with the goal of reducing the inventory value of moulds and spare parts.

5.3.3 Continue a strict investment policy for the Group's future sustainable development

The Group intends to optimise the allocation of its capital expenditure, by pursuing a disciplined investment policy aimed at maintaining recurring investments at around 8% of consolidated revenue (excluding capitalisation of the right to use an asset as required by the application of IFRS 16), to maintain the operational excellence of its production facilities and a solid return on invested capital.

The Group continues its research and development programmes focused on innovation in industrial processes and on its sustainable development strategy. The Group thus intends to build on its strong industrial expertise and innovation capacity in order to reduce carbon dioxide emissions and energy consumption (see the Extra-Financial Performance Declaration in Annex II of this Universal Registration Document).

The Group also intends to rely on the development of Industry 4.0, and in particular on data analytics and artificial intelligence. Accordingly, through its research and development activities, the Group is considering an IA-based software that will be ultimately applied to the entire production process and will specifically enable the optimisation of furnace combustion settings at the glass fusion stage, the optimisation of the settings of IS machines when transitioning to the "hot end" sector, and the improvement of control processes, including through improved use of information supplied by the control machines that detect defects.

5.3.4 Develop a strong entrepreneurial culture

The glass production sector requires permanent commitment and advanced technical skills. That is why the Group's human resources are essential for its development and the pursuit of profitable growth. The Group considers the safety of its employees as a key priority, and is committed to supporting them in their professional development in order to develop a strong entrepreneurial culture.

To back this ambition, the Group intends to further strengthen the application of its values inside the group, including (i) customer care, (ii) respect for individuals, laws and the environment, (iii) empowerment and accountability and (iv) teamwork.

The Group also strives to encourage its teams to take responsibility, take quick action and be responsive, including by helping production site managers to become genuine managers, and by developing communication within the teams through cross-functional workshops, established to reflect specific goals and based on advanced comparative analyses.

The Group also intends to continue is training efforts, by specifically relying on the sharing of its teams' know-how and by training them in project management in particular. Lastly, the Group may use external talent in order to further enhance its know-how and the diversity of its teams.

[35] Production costs excluding commercial, general and administrative costs, transport costs, depreciation and amortisation and provisions for claims.

A dynamic policy of employee share-ownership is a strategic initiative to support the Group's profitable growth, by connecting all employees with the Group's development. In this respect, as a result of plans launched by the Group between 2016 and 2019, more than 2,000 employees have become shareholders of the Company through FCPE Verallia (see Section 15.5 "*Employee share ownership*" in this Universal Registration Document). In addition, the Group should launch a capital increase in the next coming months for employees who are members of a Group corporate savings plan. The Company thus plans to actively continue its employee share-ownership development policy, with the goal of increasing the equity stake of the Group's employees in its share capital by around 3% over the 2020-2025 period.

5.4 History of the Company

The Group began its glass packaging or "hollow glass" business operations in 1827, with the opening of its first plant in Vauxrot (Verreries à Bouteilles du Nord).

Starting from 1918, the Group's hollow glass production business was run by Compagnie de Saint-Gobain until 1972 when the bottles and jars business segment was transferred to Saint-Gobain Emballage, which became the holding company of Saint-Gobain group's various hollow glass, or packaging glass, production operations.

Key dates

1827	The Group's first plant opens in Vauxrot.
1918	Compagnie de Saint-Gobain acquires its first equity interest in Verreries à Bouteilles du Nord.
1972	Compagnie de Saint-Gobain transfers its glass bottle and jar making business to Saint-Gobain Emballage.
1987	The Group acquires Vidreira do Mondego's production facilities at Figueira da Foz, Portugal.
1989	Acquisition of a controlling interest in Vetri in Italy.
1991	Acquisition of a controlling interest in Oberland Glas AG in Germany.
1995	Acquisition of a controlling interest in Ball Foster Glass in the United States.
1998	Acquisition of a controlling interest in Rayen Cura (60% joint venture) in Argentina.
	Acquisition of Verrerie d'Albi in France.
2005	Acquisition of a controlling interest in Zorya, a Ukrainian company, and Verallia Polska (formerly Euroverlux), a Polish hollow glass decoration company.
	Acquisition of a controlling interest in KMS, a Russian company based in Kavminstelko.
2006	Acquisition of a controlling interest in BO Glass Containers SA in Chile.
2007	Disposal of all equity holdings in Saint-Gobain Desjonquères and its subsidiaries ("Bottling" business line).
2008	Acquisition of Kamyshinsky (KSZ), a Russian company.
2009	The Group sets up an Indian subsidiary, Accuramech Industrial Engineering, which acquired a business specialised in the sourcing and inspection of IS machine parts.
2010	Adoption of the Verallia trademark.
2011	Acquisition of Alver, a glass manufacturer in Algeria.

2014	Disposal of Verallia North America (formerly Ball Foster Glass) – refocus on Europe and Latin America.
2015	Acquisition of Verallia by Apollo (90%) and Bpifrance (10%) from Compagnie Saint-Gobain and of certain of its subsidiaries.
2018	Disposal of Alver in Algeria. Disposal of the minority interest in the Brazilian joint-venture Indústria Vidreira do Nordeste (IVN). Acquisition in the Canary Islands by Vidrieras Canarias of Recicladora de Vidrio de Canarias, a company specialised in glass recycling.
2019	Creation of a joint subsidiary specialised in glass recycling in Spain. Known as Calcin Iberico, it is owned by Verallia Spain (49% of the share capital and voting rights) and TM Alcudia Reciclatges SL (51% of the share capital and voting rights). Initial public offering of the Company on the regulated market of Euronext Paris. Admission of the Company to the SBF 120 index.

5.5 Presentation of markets and competitive position[36]

5.5.1 Description of the glass packaging market

The Group operates in the glass packaging market for beverages and food products where it is, in terms of revenue, the third largest producer in the world and the leading producer in Europe[37]. In terms of volumes sold, it is the second largest producer in Latin America[38].

5.5.1.1 Market trends

This paragraph describes the general trends of the glass packaging market and trends for each end market.

The Group estimates that the impact of the Covid-19 pandemic on the general economic context, which is, as of the date of this universal registration document, difficult to assess, could affect some of the trends and growth outlook related to certain end markets, although the fundamental trends of the glass packaging market, mainly related to the inherent features of glass, should not be significantly affected. The Group thus estimates, on the basis of information available as of the date of this universal registration document, that the markets for still and sparkling wines and spirits in particular, which are markets supported by exports, should be affected by the consequences of this sanitary crisis.

(a) General trends in the glass packaging market

The glass packaging market benefits from favourable trends, mainly fuelled by the increasing appreciation of glass by consumers.

The glass packaging market is currently fuelled by the trend toward alternative materials, for plastic in particular, and the choice for glass, illustrated by growing consumer preference for glass because of its

[36] The market information in this Section 5.5, including size and growth prospects, is principally derived from the third-party sources presented in Section 1.3 "*Third-Party Information, Statement of Experts and Declarations of Interest*" of this Universal Registration Document and in particular, unless otherwise indicated, from the market study conducted by Advancy at the Company's request as part of its initial public offering.

[37] On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

[38] Based on volumes sold in 2019 in Argentina, Brazil and Chile.

environmental qualities, its ability to be fully recycled and its inert properties (no risk of migration of chemical products, such as Bisphenol-A, which is a health hazard), and its capacity to protect flavours.

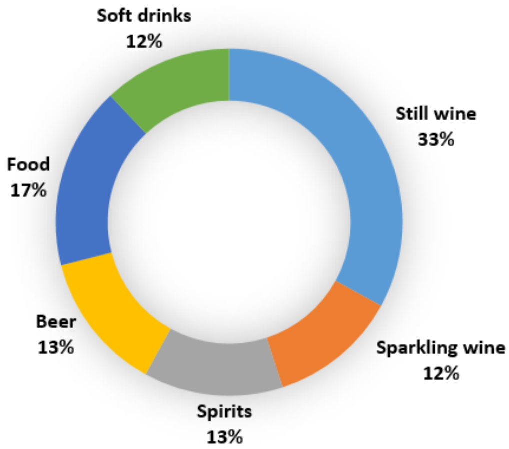
Finally, glass is the preferred choice for upmarket products because of its inherent premium image, particularly for sparkling wines, spirits and still wines, products in which the Group has a strong presence. Glass is also used to package beer, but to a lesser extent.

(b) Trends by end market

The Group addresses a wide variety of end markets, ranging from bottles for still and sparkling wines to bottles for spirits, bottles for beer, jars and bottles for food and soft drinks. The Group's revenue[39] for the year ended 31 December 2019 was as follows:

Distribution of revenue by end market

Financial year ended 31 December 2019



Still and sparkling wines

The market for bottles for still and sparkling wines is the Group's largest market, which represented 45% of its consolidated revenue for the year ended 31 December 2019. It is influenced by consumer habits in traditional wine consuming countries, such as France, Spain and Italy, and by the consumption modes of new consumers, such as in the United States, the United Kingdom and emerging markets, primarily Brazil and China. These trends influence the exports from the historical producing countries such as France, Spain and Italy as well as from the producers of the "New Winemaking World", such as Argentina, Chile, Australia and South Africa. Structurally, the market for still and sparkling wines from the New Winemaking World is growing, whereas wine consumption is stagnating or even decreasing in the more "traditional" countries like France.

The bottle market for still and sparkling wines, which was impacted a few years ago by the economic crises, particularly for still wines and champagne in France and Spain, is primarily supported by exports.

The Group's business operations in the market of still wines and sparkling wines are more particularly exposed to the exports made by its winemaking customers. The three most significant countries for the Group in terms of revenue, namely France, Spain and Italy, are the main exporting countries of still wines and sparkling wines in the world.

39 Based on revenue generated solely from the sale of jars and bottles, accounting for 97.4% of the Group's consolidated revenue for the year ended 31 December 2019.

Glass is the preferred material for packaging still wines and particularly for sparkling wines because of the product's image, wine-making processes, requirements for pressure resistance and its exceptional organoleptic qualities. The substitution of other packaging materials is also limited due to consumers' preference for glass and the image of quality associated with this packaging, the existence of glass bottling infrastructure and the existence of pressure resistance requirements for sparkling wines. The Group is nevertheless competing with alternative types of packaging, such as the bag-in-box in still wines, primarily for down-market wines, and brick pack containers, especially in certain geographic areas such as Argentina, Spain, and Portugal, and, to a lesser extent, bottles made from polyethylene terephthalate ("PET").

Containers for spirits

Containers for spirits represented 13% of the Group's consolidated revenue for the year ended 31 December 2019.

Growth in the spirits market is primarily driven by exports intended primarily for the United States and Asia. Cognac, brandies and gin have found valuable export niches (in neat form and in cocktails). This market is characterised by a sharp increase in upscale packaging, similar to that seen in the perfume market. In terms of customers, the sector is highly consolidated, with the major global brands in spirits owned by a limited number of companies. In each region, numerous local spirit brands remain independent and active in the market.

At the global level, the market for spirits, which are non-essential products, suffered from the financial crisis (particularly in Brazil, Russia, India and China). In Russia and Ukraine, demand was also affected by certain measures taken by public authorities to reduce alcohol consumption, as well as by political instability in the region. However, this market saw growth in recent years, particularly in Southern and Western Europe.

The risk of substitution for packaging other than glass is relatively limited in the spirits segment, primarily because of producers' desire to use glass bottles (often customised) to maintain the image and recognition of their brands. However, certain containers (other than the litre, pocket flasks or miniatures) are packaged in PET, marginally and in low-end segments, and mostly in the United States.

Beers

Beer bottles represented 13% of the Group's consolidated revenue for the year ended 31 December 2019.

The highly concentrated beer market, considered a "mass market", is growing, particularly in emerging markets. Glass packaging is particularly favoured by certain brewers to provide up-market appeal, especially in developed countries, and to create value in a market that has historically had little differentiation.

However, certain customers may periodically or permanently substitute traditional glass packaging, which has a premium positioning, for other packaging such as metal cans. This change may be brought about for sales and marketing reasons, to control costs in view of the economic context, or due to changes in strategy. In the beer packaging market, glass remains the favoured packaging for brewers in the premium beer growth segment that seek to make their products stand out from the competition with an up-market image designed to highlight the distinctive taste of their beers. This is especially true for local or craft brewers. This market is facing competition from other modes of consumption, particularly the mini-barrel and draught beer. Plastic is more marginal, except for specific uses (during sports events, for example) and for large containers, particularly in the Russian and Ukrainian markets. In Latin America, the traditional deposit bottle for beer is progressively being replaced by single use packaging in metal or glass. This trend is expected to continue in the future, particularly in Brazil.

Jars and bottles for food

Jars and bottles for food represented 17% of the Group's consolidated revenue for the year ended 31 December 2019.

The market for food jars and bottles consists of a very large number of niche markets, including traditional jams and yoghurts, baby food, certain types of sauces and jarred food and even soluble products that vary depending on the eating habits of each country. Overall, glass occupies relatively stable positions compared with other materials. The growth of this market primarily tracks the growth in household consumption. The intrinsic, technical qualities of glass, particularly the possibilities for sterilisation and high-temperature cooking, as well as the innovation potential it offers, allow differentiation of food products packaged in glass compared with products packaged in other materials.

In the food packaging market, substitution is mainly in jars and bottles for condiments, sauces and dairy products where consumers are more indifferent to the use of PET. However, the favourable positioning of glass for small containers, the unsuitability of plastic for certain techniques in the food industry (such as sterilisation and high-temperature cooking), and the development of niche markets where the use of glass is associated with the perceived qualities of the product or when it is the preferred medium for innovation (such as packaging for spreads), allow glass to maintain, and even increase, its market share in this market. On featured or premium segments, glass is often used as a substitute for other types of packaging. Since 2009, changes in consumer habits due the difficult economic context have had a variety of consequences for food packaging. For example, the increase in the number of meals eaten at home has had a positive impact on the purchase of food in jars, but was largely offset by a tendency to purchase more plastic containers, considered to be cheaper. Consolidation of the customer base in this market is moderate.

Overall, due to the wide range of glass packaging used by the food industry, the financial crisis had a fairly limited impact on the Group's business in this market. However, this relative stability can hide contrasting situations in particular niches.

Bottles for soft drinks

Bottles for soft drinks represented 12% of the Group's consolidated revenue for the year ended 31 December 2019.

In this market, packaging in materials other than glass have already largely replaced glass packaging. Substitution may still exist in the fruit juice segments, where glass is nevertheless well positioned in small containers, particularly for restaurants and cafés and upmarket products. High value added niches have also developed in recent years, for which glass is particularly well positioned, such as table waters, energy drinks and certain sodas.

5.5.1.2 Competitive position and environment of the Group in the glass packaging market

In terms of revenue, the Group is the third largest producer in the world and the first largest producer in Europe[40] of glass packaging; and, in addition, in terms of volumes sold, it is the second largest producer in Latin America[41].

The Group's main competitors worldwide are global players with a global presence, such as Owens-Illinois, Ardagh, Vidrala, BA Vidro and Vetropack. The two most significant competitors of the Group in terms of revenue are Owens-Illinois and Ardagh.

The Group's markets are, for the most part, regional, primarily because of the costs to transport glass packaging, and the Group also competes with a number of regional glass packaging producers (see Section 5.5.2.2 "*Group's competitive position and environment in the regional markets*" in this Universal Registration Document). Moreover, the Group may face competition from actors conducting periodic

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[40] On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

[41] Based on volumes sold in 2019 in Argentina, Brazil and Chile.

export operations, primarily when the domestic markets of these importers face overcapacity or when permitted by logistics costs or changes in exchange rates.

Due to the local nature of the markets, companies in this sector install their production sites near food and beverage production and packaging sites (such as in wine-making regions or near large brewers).

5.5.2 Description of the geographic markets

The Group conducts its activities in the following geographic markets, which make up its three operating segments: (i) Southern and Western Europe, consisting of the production sites located in France, Italy, Spain and Portugal, which represented 68% of the Group's consolidated revenue for the year ended 31 December 2019; (ii) Northern and Eastern Europe, consisting of the production sites located in Germany, Russia, Ukraine and Poland, which represented 22% of the Group's consolidated revenue for the year ended 31 December 2019; and (iii) Latin America, consisting of the production sites located in Brazil, Argentina and Chile, which represented 10% of the Group's consolidated revenue for the year ended 31 December 2019.

These geographic markets reflect the trends common to the entire glass packaging market described in Section 5.5.1.1 above, as well as their own specific trends.

5.5.2.1 *Trends by geographic market*

Southern and Western Europe

Southern and Western Europe accounted for 68% of the Group's consolidated revenue for the year ended 31 December 2019.

The main end markets in Southern and Western Europe in 2019 in terms of bottled volumes are still wine and sparkling wines bottles and containers for spirits.

In 2019, the growth in the volumes of bottled still wines was driven primarily by the increase in global demand for still wines, particularly in Asia and North America, which contributed to the growth in exports. Domestic consumption of still wines grew at a more moderate pace.

Northern and Eastern Europe

Northern and Eastern Europe accounted for 22% of the Group's consolidated revenue for the year ended 31 December 2019.

Bottles for beer and jars and bottles for food are the largest end markets in Northern and Eastern Europe in 2019.

In 2019, bottled volumes of beer bottles saw slight growth primarily driven by beer exports from Germany, which offset the decrease in this country's domestic consumption, and by the growth in demand for beer in Eastern European countries, primarily Ukraine.

Latin America

Latin American accounted for 10% of the Group's consolidated revenue for the year ended 31 December 2019.

Bottled beer is the largest end market in Latin America, particularly in Brazil. This end market should see steady growth by 2022, buoyed in particular by craft and premium beers and the development of single-use bottles in Brazil, as well as by the increase in glass penetration against metal cans in Chile.

Bottles for still wines are the second end market in Latin America, particularly Argentina and Chile, driven by exports.

5.5.2.2 Competitive position and environment of the Group in the geographic markets

Southern and Western Europe

In terms of volumes sold, the Group is the largest producer of glass packaging in Southern and Western Europe.

The Group's primary competitors in Southern and Western Europe are Owens-Illinois, primarily in France and Italy, Vidrala and BA Vidro, primarily in Spain in Portugal, and Zignago, established in northern Italy.

Northern and Eastern Europe

In terms of volumes sold, the Group is the second largest producer of glass packaging in Northern and Eastern Europe.

The Group's primary rivals in Northern and Eastern Europe are Ruscam, principally in Russia where the competitive environment is fragmented, Vetropack, mainly in Ukraine, and Ardagh, Wiegand-Glas and Owens-Illinois, primarily in Germany.

Latin America

In terms of volumes sold, the Group is the second largest producer of glass packaging in Latin America.

The Group's main competitors in Latin America are Cristal Chile and Cristoro, in Chile; Cattorini and Owens-Illinois in Argentina; and Owens-Illinois and VidroPorto in Brazil.

5.6 Description of the Group's main business lines

The Group is the third largest producer in the world and the leading European producer[42] (based on revenue) of glass packaging for beverages and food; and, in addition, in terms of volumes sold, it is the second largest producer in Latin America[43]. The Group offers innovative, customised and environmentally friendly solutions to more than 10,000[44] customers worldwide.

In the year ended 31 December 2019, the Group produced nearly 16 billion glass bottles and jars to meet the needs of a diversified customer base in the still wines, sparkling wines, spirits, food, beers and soft drinks markets and including both locally based small-sized companies such as regional wine producers or local breweries and leading multinationals such as Pernod Ricard, LVMH, Heineken, Andros and Nestlé.

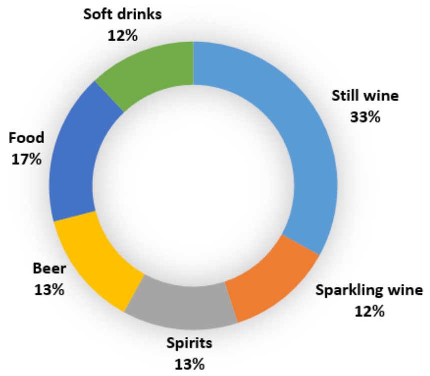
Breakdown of revenue[45] by end market (year ended 31 December 2019)

[42] On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

[43] Based on volumes sold in 2019 in Argentina, Brazil and Chile.

[44] Customers who placed at least one order during the 2017–2019 period.

[45] Based on revenue generated solely from the sale of jars and bottles, accounting for 97.4% of the Group's consolidated revenue for the year ended 31 December 2019.



Packaging is a major component of the marketing strategy for agrifood and beverage producing industries, which comprise the Group's customers, which it accompanies throughout the glass packaging creation process.

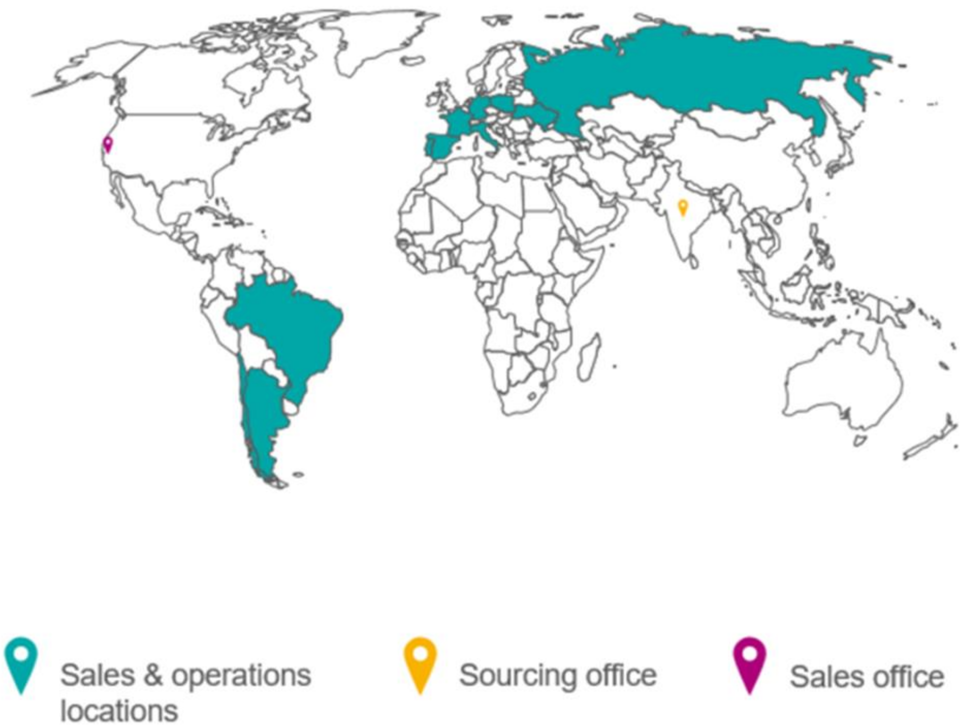
To meet the needs of its customers, the Group designs and manufactures a broad range of standard products tailored to both local and international markets. The Group stands out from the competition both by the scope of its offering, which encompasses a large variety of shades, finishing and containers, and through its capacity to upgrade its standard products for enhanced customisation.

In addition to its glass packaging production business, the Group also offers its customers a range of extended services tailored to their marketing and economic needs.

Lastly, the Group's desire to propose diversified, customised and upmarket products has led to the creation of a global upmarket brand known as the "Selective Line" with a dedicated marketing team. This line is designed to address the growing demand for upmarket glass bottles from Verallia's most demanding international customers in still and sparkling wines, spirits, beers and mineral water.

The Group's "Glo-Cal" business model is built on the strength of its international network (illustrated by an industrial presence in 11 countries, with 32 glass production sites combining 57 furnaces, 8 cullet treatment centres (including two in joint-venture), 3 decoration plants, 5 technical centres and 13 product development centres as of 31 December 2019 combined with proximity relationships maintained with its customers by nearly 10,000 employees, with a particularly significant sales force of more than 300 employees.

The Group's production facilities and sales presence



The Group's business lines are organised into three operating segments:

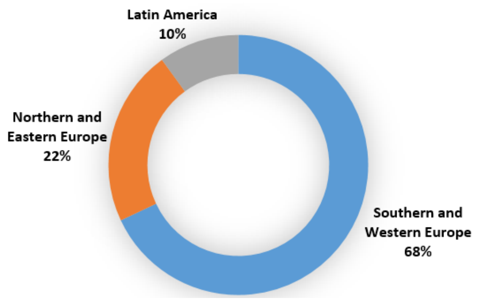
– *Southern and Western Europe*, comprising production plants located in France, Italy, Spain and Portugal. Southern and Western Europe accounted for 68% of consolidated revenue and 67% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Southern and Western Europe are mainly oriented towards bottles for still and sparkling wines and packaging for spirits, which are export-driven market segments;

– *Northern and Eastern Europe*, comprising production plants located in Germany, Russia, Ukraine and Poland. Northern and Eastern Europe accounted for 22% of consolidated revenue and 20% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Northern and Eastern Europe are mainly oriented towards bottles for beer, particularly in Germany, and jars and bottles for food, mostly for local markets;

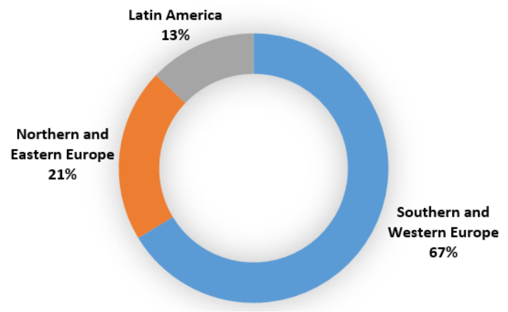
– *Latin America*, comprising production plants located in Brazil, Argentina and Chile. Latin America accounted for 10% of consolidated revenue and 13% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Latin America are mainly oriented towards bottles for still wines, an export-driven market segment, as well as bottles for beer, in Brazil.

The Group has developed a differentiated exposure to end markets, tailored to the relevant geographic areas. It adapts its offering to the specific local and regional features of the various markets to ensure the delivery of the best possible solution for the needs of its customers. Its flexible industrial facilities are adapted to these specific features also permit the temporary transfer of production from one site to another in case of repairs on a furnace or other equipment or the occasional spike in local demand.

Breakdown of revenue among the three operating segments (year ended 31 December 2019)



Breakdown of adjusted EBITDA among the three operating segments (year ended 31 December 2019)



5.6.1 The Group's products and services

5.6.1.1 The main products: bottles and jars

The Group proposes a diversified product offering including a range of both standard products and specialized products that are designed in collaboration with the Group's customers and tailored to their specific needs (joint-development).

Bottles for still wines

In order to meet market demands, the Group proposes a wide range of bottles offering various shapes and sizes adapted to the different regional markets, in order to address two powerful market trends: the growing appeal of premium products and the development of rosé wine, for which differentiation is mainly based on the packaging used.

The Group proposes a broad range of shades that allows its customers to customise their products. In addition to the "green" bottles, generally considered as traditional shades, the Group has developed other shades adapted to its markets, such as the "tradiver" colour, a luxury dark green shade with a filter that protects the organoleptic properties of wine. More recently, the Group developed a new ebony shade in Chile, France and Spain: almost black and with a high density, it protects the contents against the effects of light and gives products a touch of class and refinement, ideal for meeting upmarket demands.

In addition to its wide range of colours, the Group also offers a large selection of bottle sizes that differ according to the market, including 18.5 cl ("aviation" sized), 37.5 cl, 50 cl and 75 cl, each with varying finishes. Following market trends, the Group gives its customers the ability to provide consumers with packaging that keeps up to date with changes in consumption and lifestyle. For example, the Group increasingly offers standard bottles equipped with screw-on tops to its customers, particularly for exports, considering the growing demand from consumers worldwide for this type of finishing.

In France, the Group manufactures the Roseline Prestige wine bottle, which won the first place Design Award at the 2018 Pink Rosé Festival. The model is characterised by the engraved rose and name of the vintage, a long and thin neck, and embossed stitching. The bottle bears no label, a rare sight for wine.

In Italy, the Group manufactures a Bordeaux bottle with a life-size hand print cut-out for Santero. This unique model is available in four shades and is the signature bottle of the entire Dilé wine range.

Bottles for sparkling wines

The Group offers a large range of standard products to bottle champagne, *crémants*, *mousseux*, cider and their foreign equivalents such as *sekt* (Germany), *spumante* (Italy), *prosecco* (Italy) and *cava* (Spain).

The Group produces packaging in varied sizes according to each market, ranging from very small bottles (18.7 cl) to large capacity bottles such as the Magnum (1.5 litres), Jeroboam (3 litres), Methuselah (6 litres) and even the Nebuchadnezzar (15 litres). The majority of the Group's production, however, focuses on the 75 cl bottle which, in the majority of markets in which the Group is present, is the standard size for these beverages.

Depending on models and markets, the Group offers a broad range of standard products in different shapes and shades, allowing its customers to differentiate their products.

In addition to its standard products, the Group offers specialized packaging designed in cooperation with the customer, including using embossment and/or decorating techniques to better meet their marketing needs.

Lastly, certain bottles for upmarket sparkling wines are developed by the Group in the context of its "Selective Line" brand (see Section 5.6.1.3 "*Selective Line*" of this Universal Registration Document).

With the Mumm Grand Cordon bottle, the Group achieved a technical feat and a real first in the world of champagne: red glass ribbon is embedded in the thickness of the bottle. This bottle received the Formes de Luxe Award in the "bottling" category and the Gold Pentaward in the "Luxury, upmarket wines and champagne" category.

Packaging for spirits

In this market, the Group offers a large range of standard products to its customers. However, the majority of sales are high value-added customized products (especially in terms of specific shapes and engravings).

The container sizes vary according to the market, between 3 cl and 4.5 litres, giving customers access to a wide range of products.

In addition to this diversified offer for different sized containers, the Group provides its customers, depending on the market, with several choices of shades (such as green, extra-white, cinnamon or ebony) and a large number of original shapes by drawing on its industrial expertise in light colouring, decoration and creation of new shapes, allowing customers to adapt the image of their products.

A large volume of containers for upmarket spirits are developed by the Group under its "Selective Line" brand (see Section 5.6.1.3 "*Selective Line*" of this Universal Registration Document).

In Italy, the Group manufactures the bottle for the Bagnoli Distillery's Butterfly gin. In extra-white glass, the bottle is magnified by a butterfly engraving on the shoulder.

Beer bottles

The Group produces a standard range of beer bottles in different sizes and shades.

The Group proposes a large choice of finishings and closing systems adapted to the different ways of drinking beer depending on the market and to better address the expectations of its customers.

Moreover, as with its other products and to complement its standard range of bottles, the Group shares its innovative and creative skills with its customers to jointly develop specific products, such as highly personalised designs for the increasingly popular micro-breweries all over the world.

To celebrate its 40th anniversary, the French brewery Castelain launched a limited edition printed by Saga Décor, a Group's company, using a drawing by a local artist. The round and thick body of the Steinie bottle, a standard for brewers, gives an image of authenticity to the product.

In Germany, the Group manufactures a range of bottles for Reissdorf, Kölsch's largest brewery in Cologne. The 33 and 50 cl models, available in brown or white, feature the brand's name engraved on the shoulder.

Jars and bottles for the food market

The Group offers a wide range of standard jars and bottles for food, tailored to each market.

This range is highly diversified, especially in terms of shape, capacity and closing systems.

The Group is mainly present in the following markets:

- baby food;
- dairy products;
- solid food products;
- jam, honey and spreads;
- condiments, sauces and vinegars; and
- vegetables, meat, seafood and soup ("preserves").

For example, to accompany its customers on the snacks market, which continues to grow each year, the Group offers a range of heat-sealable jars, such as jars or small casserole containers in heat-sealable, sterilisable and pasteurisable glass, for prepared dishes, baby food or condiments, or heat-sealable glass jars with transparent caps for yoghurts, pudding cups and other soluble products, which were previously sealed with aluminium caps.

In this sector in particular, the Group complies with strict regulations in terms of food safety. Verallia therefore ensures that all of its teams comply with strict quality standards, such as *Hazard Analysis Critical Control Point* (HACCP - see Section 9.1.1.1) and ISO 22000. The Group also controls the quality of its products using visual, mechanical, video and light beam technology to check the corking, dimensions and glass thickness and appearance. Any container that does not comply with the Group's quality standards is automatically rejected and recycled.

Bottles for soft drinks

The Group proposes a large standard range of bottles for soft drinks, such as syrups, fruit juice, lemonades, oils and mineral water.

The Group's products come in a variety of different shades and finishes according to each model and market, in order to meet the specific needs of its customers.

The Group manufactures the glass bottle of Estathé, the iced tea of Ferrero, which is one of the group's iconic products in Italy. The bottle won two awards in 2019: one at the Packaging Oscars of the Italian Institute of Packaging and one at the A'Design Awards.

For special occasions such as Christmas and New Year's Eve, anniversary editions and other events, the Group creates personalised ranges in collaboration with certain customers.

The Group also offers a standard range of glass packaging for oils, including round and square shapes and in different sizes and colours. Some of its products, in particular bottles for mineral water, are also designed under the Group's "Selective Line" brand (see Section 5.6.1.3 "Selective Line" of this Universal Registration Document).

5.6.1.2 Services

In addition to its core glass packaging production business, Verallia offers customers a range of high value-added services tailored to their marketing and economic needs.

Joint-development

In addition to its standard offering, the Group develops unique models, specialty products, with its customers. The Group has at least one product development centre in each country where it operates, with the expertise to ensure that a creative idea becomes an industrial reality. Thanks to their technical expertise, these 13 product development centres improve on customer proposals to ensure the industrial feasibility of the bottle or jar. Adjustments to the model are required to guarantee the best breakdown of the glass, its mechanical strength, its fitness for labelling, its stability on filling lines and the optimisation of palletisation. These centres also design the drawings for the moulds that will be used to manufacture the bottle.

To successfully complete these glass projects, the development centres provide the Group's customers with advanced tools such as computer-aided design (CAD), 3D printers, physico-realistic computer-generated images and methods for calculating mechanical strength by finite element. In this way, the Group allows its customers to participate interactively, directly or remotely, in the development of their model, using 3D visualisation, computer generated images or scale models, while ensuring optimisation of the product's weight and mechanical performance.

More recently, the Group launched in Spain a service known as "Ideas by Verallia", which entails offering turnkey concepts to customers, thanks to the integration of a designer in the marketing team.

Finally, each year, the Group organises design competitions in several countries, the *"Verallia Design Awards*", which bring together hundreds of participants from the best design and packaging schools. They are invited to propose projects for bottles and jars as a way of encouraging future thinking about uses of glass packaging and creating a portfolio of innovative and ready-to-be-developed designs that can be proposed to customers

A number of these projects have been industrially produced for the Group's customers. Examples include the Serac bottle, winner of the 2016 French edition in the "Wines" category, designed by a student from Ecole Pivaut in Nantes and selected by Maison Du Sud – Jeanjean to market white and rosé wines under different brands in France and abroad.

Glass packaging decoration

The Group's glass decoration business is mainly carried out by its subsidiary Saga Décor and Société Charentaise de Décor,, which are major players in glass bottle decoration in Southern and Western Europe, and through Verallia's Polish subsidiary Verallia Polska, a player in the Northern and Eastern European spirits market.

Saga Décor, Société Charentaise de Décor and Verallia Polska are specialised in bottle finishing. They use glass decoration techniques such as satin-finishing, lacquering, screen-printing, decal transfer and hot marking. The Group continuously improves its finishing techniques and production processes, in the context of the Group's research and development activities, in order to maintain the Group's competitive advantage in the glass bottles and jars decoration sector. For example, Saga Décor recently developed decoration techniques on filled bottles ("*artefakt*"). These techniques consist of combining decoration processes in “cold” firing (screen-printing, hot marking and lacquering) to create personalised bottles after storage in a cellar, particularly well adapted for a special vintage, a partnership or a special event, with no impact on the intrinsic quality of the wine. The Group adopts structural measures to minimise the impact of its decoration business on the environment, such as by using lead-free enamels.

The ECOVA products range

The Group offers a range of eco-designed products, ECOVA, allowing its customers to design image-enhancing products that are attractive to consumers while guaranteeing a reduction in the impact on the environment of each container over its lifetime: from the raw material stage through to the consumer (including selective waste sorting) and lastly through to the recycling phase (see the Extra-Financial Performance Declaration annexed to this Universal Registration Document). The products in this range are aimed at the still and sparkling wine markets and the food market and are adapted in each country by the Group’s local sales and marketing teams to meet the needs of the local market.

In France, Les Jamelles bottled its wine in an eco-friendly bottle designed by the Group. Its weight was reduced by 20% without changing the features of the original bottle (shape and engraving on the shoulder).

Mobile bottling

The Group has 14 mobile bottling units in France, run by its subsidiary Thierry Bergeon Embouteillage, for the bottling of wines on the wine estate. Although this is not a significant business line compared to the Group’s other business operations, it contributes to the Group’s strategy to stay close and provide services to its customers, particularly wine-makers based in the Bordeaux region among others.

Daily support for its customers

The Group strives to stay close to its customers and thus offers an extensive range of services to support them in their daily operations and in their development projects, such as digital apps, training programmes and studies on specific topics.

Digital apps

- Virtual Glass

Initially developed in 2014 and proposed in 2019 in an enhanced version with hyper-realistic results, the “Virtual Glass” app seeks to allow the Group’s customers to reduce the development time needed for new products by visualising different models of bottles and jars, labelled and capped, full or empty.

- Virtual tours

This app, used at trade shows, training courses and shop floor events, offers virtual tours of plants and cullet sorting centres. It also offers a series of images showing the different stages in the glass production process and in household glass sorting.

- MyVerallia

This portal, rolled out in France, Spain and Germany, Italy, Brazil and Argentina and available on computers and tablets, offers the Group’s customers access to catalogues where they can place and track their orders or use the Virtual Glass application. The Group's customers also have access to Verallia's news.

Glass School

In France and Germany, the Group proposes several training cycles to its customers each year to increase their knowledge of the production process, to teach them about marketing trends and introduce them to the circular economy.

Conferences

In France, the Group helps its winegrowing and trading customers to better understand the challenges of the wine market by ordering research studies and sharing their findings during "Vin & Sens" (Wine & Senses) workshops. For example, in 2019 the Group presented two studies, one on the promotion of responsible wine practices among distributors and consumers, and the other on the impact of neuroscience in packaging. In Italy, the Group presented a study on Italian sparkling wines.

5.6.1.3 "Selective Line"

To meet the growing demand for premium glass bottles from its most demanding international customers in still and sparkling wines, spirits, beers and mineral water, the Group developed a brand, known as "Selective Line". "Selective Line" is partly based on a dedicated marketing team at the Group level and partly on a network of leading technical experts, located in four glass production sites (Albi, Cognac and Saint Romain in France and Zorya in Ukraine) and two decoration units (Saga Décor and Société Charentaise de Décor in France and Verallia Polska in Poland) (see the Section 5.6.1.2 "*Services*" - "*Glass packaging decoration*" of this Universal Registration Document). "Selective Line" promotes the brand image of the Group.

"Selective Line" is present worldwide, in all the countries where the Group operates, and offers a range of complementary products and services to the Group's customers, such as the "Collection", a standard range of customisable bottles, or the "*Carnet des Tendances*" (Book of Trends) developed each year to help the Group's customers understand and anticipate premium packaging trends.

5.6.1.4 Procurement and assembly of components and spare parts

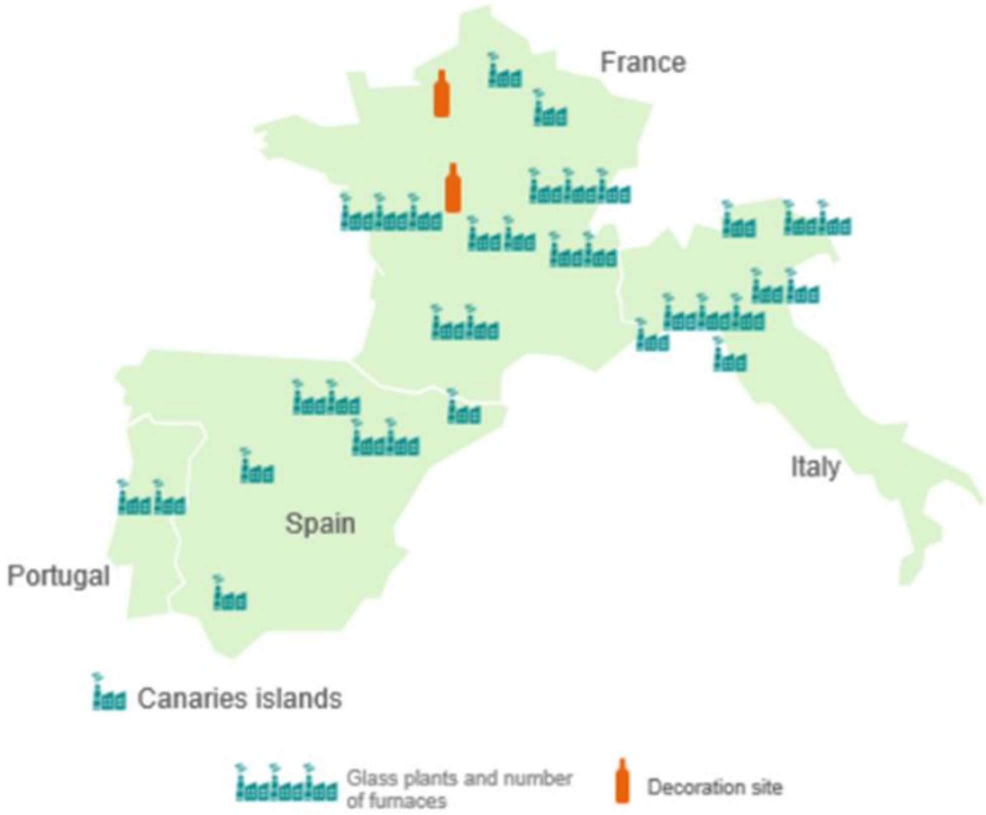
The Group's business operations include the procurement, assembly, quality control and sale (mostly to Group companies but also to third parties) of components and spare parts for industrial equipment used in the composition of glass packaging, through a site located in Pune, India, run by Accuramech. This activity represented a very limited share of the Group's consolidated revenue for the year ended 31 December 2019.

5.6.2 The Group's business operations in Southern and Western Europe

For the year ended 31 December 2019, the Group's activities in Southern and Western Europe generated revenue of €1,753.7 million[46] (68% of the Group's consolidated revenue) and adjusted EBITDA of €411.5 million (67% of the Group's consolidated adjusted EBITDA). The Group's total capital expenditure in Southern and Western Europe as of 31 December 2019 amounted to €167 million (9.5% of revenue[46] in this segment).

As of 31 December 2019, the Group had 5,191 employees in Southern and Western Europe and operated 20 production sites and 34 furnaces. In the year ended 31 December 2019, the volume of jars and bottles sold by the Group in Southern and Western Europe totalled 3,733 kT.

Production facilities in Southern and Western Europe as of 31 December 2019



In Southern and Western Europe the Group is present in France, Spain, Portugal and Italy.

The largest geographical market for the Group in terms of revenue is France, which represented 43% of revenue generated by the Group in Southern and Western Europe in the year ended 31 December 2019.

The Group's business operations in Southern and Western Europe mainly involve bottles for still and sparkling wines and containers for spirits, products that have relatively high margins, and for which the Group is one of the market leaders.

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[46] Excluding intersegment revenue.

The Group offers a broad range of products to the Southern and Western European markets tailored to the local needs of each country. Bottles for still and sparkling wines account for a significant portion of the Group's activities in France, Italy and Spain.

The Group's customer base in Southern and Western Europe in bottles for still wines is highly fragmented, mainly local and regional winegrowers, as well as leading wine merchants. Furthermore, the Group has many customers for sparkling wine bottles, including local or regional producers as well as a number of leading world-class players such as LVMH and Pernod Ricard, with certain prestigious brands, such as Dom Perignon and Ruinart for champagne.

In the food, spirits and beer market, the Group serves both international customers and local customers.

Lastly, the Group provides glass packaging to customers specialised in empty bottle retailing, which represents a limited portion of its revenue.

5.6.3 The Group's business operations in Northern and Eastern Europe

For the year ended 31 December 2019, the Group's activities in Northern and Eastern Europe generated revenue of €567.6 million[47] (22% of the Group's consolidated revenue) and adjusted EBITDA of €124.9 million (20% of the Group's consolidated adjusted EBITDA). The Group's total capital expenditure in Northern and Eastern Europe as of 31 December 2019 amounted to €41 million (7.3% of revenue[47] in this segment).

As of 31 December 2019, the Group had 3,322 employees in Northern and Eastern Europe and operated seven production sites and 17 furnaces. In the year ended 31 December 2019, the volume of jars and bottles sold by the Group in Northern and Eastern Europe totalled 1,490 kT.

Production facilities in Northern and Eastern Europe as of 31 December 2019

In Northern and Eastern Europe the Group is present in Germany, Russia, Ukraine and Poland. The largest geographical market for the Group in terms of revenue is Germany, where the Group operates through its

47 Excluding intersegment revenue.

subsidiary Verallia Deutschland AG, listed on the Frankfurt, Stuttgart and Munich stock exchanges and which represented 72% of revenue earned by the Group in Northern and Eastern Europe in the year ended 31 December 2019.

The most significant products in terms of revenue for the Group in Northern and Eastern Europe are bottles for beer, especially in Germany, and jars and bottles for the food market.

In the beer, food and spirits market, the Group serves both international customers and local customers.

The Group's customers for still and sparkling wines, mainly in Germany, include local or regional wine producers and leading merchants for still wines.

5.6.4 The Group's business operations in Latin America

For the year ended 31 December 2019, the Group's activities in Latin America generated revenue of €246.6 million[48] (10% of the Group's consolidated revenue) and adjusted EBITDA of €78.8 million (13% of the Group's consolidated adjusted EBITDA). The Group's total capital expenditure in Latin America as of 31 December 2019 amounted to €45 million (16.8% of revenue[48] in this segment).

As of 31 December 2019, the Group had 1,259 employees in Latin America and operated five production sites and six furnaces. In the year ended 31 December 2019, the volume of jars and bottles sold by the Group in Latin America totalled 618 kT. Considering the topographical and geographic constraints in this area, and in order to facilitate the logistics process, in particular the transportation of goods, the Group has optimised its industrial location by setting up its production sites close to those of its customers, especially in wine-growing areas.

Production facilities in Latin America as of 31 December 2019

The Group has been present in Latin America since 1960, when it began operations in Brazil through its subsidiary Verallia Brazil. In Latin America the Group is present in Brazil, Argentina and Chile. The largest geographical market for the Group in terms of revenue is Brazil. In terms of volumes, the Group is

48 Excluding intersegment revenue.

the second largest producer on the glass packaging market in Latin America, with a strong competitive positioning for bottles for still wines and bottles for sparkling wines.

The Group's operations in Latin America are mainly oriented towards bottles for still wines, an export-driven market segment, as well as bottles for beer, in Brazil. The Group prioritises a strong industrial presence in wine-growing areas and a positioning tailored to local specific needs outside these areas, depending on the specific features of each country.

In the still wines, sparkling wines and food market, the Group serves both international customers and local customers.

5.7 Investments

5.7.1 The Group's main capital expenditure over the past three years

The Group's total capital expenditure amounted to €252.5 million for the year ended 31 December 2019, compared to €225 million for the year ended 31 December 2018 and €235.7 million for the year ended 31 December 2017. These capital expenditure comprised recurring capital expenditure and strategic capital expenditure as indicated in the table below:

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Recurring Capex	206.7	198.6	206.1
As a % of revenue	*8.0%*	*8.2%*	*8.6%*
Strategic Capex	45.8	26.4	29.6
Total Capex	**252.5**	**225.0**	**235.7**
As a % of revenue	***9.8%***	***9.3%***	***9.8%***

Recurring Capex

Recurring Capex mainly includes the purchase of property, plant and equipment and intangible fixed assets required to run the business under the same conditions as applied previously. It mainly includes furnace renovation and maintenance of IS machines. Even if the Group's research and development work has allowed the useful lives of its furnaces to reach 10, 12, or even 14 years, they still need to be renovated periodically (since the molten glass in the furnaces wears down the refractory slabs).

The cost of completely renovating a furnace (excluding cost of its associated equipment) generally ranges from €10 million to €15 million, and furnaces typically need to be renovated after 10 to 14 years of operation. In the case of furnaces with intensive use of cullet, partial repairs at a cost of around €5 to €10 million must be planned after 6 to 8 years of operation.

The Group also performs maintenance operations on 20 to 30 IS machines every year on average, representing a total amount of approximately €15 million per year.

The time required to renovate a furnace is generally 65 days on average and the downtime of a production line for the maintenance of an IS machine is generally 3 weeks on average.

Recurring capital expenditure also include projects to increase the Group's production capacity, comply with applicable regulation, improve the flexibility of production facilities and the quality of products and reduce operating costs.

- Capacity capital expenditure include new commissioned lines, new sections added to a line and capacity increases included in furnace renovation. The Group may decide to take advantage of furnace renovation work to expand a furnace's size and therefore increase its production capacity according to expected demand.
- Legally required capital expenditure correspond to investments required to comply with changes in regulations applicable to the Group's business lines. They mainly concern investments made to comply with air emission standards or waste water quality.
- Productivity/cost-cutting capital expenditure are linked to investments aimed at enhancing productivity especially by increasing effectiveness or speed/reducing operating costs (for example investments to reduce energy or raw material use).
- Other capital expenditure mainly include non-industrial capital expenditure, such as IT and Research & Development capital expenditure.

Strategic Capex

Strategic Capex corresponds to acquisitions of strategic assets that significantly enhance the Group's capacity or its scope (for example, the acquisition of plants or similar facilities, greenfield or brownfield investments), including the building of additional new furnaces.

According to the Group's estimates, the cost of building an entire plant with a single furnace (including the associated equipment, such as a mixing equipment, distribution canal, feeder lines, blowing machines, annealing lehrs and inspection and palletisation equipment) is typically around €80 million for annual production of around 80,000 tonnes, depending, in particular, on the number of installed lines, machine sizes, and utility and transportation connections (water, gas, electricity, roads, railways, etc.).

5.7.2 Main capital expenditure in progress or planned for the future

Main capital expenditure in progress

The main strategic investment finalised during the year ended 31 December 2019 is a "greenfield" investment at the Jacutinga site in Brazil, which began operations in March 2019. This year also saw the start of work on the new furnaces being built at the Azuqueca site in Spain and the Villa Poma site in Italy, the other two strategic investments currently underway for the Group.

Main future capital expenditure

As of the date of this universal registration document, the Group's main strategic investments will be the new furnaces under construction in Azuqueca and Villa Poma, for a cumulative amount of around €50 million. The construction of these furnaces should be completed for the second semester of 2020 (subject to the impact that the Covid-19 pandemic might have on these works). The starting schedule of these two new capacities will be adapted to demand of markets which are to be served, which is, as of the date of this universal registration document, subject to the impact of the consequences of the Covid-19 pandemic (see in particular paragraph 3.1.1. of this universal registration document).

5.7.3 Information on ownership interests

Information on ownership interests is contained in Note 3 of the Group's consolidated financial statements for the year ended 31 December 2019.

5.7.4 Environmental factors that may affect the use of the Group's property, plant and equipment

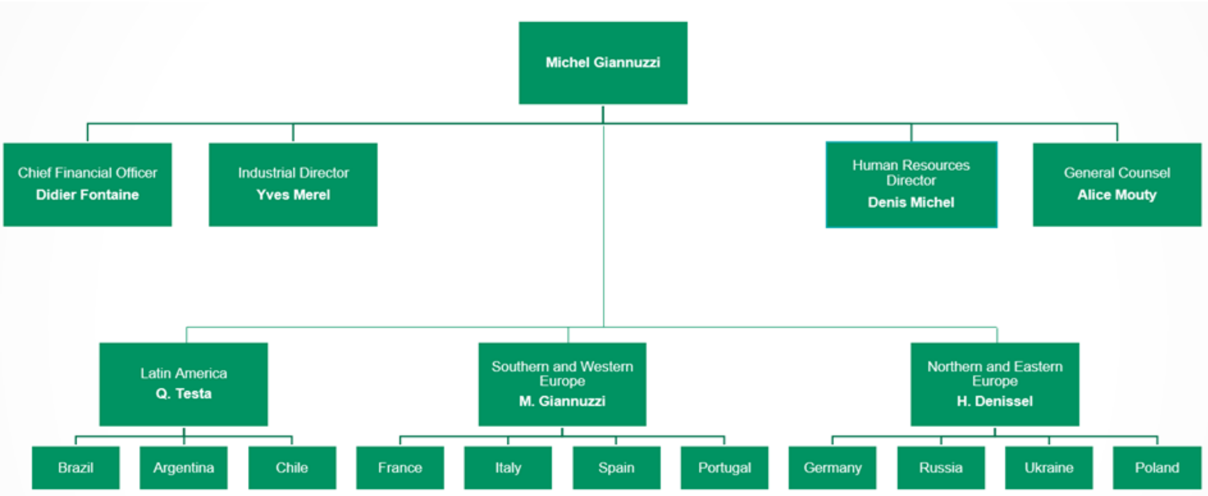
Information about environmental issues that may affect the use of the Group's property, plant and equipment is provided in the Extra-Financial Performance Declaration annexed to this Universal Registration Document.

5.8 Dependency factors

Information about the Group's dependency factors is provided in Chapter 3 "*Risk Factors*" of this Universal Registration Document.

5.9 Industrial policy and organisation

Simplified organisation chart of the Group as of 31 December 2019[49]



The Group's organisation is decentralised and divided into three separate operating segments: Southern and Western Europe, Northern and Eastern Europe and Latin America.

Certain functions, such as technology, industry, research and development, financing, purchasing and procurement, human resources, legal, marketing and communication are managed at the Group level.

Other functions, particularly those linked to customer relationships and production activities, are managed locally. The Group's local CEOs are independent and free to implement their local strategy. In addition to the local CEOs, the Group has sales and marketing teams in each of its operating segments. The local management teams work in close collaboration with local managers, thus allowing the Group to develop products tailored to the specific needs of its customers. Furthermore, thanks to the decentralisation of the Group's industrial processes, it is able to optimise the use of its local production capacities to quickly respond to the needs of its business operations and optimise its production costs.

5.9.1 Purchases and supplies

The Group's main purchases and supplies are as follows:

- energy (gas, fuel oil, electricity);
- raw materials (mainly, soda ash, glass sand and cullet);

[49] Mr Yves Merel, Group Industrial Director, left the Company on 31 December 2019. Mr Michel Giannuzzi is temporary assuming the role pending the arrival of a successor.

- transport of finished goods (mainly by road);
- packaging (cardboard, plastic film, pallets, spacers);
- industrial equipment; and
- moulds.

The Group's purchases and supplies are under the responsibility of the Group's purchasing department, comprising a director who coordinates the Group's entire purchasing function and assisted by lead buyers in charge of strategic families of Capex purchasing (some of whom work as operating buyers in a purchasing department of a subsidiary or country where the Group has operations). The Group's purchasing department is more generally in charge of carrying out or coordinating the purchases of the most strategic products.

The Group also has purchasing departments within its subsidiaries or in countries where the Group has operations, which are generally in charge of operating purchases (such as transport or packaging). Some purchases are pooled together regionally between the Group's different companies, generally under the responsibility of the Group's purchasing department (in particular with respect to energy, raw material purchases, and overheads).

Raw materials

Raw materials costs account for a significant portion of the Group's production costs. During the year ended 31 December 2019, the cost of raw materials rose 0.9%.

Glass intended for packaging is composed (by volume) (excluding cullet) of glass sand (between 60 and 70%), soda ash (between 10 and 20%), limestone (between 15 and 20%) and other substances, such as colouring (between 0.5 and 5%). This composition varies significantly depending on the colours. Cullet, derived from either waste from the glass production process or cullet processing plants, accounted for nearly half of the Group's raw materials for the year ended 31 December 2019. Cullet is used to optimise production costs, as it helps to reduce energy use due to its relatively low molten temperature (a 10% increase in the use of cullet leads to an average reduction in energy use by 2.5%). The use of cullet significantly varies depending on the type of glass produced, and its utilisation rate can reach 95% for certain types of glass. The Group's goal is to use all the cullet at its disposal in order to reduce its energy use and its carbon dioxide emissions and thus improve the carbon footprint of the glass packaging that it produces. To this end, the Group has developed numerous initiatives, such as improving the collection of domestic glass, improving the quality of cullet during its treatment or increasing the use of cullet in glass production. Furthermore, to improve the cullet processing process and increase recycling, the Group has made long-term investments in its eight cullet processing centres: two in France, operated through Everglass; three in Italy, two of which are operated through Ecoglass and one in partnership with Vetreco; one in Germany; and two in Spain, including a site operated in partnership with Calcin Iberico, allowing it to directly power its glass production sites located close by (see the Extra-Financial Performance Declaration annexed to this Universal Registration Document). In the case of furnaces with intensive use of cullet, partial repairs at a cost of around €5 million to €10 million must be planned after 6 to 8 years of operation.

Most of the Group's soda ash and glass sand procurement contracts are signed for terms of six months to one year. The limestone market is a local market; consequently, the Group signs a contract for each production site, generally for one year.

Although the Group inserts price adjustment clauses in its commercial contracts, which directly or indirectly reflect the changes in raw materials costs, most of its commercial contracts (signed for a period of one year and which can be renewed upon the agreement of parties) do not have such clauses.

Energy costs

The Group's main sources of energy are natural gas and, to a lesser extent, electricity and fuel oil. The structure of the Group's energy cost varies significantly depending on the production site concerned, especially regarding the possibility of powering natural gas and fuel oil furnaces. During the year ended 31 December 2019, the cost of energy rose 6.7%. As energy is mainly consumed during glass melting, each new furnace construction is an opportunity to improve the Group's performance in these areas. Throughout the service life of furnaces (from 10 to 12 years, sometimes 14 years), the Group renovates its furnaces in order to improve their consumption, especially with respect to sealing and thermal insulation, optimisation of the temperature of the glass, combustion settings and adjustment of combustion air volumes. Furthermore, to significantly reduce carbon dioxide emissions emitted when supplying power to its furnaces, the Group has decided to prioritise natural gas over fuel oil. Other initiatives modelled on the principles of the circular economy include using the heat recovered from furnace walls or smoke as a heating source for the Group's buildings or neighbouring towns. The Group has also invested in Industry 4.0 by introducing artificial intelligence into its plants (see the Extra-Financial Performance Declaration annexed to this Universal Registration Document).

Most of the Group's sales contracts are entered into for one year and may be renewed with the agreement of both parties and do not include price adjustment clauses allowing a percentage of the increase or decrease in energy costs to be reflected automatically in selling prices. The passing on of increases in the Group's production costs is then negotiated with customers when orders are placed or at the annual renewal of contracts. Apart from purchases of energy at a fixed price that may be negotiated directly with suppliers by the purchasing department, the Group has set up transactions to hedge part of the risks linked to energy costs in situations where contractual adjustment mechanisms could not be provided. This applies to most of the sales contracts concluded by the Group (see Section 3.6.2.2 "*Management of operational risks*" of this Universal Registration Document).

5.9.2 Production

The manufacture of packaging glass requires command over technically complex industrial processes requiring the use of heavy equipment. The production of container glassware mainly involves transformation, by melting the different materials in the composition of glass or a mix of vitrifiable liquid at extremely high temperatures, in order to subsequently shape the glass using forming techniques (blown-blown/pressed-blown).

Thanks to its expertise in these fundamental skills of the glass production cycle and efficient industrial facilities, the Group was able to produce around 16 billion bottles and jars in the year ended 31 December 2019.

The glass production cycle of bottles and jars

The glass production cycle includes three essential phases:

– The fusion of raw materials and cullet:

Once mixed together, raw materials and cullet are melted in furnaces at a temperature of around 1,550°C. There is a time span of 24 hours between the introduction of the mix and the removal of the molten glass from the furnace. The extremely high temperatures reached involve continuous production. Consequently, these furnaces operate round the clock, 24/7. In addition to safety issues, the extremely high temperatures are an environmental concern, given that the mass of molten glass releases large quantities of carbon dioxide and smoke. The carbon dioxide is evacuated through chimneys fitted with filters.

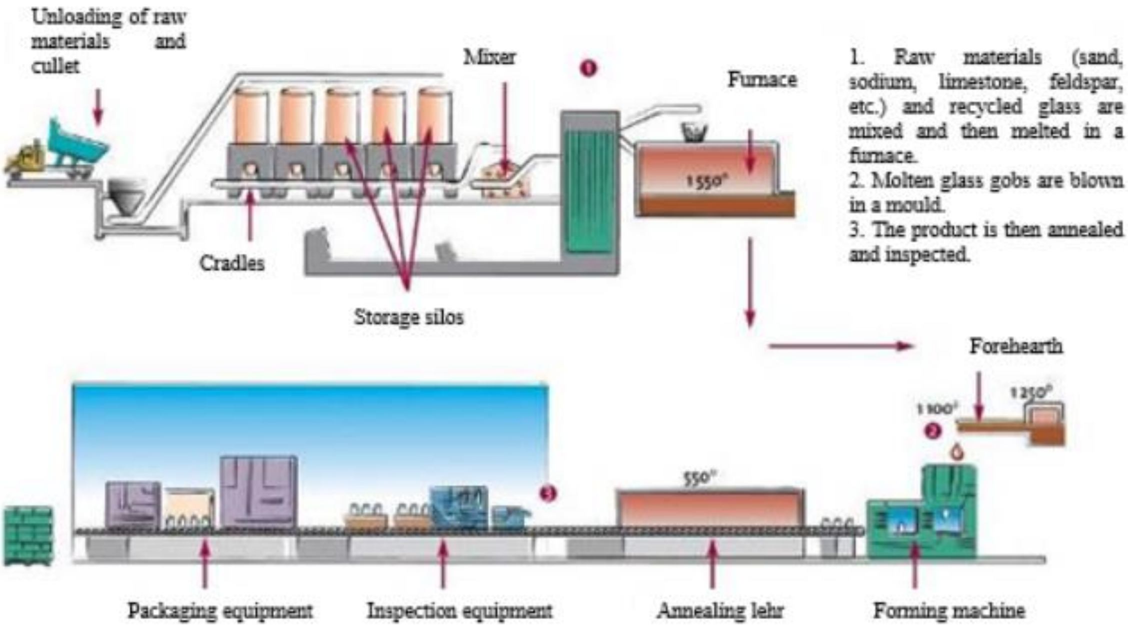
– Transfer to the “hot end sector”: forming and treatment of the glass:

The molten glass is then sent to the forming machine through distribution channels at a temperature ranging between 1,100°C and 1,550°C. Forming consists of shaping a compact mass of molten glass through pressing (using a metal plunger) then blowing (with blown air). The mass of glass enters the forming machine in the form of a drop, known as “gob”, the weight, shape and temperature of which are precisely controlled. This gob is then blown in two stages (blown/blown process), in a “blank mould” first of all, where the material is transformed into an interim shaped hollow pocket, then in a “finishing mould”, which gives the product its final shape. This process only lasts a few seconds, at the end of which the temperature of the bottles and jars reach nearly 600°C. To guarantee the strength of glass containers, the latter are then “refired”, through gradual reheating and cooling in “annealing lehrs” for 50 minutes to two hours. The surfaces are also treated to protect the glass packaging against scratches: first, the surfaces receive a hot treatment which consists of applying a thin layer of tin oxide on the surface of the glass; afterwards, the surfaces are sprayed with cold wax. The products used in the treatment are safe for use on glass designed for use as food packaging.

Finishing mould

– Transfer to the “cold end sector”: inspection and packaging of the glass:

The Group uses various processes to inspect the quality of its products depending on the markets and products. These include visual, mechanical, video or light beam inspections to check the capping, size and thickness of the glass and the design of the packaging. Any container that does not comply with the Group’s quality standards is automatically rejected for use as cullet. The products are packaged in pallets when they leave the manufacturing line.



Production facilities and industrial processes for the manufacture of bottles and jars

The Group’s industrial facilities include 32 glass production sites mainly located close to packaging areas and its main customers, equipped with 57 glass furnaces that operate continuously. The efficiency of the facilities is based on the optimal use of equipment, meeting the highest standards in the markets in which it operates.

The strong performance of these production facilities and their ability to adapt to different markets is essential considering the high investment costs for equipment used in the industry.

The efficiency of the equipment used is measured with respect to its productivity, flexibility and its capability in terms of production requirements. Heavy machinery has been standardised, which gives the Group the freedom to shift the production of a range of products from one production line to another and even from one site to another. On certain production lines, known as “flex lines”, the use of versatile machinery means that between two and four different types of items can be produced on the same production line. The Group takes advantage of the flexibility of its production facilities to optimise its responsiveness and accordingly reduce the storage of finished goods. Standardising equipment by product family fosters the development of technical synergies (such as transfer of best practices and know-how from one site to another).

The efficiency of the Group’s industrial processes also lies in its capacity to maintain a high utilisation rate of its equipment, in particular its furnaces. Factors affecting the utilisation rate of furnaces mainly include the number of changes to the colour of the glass and the optimisation of the packaging mix on all lines, in order to maximise utilisation of the furnace draught. The possibility of producing a high number of bottles of the same colour at the same time and the flexibility of production lines provide opportunities for the Group to obtain maximum advantage from the utilisation capacity of a furnace.

Furthermore, the Group strives to have powerful and effective furnaces, in terms of energy consumption and life span. The Group’s industrial and commercial location can allow it to temporarily transfer production from one site to another in order to meet a specific demand or limit the impact of certain industrial constraints, such as a furnace under repair. Lastly, in order to address the change in demand, in 2019, the Group started building a new furnace in Azuqueca, Spain and another in Villa Poma, Italy, expected to be operational by 2020, subject to the impact that the Covid-19 pandemic might have on the glass packaging market and construction works related to these furnaces, the starting schedule of which will be adapted to demand on the markets they will serve, which is, as of the date of this universal registration document, subject to the impact of the consequences of the Covid-19 pandemic (see Sections 3.1.1 and 5.7 “*Capital expenditure*” of this Universal Registration Document).

The Group’s quality, environment, health and safety certification policy

In all the territories where it has business operations, the Group sets up standards for quality, logistics, management of customer satisfaction and environmental performance.

The Group has a history of investing substantially to ensure that all of its teams participate in a quality approach, which specifically includes the existence of jointly written processes that can be shared as well as track their modification if necessary. As such, the Group performs different audits every year to ensure that the quality and standards with respect to the environment, hygiene and safety are complied with.

The main standards and methods in force in the Group refer to the following standards:

- *ISO 14001:* This standard states the requirements for an environmental management system (EMS) serving as the framework for defining a policy and objectives that reflect legislative requirements and disclosures on significant environmental impacts.
- *ISO 9001:* This standard states the organisational requirements for the existence of a quality management system that can be used to provide, on a regular basis, a product compliant with the customer’s requirements and with the applicable regulatory requirements and focuses on implementing continuous improvement *processes*.

- *ISO 22000*: This standard guarantees that food risk for consumers is taken into account on the entire production process. In concrete terms, this standard sets out the requirements that must be met by a food safety management system (FSMS), a collection of processes designed to enable the company's management to guarantee the effective application of its policy for controlling the risks linked to food safety and the constant improvement of its objectives, in order to propose safe products that will meet customer and regulatory requirements.

- *HACCP (Hazard Analysis Critical Control Point):* This system identifies, assesses and controls significant dangers with respect to food safety. There is no "HACCP certification" properly speaking, because it is a process that is part of the ISO 22000 standard.

- *OHSAS 18001* (*Occupational Health and Safety Assessment Systems):* This occupational health and safety management system model aims to reduce risks in terms of health and safety in the work environment.

At the date of this Universal Registration Document, all of the Group's glass production sites had obtained ISO 9001, ISO 14001 and OHSAS 18001 certification. 25 of the Group's 32 glass production sites are certified ISO 22000. The Group is continuing the site certification process, with a goal of 100% of sites certified in 2021. The Group's plants in France were the first food industry packaging glass production sites to obtain ISO 22000 certification in Europe.

5.9.3 Sales and marketing policies

The Group's main business is centred on the development, production and sale of glass packaging for the food and beverage industries.

In terms of marketing, and in general, all of the Group's companies must be able to offer customers services tailored to their local market. This requires efficient tools that are compliant with local standards.

These policies are aligned as closely as possible to the history, trends and sensitivity of each of the regional markets. The marketing and product development organisation of each of the Group's companies has been developed accordingly. The Group also relies on its sales force of more than 300 locally based employees, who work in close collaboration with customers.

The Group believes that its understanding of local markets, customers' expectations and competition allow it to better adapt its price, product and service policy to obtain the best performance. This policy is mainly reflected in an extended and scalable offering in terms of products and services (see Section 5.6.1 "*The Group's products and services*" in this Universal Registration Document).

5.9.4 Research and development, patents and licences

5.9.4.1 Research and development

Innovation constitutes an ongoing challenge for the Group's companies within the broader context of the Group's focus on establishing an up-market position for its products and the sale of products and services, using effective and environmentally-friendly production facilities that offer a high level of added value.

Innovation within the Group is centred around three main principles addressed within the framework of a structural project:

- respect for health, the environment and sustainable development, assessed throughout the life cycle of the Group's products, including the reduction of greenhouse gases and recycling;

- value creation and differentiation achieved through the Group's products and services; and

- quality of products and services in order to satisfy the expectations of the Group's customers.

Innovation within the Group also applies on three levels: innovation in products and services, innovation in materials and innovation in processes, all of which relate to research and development.

The Group's innovation policy is based on:

- a multidisciplinary team of in-house researchers and engineers;
- varied means of mathematical modelling of processes, an appropriate design server, a laboratory for tests and expert appraisals; and
- collaborations with external research laboratories.

The Group's research and development expenses for the year ended 31 December 2019 amounted to €3.3 million.

Innovation in products and services

The Group has 13 product development centres operating as a network, covering all of the regions in which it operates, based at the following sites: Albi (France), Chalon (France), Pont Sainte Maxence (Saga Décor – France), Bad Wurzach (Germany), Dego (Italy), Gazzo Veronese (Italy), Kavminsteklo (Russia), Gniezno (Verallia Polska – Poland), Azuqueca (Spain), Figuera de Foz (Portugal), Zorya (Ukraine), São Paulo (Brazil) and Mendoza (Argentina).

These teams come up with new designs at the request of their customers and/or marketing teams.

This work involves the transformation of innovative ideas into glass products that can be manufactured and marketed at a competitive price. This work is frequently based on a joint-development approach with the Group's customers.

The Group is therefore able to offer its customers new product ranges on a fairly regular basis.

Exemplifying this product and service innovation policy is the "Selective Line" brand, an up-market range of products targeted primarily at the spirits, wines, beers and mineral water markets.

For example in Spain, the bottle for MG gin received a design award at the last Inspirational Packaging Awards (IPA) in 2018. The authenticity of the product is underlined by its retro look: stocky shape and engravings on the body. In France, the Roseline Prestige vintage won the first place Design Award at the 2018 Pink Rosé Festival. The details of this unlabelled bottle highlight the delicate elegance of the product: engraved rose and name, thin neck and embossed stitching. In 2019, the glass bottle of Estathé (iced tea by Ferrero, which is one of the group's iconic products in Italy), won awards at the *A'Design Award* and the *Packaging Oscars of the Italian Institute of Packaging* (Quality Design category).

The second major concern is designing products that are environmentally friendly.

The Group launched the ECOVA range of "eco-compatible" bottles, which are lighter and therefore more energy-efficient to produce than regular bottles, with an elegant shape (see Section 5.6.1.2). With this range, the Group seeks to offer more environmentally-friendly products while maintaining a high quality level.

In addition, the range of standard products and the significant number of specialized products developed by the Group are indicative of its capacity for flexibility and technical innovation.

Initially developed in 2014 and proposed in 2019 in an enhanced version with hyper realistic results, the "Virtual Glass" app seeks to allow the Group's customers to reduce their development time for new products by visualising different models of bottles and jars, labelled and capped, full or empty.

Furthermore certain additional designs requiring specific technical innovations are developed at the customer's request.

The Group also offers its customers new glass packaging possibilities thanks to its innovation on heat-sealing, pasteurisation and sterilisation procedures. This new function allows the Group to redesign product ranges and to consider replacing other packaging materials with glass packaging.

Innovation in materials

The Group is working on developing the performance and properties of glass used as a packaging material for food and drink products. This project requires the support of experienced chemical engineers specialising in studying and analysing glass composition.

Innovation in glass melting and forming processes

In addition to the composition of glass, the Group is pursuing research and development activities relating to the strategic production processes of glass melting and forming.

Using modelling tools, the Group is working to optimise its "hot" and "cold" processes.

Research and development activities linked to forming are mainly intended to improve the operation of certain forming machines by optimising heat exchanges during forming operations; as well as reducing the greasing of moulds or making them automated, with a dual goal of protecting occupational health and the environment.

Research and development activities relating to glass melting operations aim to improve furnace performance, with the main goal of reducing greenhouse gas emissions and pollutants by optimising firing and reducing consumption.

Furthermore, the Group is committed to its future and to that of communities in a global initiative that includes research and development in order to reduce the carbon footprint of its glass production, at the level of both fusion and raw materials.

One of the pillars is using renewable energy, which helps to cut carbon dioxide fossil fuel emissions from production plants and also contributes to reducing the environmental impact through waste recovery in the region in which the emissions are located.

5.9.4.2 Trademarks, patents and models

Patents

The Group has an industrial protection policy that protects its inventions and ideas using one of three possible solutions:

- *applying for a patent*, which presents advantages in terms of the legal protection afforded but exposes the Group to high costs, particularly when applying for international patent protection;
- *applying for a "Soleau envelope*", which presents the advantages of low cost and a high level of confidentiality, but does not allow the Group to oppose the development of the same application by a rival; and
- *the sale of the invention or transfer of rights of use by a partner,* in the case of equipment not expected to be subject to absolute exclusivity.

As of the date of this Universal Registration Document, and after cost-optimising and rationalising the management of the portfolio of patents held, which led to the abandonment of four patent families, the Group has approximately 40 patent families in force or in process, the majority of which are granted or pending in several countries, representing a total of more than 390 patents.

Trademarks

With the exception of the Verallia trademark, a central trademark for the Group's communication, and its *puntmarks*, trademark protection does not represent a fundamental challenge for the Group because of the characteristics of the industry in which it operates, an expertise-based industry with business-to-business products targeted at industrial customers.

Trademarks are registered and used in countries where the Group has production facilities and in which it sells its products.

Models

The Group's policy for protecting intellectual property rights associated with the models it uses depends on the type of model used:

- When the Group was the original creator of the model and believes that it is sufficiently original, an application can be made to protect the model. This is the case for example with standard models that may be proposed to all customers and developed by the Group for its own marketing needs.

- When the Group is limited to using models designed by the customer, the intellectual property rights related to these models are generally owned by the customer.

Domain names

The Group has a policy of registering and obtaining licences to use and manage the domain names needed to conduct its business activities. At the date of this Universal Registration Document, the Group owned or had a licence allowing it to use a broad portfolio of domain names, both active and inactive, enabling it to list its products and services and share its communications with a wide audience.

5.9.5 Main industrial facilities and plants

Information about the main glass production industrial facilities and plants run by the Group as of 31 December 2019 is provided in the table below.

Country	City/Region/State	Activity	Furnaces	Occupancy status
France	Albi	Bottles production	2	Owner
	Chalon-sur-Saône	Bottles production	3	Owner
	Cognac	Bottles production	3	Owner
	Lagnieu	Jars production	2	Owner
	Oiry	Bottles production	1	Owner
	Saint-Romain	Bottles production	2	Owner
	Vauxrot	Bottles production	1	Owner
	Total France		***14***	
Spain	Azuqueca	Bottles and jars production	1	Owner
	Burgos	Bottles production	2	Owner
	Montblanc	Bottles production	1	Owner
	Seville	Bottles and jar production	1	Owner
	Zaragoza	Bottles production	2	Owner
	Telde (Canaries)	Bottles production	1	Owner
	Total Spain		***8***	
Portugal	Figueira da Foz	Bottles and jars production	2	Owner
	Total Portugal		***2***	
Italy	Carcare	Bottles production	1	Owner

Country	City/Region/State	Activity	Furnaces	Occupancy status
	Dego	Bottles and jars production	3	Owner
	Gazzo Veronese	Bottles and jars production	2	Owner
	Lonigo	Bottles production	2	Owner
	Pescia	Bottles and jars production	1	Owner
	Villa Poma	Bottles production	1	Owner
	Total Italy		***10***	
Germany	Bad Wurzach	Bottles and jars production	3	Owner
	Essen	Bottles and jars production	3	Owner
	Neuburg	Bottles and jars production	2	Owner
	Wirges	Bottles production	2	Owner
	Total Germany		***10***	
Russia	Mineral'Nie Vody (KMS)	Bottles and jars production	2	- land: owner of part and holder of perpetual right of use for part[50] - buildings: owner
	Kamyshin	Bottles and jars production	3	Owner
	Total Russia		***5***	
Ukraine	Rivne	Bottles and jars production	2	Perpetual right to use the land and owner of the buildings
	Total Ukraine		***2***	
Brazil	Jacutinga	Bottles production	1	Owner
	Campo Bom	Bottles production	1	Owner
	Porto Ferreira	Bottles and jars production	1	Owner
	Total Brazil		***3***	
Argentina	Mendoza	Bottles production	2	Owner
	Total Argentina		***2***	
Chile	Rosario	Bottles production	1	Owner
	Total Chile		***1***	
Group Total	-	-	**57**	-

In 2019, the Group closed and left the site of the Agua Branca plant, located in the Sao Paulo metropolitan area.

The Group also operates 3 bottle decoration centres and 8 cullet processing centres, 2 of which are in partnership with Vetreco and Calcin Iberico.

5.10 Information systems

The Group's IT systems are placed under the responsibility of a Chief Information Officer and are organised by department (governance, infrastructure, applications and cybersecurity) on one hand, and by region on the other hand.

Management of the Group's infrastructure and information systems and data hosting are entrusted to external service providers, industry leaders whose service commitments are managed by an internal team of technological experts and outsourced services, with the exception of certain areas relating to industrial management requiring less substantial infrastructure and managed internally by the Group. The Group

50 During the Soviet era, this right was equivalent to a right of ownership as regards use of the land. These rights of use are still recognised at the date of this Universal Registration Document.

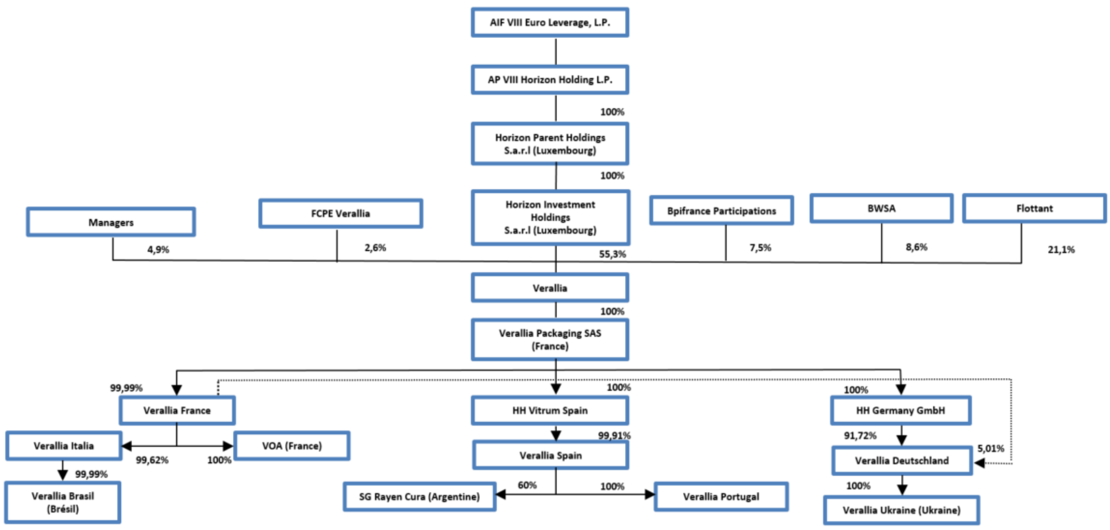
owns most of its servers, while the rest of the servers are rented on the cloud of an external service provider, a leading Cloud services company.

Furthermore, in 2018 the Group defined a comprehensive security policy for its IT systems, which particularly factored in the NotPetya cyber-attack (see Section 3.2.13 "*Risks linked to IT systems*" of this Universal Registration Document) and mainly included the drafting of a Group-wide security policy for IT systems (also covering industrial IT) and rules and the installation of effective flagship industry security software and applications. The Group performs regular security audits on its IT systems. This policy is reviewed annually to take into account the evolution of threats and the results of the various audits.

The Group's IT systems include a large number of software and applications, mostly purchased off-the-shelf, such as the SAP software suite, and used in particular to manage the logistics chain, produce consolidated financial data, and manage customers, reporting, supplies and employee pay. The applications are managed at the central level by the Group Applications Director, who works with a local counterpart.

6. ORGANISATIONAL STRUCTURE AND INTRA-GROUP RELATIONS

6.1 Simplified Group organisational chart on the date of this Universal Registration Document



AIF VIII Euro Leverage, L.P. is an investment fund managed by an affiliate of Apollo Global Management Inc.

The legal reorganisation implemented in relation to the initial public offering of the Company are described in note 1 of the consolidated financial statements of the Group for the financial year ended 31 December 2019 included in paragraph 18.1.1 of this universal registration document.

6.2 Subsidiaries and equity interests

(i) Principal subsidiaries

The principal direct or indirect subsidiaries of the Company as of 31 December 2019 are described below:

– **Verallia Packaging** is a French simplified joint stock company (*société par actions simplifiée*), capitalised at €5,992,464, with its registered office at Tour Carpe Diem, Place des Corolles, Esplanade Nord, 92400 Courbevoie, France, and registered under number 811 530 302 in the Nanterre Trade and Companies Register.

– **Verallia France** is a French joint stock company (*société anonyme*), capitalised at €34,378,708, with its registered office at Tour Carpe Diem, Place des Corolles, Esplanade Nord, 92400 Courbevoie, France, and registered under 722 034 592 in the Nanterre Trade and Companies Register.

– **VOA Verrerie d'Albi** is a French simplified joint stock company (*société par actions simplifiée*), capitalised at €18,032,996, with registered office at rue François Arago, Zone Industrielle Saint-Juéry, 81011 Albi Cedex 9, France, and registered under number 321 354 516 in the Albi Trade and Companies Register.

– **Verallia Italia S.p.A.** is an Italian stock company (*società per azioni*), capitalised at €14,845,808.64, with registered office at Via Del Lavoro 1, 36045 Lonigo, Loc. Almisano (Vicenza), Italy, and registered under number 00730720240 (tax code) in the Italian Companies Register (*registro delle imprese di Vicenza*).

– **Verallia Brasil S.A.** is a Brazilian company, capitalised at 688,590,008.84 Brazilian reals, with registered office at Rua Werner Von Siemens, Nº 111, Torre A, 8th Floor, Lapa de Baixo, São Paulo/SP, Brazil, and registered under number 60.853.942/0001-44 in the National Register of Legal Entities.

– **Verallia Spain** is a Spanish joint stock company (*sociedad anonima*), capitalised at €40,171,921.80, with registered office at Principe de Vergara 132, 28046 Madrid, Spain and registered under number CIF A19001304, volume 1355, page 814, Sheet M-95028 in the Spanish Business Register (*registradores de España*).

– **Verallia Portugal** is a Portuguese joint stock company (*sociedade anonima*), capitalised at €22,446,000, with registered office at Rua da Vidreira 68, Fontela, 3090 641 Figueira da Foz, Portugal, and registered under number NIPC 501793160 in the Portuguese Commercial Register (*registo comercial*).

– **Rayen Curá** is an Argentine company capitalised at 74,112,250 Argentine pesos, with its registered office at Calle Carril Nacional, Nº 6070, Rodeo de la Cruz, Mendoza, Argentina, and registered under number 3627, page 327, volume A of the Public Commerce Registry of Mendoza.

– **Verallia Deutschland** is a German company (*aktiengesellschaft*), capitalised at €26,000,000, with registered office at 1-8 Oberlandstrasse, 88410 Bad Wurzarch, Germany, and registered under number HRB 610192 in the German Business Register (*Handelregister B des Amtsgerichts Um*).

– **Verallia Ukraine** is a Ukrainian company, capitalised at 362,006,759.40 Ukrainian hryvnias, with its registered office at 1 Promyslova St., Village of Zorya, Rivnensky Rayon, Rivnenska Oblast, 35314, Ukraine and registered under number 22555135 in the Ukrainian Business Register.

(ii) Recent acquisitions and disposals

The Group's recent acquisitions and disposals are described in Section 7.1.2.7 of this Universal Registration Document.

7. ANALYSIS OF THE GROUP'S FINANCIAL POSITION AND RESULTS

Readers are invited to read the following information on the Group's results in conjunction with the Group's consolidated financial statements for the financial year ended 31 December 2019, as contained in Section 18.1 of this Universal Registration Document.

The Group's consolidated financial statements for the financial year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Statutory Auditors' audit report on the consolidated financial statements of the Group for the financial year ended 31 December 2019 is contained in Section 18.1.2 of this Universal Registration Document.

In accordance with article 19 of Regulation (EU) n° 2017/1129 of the European Parliament and the Council of 14 June 2017, the comparison of the results of the Group for the financial years ended 31 December 2018 and 2017 set out in chapter 7 "Analysis of the Group's financial position and results" of the registration document of the Company approved by the Financial markets authority on 4 September 2019 under number I. 19-031 (the "**Registration Document**") is incorporated by reference in this Universal registration document.

7.1 Overview

7.1.1 Introduction

The Group is the third largest producer in the world and the leading European producer[51] (based on revenue) of glass packaging for beverages and food. In terms of volumes sold, it is the second largest producer in Latin America[52]. The Group offers innovative, customised and environmentally friendly solutions to more than 10,000 customers[53] worldwide.

The Group uses the following segmentation for reporting purposes based on geographical area, depending on the location of the assets:

– *Southern and Western Europe*, comprising production plants located in France, Italy, Spain and Portugal. Southern and Western Europe accounted for 68% of consolidated revenue and 67% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Southern and Western Europe are mainly oriented towards bottles for still and sparkling wines and packaging for spirits, which are export-driven market segments;

– *Northern and Eastern Europe*, comprising production plants located in Germany, Russia, Ukraine and Poland. Northern and Eastern Europe accounted for 22% of consolidated revenue and 20% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Northern and Eastern Europe are mainly oriented towards bottles for beer, particularly in Germany, and jars and bottles for food, mostly for local markets;

– *Latin America*, comprising production plants located in Brazil, Argentina and Chile. Latin America accounted for 10% of consolidated revenue and 13% of the Group's adjusted EBITDA for the year ended 31 December 2019. The Group's operations in Latin America are mainly oriented towards bottles for still wines, an export-driven market segment, as well as bottles for beer in Brazil.

The Group addresses a wide variety of end markets, ranging from bottles for still and sparkling wines to bottles for spirits, bottles for beer, and jars and bottles for food and soft drinks. The

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51 On the basis of the revenue earned in 2019 by market players in Europe (as defined by these players), as extracted from publicly available information (annual reports and press releases in particular) and on the basis of Company estimates.

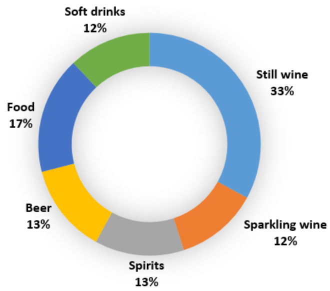
52 Based on volumes sold in 2019 in Argentina, Brazil and Chile.

53 Customers who placed at least one order during the 2016–2019 period.

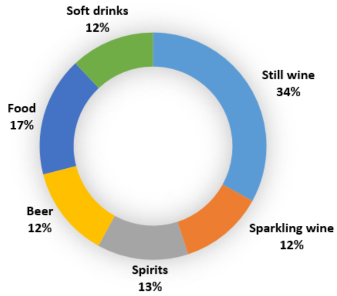
breakdown of the Groupe's[69] revenue for the years ended 31 December 2019 and 2018 was as follows:

Distribution of revenue by end market

Year ended 31 December 2019



Year ended 31 December 2018



The Group's product mix has thus remained generally stable over the last financial year, with strong exposure to bottles for still and sparkling wines and containers for spirits, which together accounted for nearly 58%[54] of the Group's consolidated revenue for the 2019 financial year. These end markets include a significant proportion of premium products which are less price-sensitive than some of the more standardised products, thus allowing the Group to generate higher margins on these products.

7.1.2 Key factors impacting results

Various key factors, as well as past events and transactions, have had, and may continue to have, an impact on the Group's operations and results presented below. The risk factors likely to have an impact on the Group's business are described in Chapter 3 of this Universal Registration Document. The key factors with an impact on the Group's results include: (i) changes in the supply of and demand for glass packaging; (ii) changes in raw material and energy prices; (iii) changes in production costs and improved operational efficiency; (iv) exchange rate movements; (v) optimised use of production capacity; (vi) investments; (vii) acquisitions, disposals and changes in scope; (viii) changes in financial debt and cost of the debt; (ix) seasonality; (x) tax; and (xi) changes in IFRS.

7.1.2.1 Changes in the supply of and demand for glass packaging

The Group's results are mainly impacted by the volumes of products sold and their selling prices. These vary according to changes in the supply of and demand for glass packaging, which are themselves dependent on various factors.

The demand for glass packaging is affected by factors such as changes in consumer trends, which in turn are influenced by changing lifestyles and food preferences, legislative and sociological developments, and public health and safety considerations. In recent years, the demand for glass packaging has been driven by favourable structural market trends, such as the growing demand for European wines and spirits in Asia and the United States, economic growth and its positive impact on consumption in general in Latin American countries, and the growing trend for replacing plastic with glass, largely due to the brand image of glass and the associated health and environmental benefits (see Section 5.5 of this Universal Registration Document). These trends have had a positive impact on the Group's revenue growth over the financial year.

[54] Based on revenue generated solely from the sale of jars and bottles, accounting for 97.4% of the Group's consolidated revenue for the year ended 31 December 2019.

The demand for glass packaging may also fluctuate due to the seasonal nature of some of the Group's products, or as a result of the weather or climate, particularly the long-term global climate change observed in recent years and its consequences.

In some cases, the glass packaging market may also experience a surge in demand for certain types of packaging, which cannot be fully met by suppliers due to insufficient production capacity. In the event of a structural increase in demand, the Group must create extra production capacity by expanding its production plants or commissioning new furnaces. These generally take 18 to 24 months to build, during which time the imbalance between supply and demand may continue.

For example, the German wine production market experienced a shortage of glass packaging at the beginning of 2019 due to capacity constraints. 2017, 2018, and 2019 financial years have been characterised by high tensions over the capacity available in Spain and Italy, markets which have grown sharply, resulting demand exceeding supply. In response to changing demand, in 2019 the Group began the construction of a new furnace in Azuqueca, Spain and another in Villa Poma, Italy, which will be operational in the second semester of 2020, subject to the impact that the Covid-19 pandemic may have on the glass packaging market and the construction works related to these furnaces, the starting schedule of which will be adapted to demand on the markets they serve, which is, as of the date of this universal registration document, subject to the impact of the consequences of the Covid-19 pandemic (see Sections 3.1.1 and 5.7 "*Capital expenditure*" of this Universal Registration Document). The Group also strives to maintain flexible, efficient production facilities, which allow it to rapidly adjust its production capacity whenever there is a change in demand.

Any increase in demand for glass packaging, especially when it exceeds supply – as has been the case, for example, from 2017 to 2019, which saw intense pressure on available capacity – is generally positive for the Group's business, particularly when it comes to the prices that the Group can charge. Conversely, a fall in demand for or oversupply of glass packaging – particularly when developing new production capacity in a regional market and if caused by the Group's competitors – could force the Group to lower its prices in order to maintain or capture market share, or could require it to store unsold inventory, which could have a negative impact on results. For example, the 2012 and 2013 financial years were marked by overcapacity in Europe in particular.

However, the Group's flexible, interconnected and standardised production facilities mean that if there is a surge in demand, it can temporarily transfer production between plants in the same region (between a Spanish plant and a French plant, for example).

7.1.2.2 Changes in raw material and energy prices

The Group's manufacturing processes use large amounts of raw materials for the production of glass. These raw materials include glass sand, limestone, natural and synthetic soda ash, and cullet (recycled glass), in variable proportions depending on the type of product that is being manufactured. The expenses associated with the purchase of raw materials are entirely variable. Raw material purchases made up 20% of the Group's cost of sales for the year ended 31 December 2019.

The purchase price of raw materials depends on market conditions, relations with suppliers, purchasing volumes and purchasing terms negotiated with suppliers. The purchase price varies significantly both over time and depending on the region concerned.

For example, the price of cullet, a raw material that accounted for nearly half of raw material purchases for the year ended 31 December 2019, varies widely from one region to the next, mainly because of regulatory and financial disparities concerning the collection and recycling of used glass, as well as the distance of cullet supply centres from production plants. As of 31 December 2019, the Group had no raw materials hedging instruments in place. To mitigate the impact of differences in the prices of raw materials, wherever possible the Group, through its Purchasing Department, seeks to negotiate with suppliers the best price structure in view of expected changes in raw material costs in the short and medium term (see Section 3.6.2.2 "*Operational risk management*" of this Universal Registration

Document). The Group also endeavours to pass on the increase in raw material costs to its selling prices, whether directly or indirectly. It does this in particular through price revision clauses included in some of its multi-year contracts with key customers or, in the majority of cases, through commercial negotiations with customers placing orders or renewing annual contracts.

The Group's manufacturing activities are also energy-intensive, particularly in natural gas, electricity and fuel oil, since the furnaces used for glass production must operate continuously at very high temperatures. For the year ended 31 December 2019, energy costs made up approximately 19% of the Group's cost of sales.

The purchase price of energy depends on market prices. Expenses relating to energy costs are partly fixed, because of the need to keep furnaces at a certain temperature so as not to damage them. The purchase price for energy also varies significantly both over time and depending on the region concerned, mainly due to regulatory differences between countries. In Germany and Italy, for example, energy costs are subsidised annually by the government, mainly in the form of lower energy taxes in those countries (see Section 9.1.2 *"Regulations relating to the glass industry"* of this Universal Registration Document). Lastly, the Group's energy costs depend on the age of its furnaces (an old furnace will need more energy to operate at an adequate level). In this respect, the Group carries out specific actions in its plants to reduce furnace consumption, such as improving seals and insulation, optimising the glass temperature and combustion settings, and adjusting the volumes of combustion air. In addition, by applying circular economy principles, other initiatives allow the energy consumed to be recovered by extracting the heat from furnaces and using it to heat buildings, as seen at the different sites. Finally, the Group seeks to use all the cullet at its disposal to optimise production costs, especially energy costs, since the lower melting point of cullet reduces energy consumption (on average, a 10% increase in the use of cullet leads to a 2.5% reduction in energy consumption).

During the year ended 31 December 2019, the increase in energy costs had a negative impact on the Group's cost of sales.

Most of the Group's sales contracts are entered into for one year and may be renewed with the agreement of both parties and do not include price adjustment clauses allowing a percentage of the increase or decrease in energy costs to be reflected automatically in selling prices. Passing on increases in the Group's production costs is therefore negotiated with customers when placing orders or renewing annual contracts, on the basis of recent and expected changes in these costs. However, there may be a time lag and the price increases may only be passed on partially, if at all. A minority of the Group's sales are also covered by contracts containing price revision clauses (generally multi-year and entered into with the Group's key customers), taking into account fluctuations in energy costs and inflation, and providing the Group with a contractual basis for the annual renegotiation of its selling prices. Lastly, the Group hedges some of the risks relating to energy costs if contractual adjustment mechanisms are not in place (see Section 3.6.2.2 "*Operational risk management*" of this Universal Registration Document).

The Group considers that it has been able to pass on increases in its production costs, especially energy costs, to its selling prices during the 2019 and 2018 financial years. This is due to its dynamic pricing policy, which enables it to neutralise the impact of higher energy costs and to generate a positive spread[55] on its sales, yielding a significant improvement in its profitability during the aforementioned financial years.

55 The spread represents the difference between (i) the increase in selling prices and the mix applied by the Group after passing on the increase in its production costs, and (ii) the increase in its production costs. The spread is positive when the increase in selling prices applied by the Group is greater than the increase in its production costs. The increase in production costs is recorded by the Group at constant production volumes and before production gap and the impact of the Performance Action Plan (PAP).

The positive spread generated since 2018 is mainly due to the introduction of a new pricing policy starting in 2018. Under this policy, the Group negotiates higher selling prices with its customers when they place orders or renew annual contracts at year-end, depending on production cost estimates. These estimates are based on prices negotiated with its suppliers for the coming year, or on the parameters of any derivative instrument put in place (in case of energy purchases, for example), thus giving it visibility over the impact of production costs for that year and allowing it to pass this on to its selling prices as much as possible (see Section 3.6.6.2 *"Operational risk management"* of this Universal Registration Document).

Lastly, as a manufacturer of glass packaging, the Group is subject to the provisions of the EU Emissions Trading System Directive (see Section 9.1.2 "*Regulation of the glass industry"* of this Universal Registration Document). In view of the Group's quota deficit, a provision was recorded in the 2019 and 2018 financial years respectively, amounting to €37.7 million and €27.6 million. In addition, in order to secure the prices at which it will have to acquire the quotas, and with the prospect of the end of Phase III, the Group made forward purchases of carbon dioxide quotas on the market for a total amount of €34.9 million as of 31 December 2019, corresponding to the deficits expected. The settlement of forward purchases and the delivery of allowances will result in a cash outflow for the Group (which will therefore record a reversal of the aforementioned provision in the amount of such outflows), mainly in 2021.

For Phase IV (2021-2030), as defined by the Emissions Trading System Directive, the level of free allowances allocated to the Group will only be known at the beginning of 2021 for the 2021-2025 period and at the beginning of 2026 for the 2026-2030 period. Despite uncertainty over the size of the free allocation for Phase IV, the Group already expects this to be slightly smaller than its free allocation during Phase III. In any event, it is unlikely to meet its obligation to surrender carbon emissions allowances, forcing it to pursue its policy of spending a significant amount on purchasing allowances on the market (see Section 3.1.4 "*Risks related to significant costs to comply with applicable environmental, public health and safety regulations*" of this Universal Registration Document). In light of the start of Phase IV, the Group has already made forward purchases of carbon dioxide quotas on the market for a total amount of €24.6 million as of 31 December 2019.

7.1.2.3 Change in production costs and improved operational efficiency

The Group's production costs include fixed costs and variable expenses, including: (1) raw material costs (20% of cost of sales and 16% of consolidated revenue for the year ended 31 December 2019), which are entirely variable; (2) energy costs (19% of cost of sales and 15% of consolidated revenue for the year ended 31 December 2019), partly fixed (due to the need to maintain furnaces at melting temperature) and partly variable (linked to production itself); (3) costs of purchasing carbon emissions allowances, which are mainly variable; (4) personnel expenses (21% of cost of sales and 16% of consolidated revenue for the year ended 31 December 2019), which are mainly fixed; (5) packaging materials (cardboard, pallets, plastic film) and freight costs (13% of cost of sales and 10% of consolidated revenue for the year ended 31 December 2019), which are mainly variable; and (6) plant depreciation and maintenance costs, which are mainly fixed. The most significant costs for the Group are raw material costs, energy costs and personnel expenses. Personnel expenses can vary considerably depending on the production region. This is particularly apparent between developed and emerging countries, where personnel expenses are lower, although the gap is closing. The cost of packaging materials, which is mainly variable, primarily includes the cost of pallets, dividers and plastic film. The Group's transport costs make up a significant portion of the cost of sales. Therefore, the Group's glass packaging production takes place at the regional or local level so as to be as close as possible to its customers' production plants and thus reduce transport distances and the associated costs. As a rule, it is difficult to adjust fixed costs, for example in response to a fall in demand, and even if an adjustment is possible, it might involve a time lag. The Group's adjusted EBITDA margin therefore depends on the Group's ability to absorb fixed costs through its production volumes and to reduce the share of fixed costs in its overall cost of production for a given production level.

In addition, the Group continually takes steps to improve the operational efficiency of its production plants. As part of its industrial strategy, the Group has been implementing an operational excellence programme for the past few years. In early 2018, this was ramped up with the launch of the Verallia

Industrial Management (VIM) 2.0 initiative, which focuses on safety, quality, industrial performance, lower manufacturing costs – mainly through the implementation of the Performance Action Plan (PAP) – and team management (see Section 5.3.2 of this Universal Registration Document).

For example, under this programme, more than 500 projects managed by 250 managers at the production plant level are being rolled out by the Group. The Group is also adopting cost-optimisation measures inspired by World Class Manufacturing[56] at all of its production plants, chiefly through cost deployment. More generally, it has developed an in-depth industrial methodology based on root cause analysis[57]for its employees and plants, in a bid to optimise its costs while continuing to improve product quality. The Group is also putting measures in place to optimise inventory management and improve the flexibility of its production lines, with the introduction of weekly production plans and monthly industrial and commercial plans. In addition, the Group is actively pursuing the roll-out of continuous improvement initiatives in its logistics processes in order to ensure on-time delivery to its customers and reduce storage and transportation costs. Lastly, the Group conducts in-depth comparative analyses of its production plants in order to align its industrial processes with industry best practice. This plan has reduced production costs in various areas, such as raw materials, packaging, energy, wages and maintenance costs.

In return for a relatively small investment, this industrial performance improvement plan has increased production capacity and boosted the efficiency of the Group's production plants while improving product quality (see Section 7.1.2.6 of this Universal Registration Document), positively impacting the Group's results for 2019 and 2018.

7.1.2.4 Fluctuations in exchange rates

The Group combines a global presence with local industrial facilities (the "Glo-Cal" model). Its customers, situated near the Group's local production plants, export products all over the world, packaged in the bottles and jars manufactured by the Group. Consequently, its results are affected by fluctuations in exchange rates.

The Group's results are mainly impacted by the currency translation effect. Although most of the Group's consolidated revenue is denominated in euros, a significant portion of the Group's assets, liabilities, income and expenses are denominated in currencies other than the euro, mainly the Brazilian real, the Argentine peso, the Russian rouble and the Ukrainian hryvnia. In order to prepare the Group's financial statements, denominated in euros, these assets, liabilities, income and expenses therefore need to be translated at the applicable exchange rates. As a result, fluctuations in the euro against other currencies, including those mentioned above, lead to currency translation differences that affect the amount of the line items concerned in the Group's financial statements, even though the value remains the same in the original currency. Thus, when the euro strengthens against local currencies, the equivalent amount in euros of gains made in local currency decreases, with a negative impact on the Group's results. In 2019, based on the closing exchange rate at 31 December 2019, the value of the Argentine peso, the Brazilian real and the Chilean peso fell by 56%, 1.6% and 3.6%, against the euro. This significantly affected the value of the Group's revenue, assets, liabilities, expenses and results for the year ended 31 December 2019, especially in Latin America. The Group's exposure to currency translation effects is not hedged.

Following the sharp increase in the cumulative inflation rate over several years in Argentina, such that is considered to be a hyperinflationary economy, the Group was obliged to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* to its operations in Argentina from 1 January 2018. Applying this standard requires the revaluation of non-monetary assets and liabilities, equity and profit and loss to reflect changes

56 World Class Manufacturing is based on 10 pillars, one of the most fundamental of which is cost deployment. This consists of associating a cost with the various issues identified and taking specific action to reduce them.

57 This method involves addressing the causes of a problem, rather than treating its immediate symptoms.

in purchasing power in local currency. These revaluations may lead to a gain or loss on the net monetary position included in net financial income. In addition, this standard requires the subsidiary's income statement to be translated into euros at the closing rate rather than at the average rate for the period. Items in the statement of financial position and statement of comprehensive income remain translated into euros at the closing exchange rate for the period concerned. For the financial year ended 31 December 2019, the net impact on revenue of hyperinflation in Argentina was -€3.1 million; it was -€7.8 million for the financial year ended 31 December 2018. The impact of hyperinflation is excluded from consolidated adjusted EBITDA as presented in Section 7.1.4 "*Key performance indicators"* below.

Other than the currency translation effect, the Group's results are not materially impacted by the effect of changes in exchange rates, insofar as the Group's expenses and operating revenues are generally in the same currency. This is due to the regional or local nature of the Group's markets.

The Group is nevertheless exposed to changes in exchange rates on its transactions when one of its subsidiaries makes a purchase or sale in a currency other than the functional currency. For example, subsidiaries located in countries in Latin America and Northern and Eastern Europe that are required to import capital goods produced in Southern and Western Europe, or more specifically purchase raw materials or energy in US dollars, may be exposed to the impact of exchange rate fluctuations on these transactions. The Group routinely hedges currency positions when it believes that material financial transactions may give rise to currency risk.

7.1.2.5 Optimum use of production capacity

The Group's results largely depend on optimum use of its production capacity, especially its furnaces, to maximise the performance of its industrial facilities.

Factors affecting the optimum use of furnaces are scheduled or unscheduled furnace repairs, the number of changes in glass colour and optimisation of the packaging mix on all lines, so as to make maximum use of the furnace draft. The Group generally schedules furnace closings for repair during the second half of the year, when most of its employees are on leave and after large customer orders have been taken (usually during the first half of the year). In addition, to minimise the time taken to change the glass colour or type of packaging on its production line, the Group is developing production facilities offering the flexibility to quickly change the necessary tools.

Unscheduled furnace repairs or furnace incidents, such as the partial collapse of a furnace vault at the Kamyshin, Russia site in 2019, could therefore affect the Group's results, reduce the capacity utilisation rate, result in lower absorption of fixed costs such as wage costs, and increase other costs such as transport costs due to the additional imports required to make up the production shortfall.

To optimise capacity utilisation, the Group makes targeted investments (see Section 5.7 *"Capital expenditure*" of this Universal Registration Document) to ensure that its furnaces are operational and efficient (particularly in terms of energy consumption). It also seeks to adjust the size of its production facilities in line with expected changes in market supply and demand.

7.1.2.6 Investments

The Group operates in a highly capital-intensive industry that requires permanent investment in order to maintain and/or increase production capacity, update its assets and technology, and comply with regulations. To this end, the Group has a disciplined investment policy that is mainly aimed at ensuring that its furnaces are operational and as efficient as possible (particularly in terms of energy consumption), and that production capacity is continually adjusted to changes in supply and demand and the capacity available on the market.

The main recurring investments[58] relate to the rebuilding of furnaces and maintenance operations. Although the Group's research and development efforts have allowed it to increase the lifespan of its furnaces to up to 10 to 12 years or even 14 years in some cases, its furnaces still need to be rebuilt periodically, as the refractory bricks with which they are built wear away on contact with molten glass and energy consumption increases as furnaces become worn down. The Group is also making strategic investments to acquire assets that significantly increase the Group's capacity or scope (for example, by purchasing plants or similar facilities, or making greenfield or brownfield investments), including building new furnaces.

The total amount of recurring and strategic investments for the years ended 31 December 2019 and 2018 respectively amounted to €252.5 million (of which €206.7 million was recurring and €45.8 million was strategic) and €225 million (of which €198.6 million was recurring and €26.4 million was strategic) (see Section 5.7 "*Capital expenditure*" of this Universal Registration Document). The Group intends to pursue its disciplined investment policy with recurring investments amounting to around 8% of the Group's consolidated revenue (excluding capitalisation of the right of use related to the application of IFRS 16 *Leases).*

In 2019, non-recurring investments concerned (i) the construction of a new plant in Jacutinga, Brazil following the closure of the Sao Paulo plant and (ii) the construction of two new furnaces in Spain and Italy.

In addition, the Group operates in a strict legislative and regulatory environment when it comes to environmental protection, public health and safety. As such, it has had to incur, and will continue to incur, significant costs (in terms of both capital expenditure and operating expenditure) to meet the legal and regulatory requirements. Moreover, it is likely that these costs will increase in the future. The Group could be compelled therefore to make significant investments to build furnaces with low carbon emissions, such as electric furnaces, so as to reduce the need to purchase emissions allowances on the market and to minimise the associated costs.

7.1.2.7 Acquisitions, disposals and changes in scope

In order to become more competitive and support its growth, the Group may acquire companies in the sector. In addition, it may sell some of its non-strategic operations, or even close down production plants or furnaces if it wants to withdraw from a particular business sector or in order to adapt its capacity to demand. The frequency of acquisitions and disposals varies and depends on the expansion opportunities offered to the Group and the development of its strategic decisions in the light of market conditions.

In the context of the reorganisation operations of the Verallia Group completed as from the listing of the ordinary shares of the Company on the regulated market of Euronext Paris, the Company took direct and exclusive control of Verallia Packaging SAS.

During the year ended 31 December 2018 (see also Note 3.1 "*Change in scope*" of the Group's consolidated financial statements for the financial years ended 31 December 2019 and 2018), the Group withdrew from Algeria with the sale of its subsidiary Alver, generating a loss of €3.6 million (the subsidiary's property, plant and equipment had been fully written down by €35.0 million in 2017). The Group had previously decided to suspend all financing of Alver's working capital requirement in view of the political and economic climate in Algeria and the decline in operational performance, as well as the limited prospects for improving the subsidiary's results. In the same year, the Group also finalised the sale of its stake in IVN, its joint venture in Brazil. The impact of the transfer of IVN on pre-tax income as of 31 December 2018 was a pre-tax profit of €14.0 million (corresponding to (i) a capital gain on the

[58] Recurring investments consist of purchases of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demand, as well as to environmental, health and safety constraints.

sale of securities of €1.0 million and (ii) the reversal of impairment loss for shareholder loans of €13.0 million).

7.1.2.8 Changes in financial debt

As of 31 December 2019, the Group's total gross financial debt[59] stood at €1,809.8 million (€2,244.6 million as of 31 December 2018), while its net financial debt totalled €1,590.6 million (€1,982.5 million as of 31 December 2018). For the year ended 31 December 2019, net financial debt amounted to €81.4 million (€104.6 million as of 31 December 2018) (see Note 7 "*Net financial income*" of the Group's consolidated financial statements for the years ended 31 December 2019 and 2018). The Group's net financial debt/adjusted EBITDA ratio was 2.6x as of 31 December 2019. As of 31 December 2018, the same ratio was 3.1x, taking into account only third-party debt, thus excluding the intragroup loan which had been granted on 28 October 2015, by the sole shareholder of the Company before the initial public offering of the Company, for an initial principal amount of 346,783,800, bearing capitalised annual interest at a rate of 8.123% (the "**Intragroup Loan**"), this Intragroup Loan having been capitalised up to an amount of €251.4 million at 20 September 2019.

Over the 2019 financial year, the Group's policy has been to optimise its financial structure.

On the occasion of its initial public offering on the Euronext Paris regulated market in October 2019, the Group refinanced its existing debt, in particular by fully repaying term loans and cancelling the revolving credit facility that had been made available as part of the financing documentation concluded on 7 August 2015 (as subsequently amended) for a notional amount of €1,825 million thanks (x) to the €1,500 million in proceeds from the drawing carried out by Verallia Packaging on the term loan *(Term Loan A*) made available under the Senior Facilities Agreement, (y) to the proceeds from the drawings carried out on the NEU CP programme and (z) to the balance, with a portion of the Group's available cash flow (see Section 8.2.2 "*Financial liabilities*" of this Universal Registration Document).

As of 31 December 2019, the Group's outstanding variable-rate financial debt, including derivative instruments, stood at €297.8 million (€350.2 million as of 31 December 2018), or 16.5% of its gross financial debt (15.6% for 2018). In August 2018, the Group hedged a large portion of its exposure to a rise in the Euribor rate through rate swaps with a face value of €1,500 million and maturing in August 2022. In October 2019, after repaying part of its debt, the Group settled for a nominal amount of €250 million in rate swaps. The Group's ability to manage its interest rate exposure appropriately in the future or to continue to do so at a reasonable cost could affect its results (see Section 3.4.3 "*Risks related to interest rates*" of this Universal Registration Document).

7.1.2.9 Seasonality

The Group's revenue is affected by the seasonal nature of the products sold to its customers. For example, demand for glass packaging is typically higher in the first six months of the year, particularly in Europe. In practice, customers in this geographical region generally place their orders during this period in order to anticipate the increase in demand for their products, such as beer and rosé wine, experienced in summer. High temperatures can therefore have a positive effect on the Group's activities, as an increase in demand for products sold by its customers will result in them buying more glass packaging. Conversely, abnormally low temperatures during the summer may result in a drop in demand for certain beverages contained in packaging sold by the Group, resulting in a reduction in orders from its customers.

In addition, changes in the Group's working capital requirement during the year reflect the seasonality of its operations. The high working capital requirement, particularly from April to August, is due to the build-up of inventories and the increase in trade receivables ahead of significant deliveries that take place

[59] Corresponds to the item "Non-current financial liabilities and financial derivatives" and "Current financial liabilities and derivatives" of the Group's consolidated balance sheet.

during the summer, as mentioned earlier. The working capital requirement gradually decreases in the second half of the year, generally reaching its lowest point in December.

7.1.2.10 Taxes

Operating in various countries, the Group has to take into account different tax regimes; differences in the rates and basis of taxation can therefore have an impact on the Group's results. The Group's tax liability can also vary significantly from one tax year to the next due to the use of tax loss carryforwards or changes in the tax regulations applicable in France or in other countries where the Group operates, thus affecting the Group's results (see Section 3.5.4 "*Risks related to taxation and its changes*" of this Universal Registration Document).

7.1.2.11 Changes in IFRS

Recent changes to certain IFRS accounting standards have had, and could have in the future, an impact on the Group's results.

IFRS 16 Leases

On 13 January 2016, the IASB issued IFRS 16 *Leases*, which was adopted by the European Union on 31 October 2017. IFRS 16 replaces IAS 17 and the corresponding IFRIC and SIC interpretations. For lessees, it removes the different accounting treatments previously applicable to operating leases and finance leases.

Lessees are required to record all agreements (with exemptions) on terms similar to those currently imposed by IAS 17 for finance leases, recognising a lease asset in the form of a right of use representing the right to use the underlying leased asset and a lease liability representing the obligation to pay rent over the term of the lease.

The standard does, however, provide exemptions for short-term arrangements (leases of 12 months or less) and for low-value assets. The Group used these two exemptions. The relevant leases mostly concern small industrial equipment, photocopiers, water fountains and computer equipment.

The Group has applied IFRS 16 using the simplified retrospective method. Under this approach, the cumulative impact of the first-time application of IFRS 16 is recognised in retained earnings as of 1 January 2019. Accordingly, comparative periods presented for 2018 have not been adjusted and have been presented in accordance with IAS 17 and its interpretations.

At 1 January 2019, the transition date, lease liabilities classified as operating leases under IAS 17 were measured by taking the value of lease payments due, discounted at a single discount rate for each portfolio of similar leases. These rates are based on the incremental borrowing rate by currency, taking into account the specific economic environment in each country. Moreover, the discount rates were calculated using the residual lease terms (rather than the initial lease terms).

The impacts of the transition are summarised below:

(in € million)	**As of 1 January 2019**
Right-of-use assets recorded in "Property, plant and equipment"*	60.0
Lease liabilities recorded in current and non-current "Financial liabilities and derivatives"**	(60.4)
Balance sheet reclassification***	0.4

**This item does not include assets under IAS 17 recognised in the amount of €1.7 million at 31 December 2018.*

*** This item does not include finance lease liabilities under IAS 17 recognised in the amount of €1.9 million at 31 December 2018.*

****Reclassification of accrued liabilities in connection with the rent exemption spread deducted from the "right of use" asset, 0.2 million of which impact on equity opening.*

Impacts on the 2019 fiscal year accounts

As a result of the application of IFRS 16 to leases previously classified as operating leases, the Group recorded €52.3 million in right-of-use assets, €53.3 million in lease liabilities, and €0.9 million in deferred tax assets in its accounts as of 31 December 2019.

With regard to these leases, the Group also recorded depreciation costs and interest expenses instead of the rents relating to operating leases. It thus recorded €18.8 million in depreciation and €2.1 million in interest expense in respect of these leases. This resulted in a decrease of lease expenses accounted for in adjusted EBITDA, which had a positive impact on adjusted EBITDA of €20.2 million, a positive impact on the adjusted EBITDA margin of 78 basis points and a positive impact on cash conversion of 140 basis points for the year ended 31 December 2019.

7.1.3 7.1.3 Main items of the statement of consolidated income

The main income statement line items used by Group management to analyse its consolidated financial results are described below:

Revenue

Revenue is mainly generated from the sale of glass packaging for beverage and food (bottles and jars). Revenue is the amount receivable for goods provided in the normal course of business, excluding amounts collected on behalf of third parties, such as sales taxes, goods and services taxes, and value added taxes. The revenue generated by the sale of bottles and jars is recognised when the control of the asset is transferred to the customer, i.e., when the product is shipped or delivered, according to the incoterms (International Commercial Terms published by the International Chamber of Commerce).

Cost of sales

Cost of sales includes all costs directly or indirectly related to the products sold. The main components are the cost of raw materials, energy, wages and transport, and the depreciation of production equipment. It does not include the amortisation of customer relationships, which is included in acquisition-related items.

Selling, general and administrative expenses

Selling, general and administrative expenses include all expenses related to general management, marketing, finance and accounting, IT, legal, human resources, technical, and research and development activities.

Acquisition-related items

Acquisition-related items mainly cover the impact of the adjustments recognised in connection with the allocation of the purchase price (amortisation of assets exclusively recognised through business combinations, such as customer relationships (original gross amount of €740.0 million over a 12-year useful life)), as well as acquisition costs including miscellaneous fees and due diligence costs in connection with completed or prospective acquisitions. These elements are present on a different line from “selling, general and administrative expenses" in view of their materiality.

Other operating income and expenses

Other operating income and expenses reflect significant events occurring during the year that may distort the reading of the company’s performance. They particularly include gains and losses on disposals, impairment losses, significant litigation outside the normal course of business, restructuring costs incurred upon disposal or closure, and in relation to downsizing measures.

Operating profit

Operating profit is the difference between revenue and cost of sales, selling, general and administrative expense, acquisition-related items and other operating income and expenses.

Financial income and expense

Financial income and expense mainly covers interest expense on borrowings, accretion of financial assets and provisions, financial expense related to pension plans and other post-employment benefits, factoring fees, bank charges, changes in the fair value of derivative instruments not designated as hedging instruments, and unrealised and realised foreign exchange gains and losses. It includes interest on lease liabilities determined in accordance with IFRS 16 on all leases (excluding exemptions).

Financial income mainly comprises income from cash and cash equivalents.

Income tax

Income tax expense represents the sum of current tax and deferred tax.

Tax expense is calculated based on the tax laws in force or substantively in force at the reporting date in the countries where the Company and its subsidiaries operate.

The amount of current tax payable (or receivable) is determined on the basis of the best estimate of the amount of tax the Group expects to pay (or receive) reflecting, where appropriate, the uncertainties associated with it.

Current tax and deferred tax are recognised in profit or loss unless they relate to items that have been recognised in other comprehensive income or directly in equity. If current tax or deferred tax arises from the initial recognition of a business combination, the tax effect is included in the business combination accounting.

Deferred tax assets and liabilities are recognised on the basis of temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their respective tax values (with some exceptions).

The impact of a change in tax rates and tax laws on deferred income tax assets and liabilities is generally recognised as tax income/expense over the period that the change was substantively in effect. Deferred tax assets and liabilities are measured at the expected tax rates for the period of realisation of the asset or the settlement of the liability, based on tax rates and tax laws applicable or substantively in force at the reporting date.

Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits only if it is probable that the Group will have sufficient future taxable profits against which they can be used. They are reviewed at each reporting date and are impaired if it no longer appears likely that sufficient future taxable income will be available. To determine whether deferred tax assets should be recognised in respect of tax loss carryforwards, the Group applies various criteria that take into account the likely recovery period based on economic projections and the strategy for recovering tax losses over the long term applied in each country.

7.1.4 7.1.4 Key performance indicators

The Group uses revenue (see Section 7.2.1 below for an analysis of the change in revenue for the years ended 31 December 2019 and 2018), adjusted EBITDA, cash conversion and investments (see Section 5.7 "*Capital expenditure*" of this Universal Registration Document) as key performance indicators. The Group regularly reviews these performance indicators to analyse and evaluate its operations and their trends, measure their performance, prepare results forecasts and make strategic decisions.

(in € million)	Year ended 31 December 2019	Year ended 31 December 2018	Change
Adjusted EBITDA (in € million)	615.2	543.3	13.2%
Adjusted EBITDA margin	23.8%	22.5%	130Pb
Cash conversion	59.0%	58.6%	40Pb

Adjusted EBITDA and cash conversion are alternative performance measures according to AMF Position No. 2015-12.

Adjusted EBITDA and cash conversion are not standardised accounting measures meeting a single definition generally accepted by IFRS. They should not be considered a substitute for operating profit, net income or cash flows from operating activities, which are measures defined by IFRS, or a substitute measure of liquidity. Other issuers may calculate adjusted EBITDA and cash conversion differently from the definitions used by the Group.

Adjusted EBITDA

Adjusted EBITDA is calculated based on operating income adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plan costs, disposal-related effects and subsidiary contingencies, site closing expenses, and other items. Adjusted EBITDA has been used as a performance indicator in the Group's external financial communications since 2015, in particular in connection with its bond issuances. This indicator is also used as a performance indicator by several companies in the packaging sector.

Reconciliation of operating profit to adjusted EBITDA

(*in € million*)	Year ended 31 December 2019	Year ended 31 December 2018	Change
Operating profit	**295.1**	**221.2**	**73.9**
Depreciation, amortisation and impairment(1)	283.5	298.2	(14.7)
Restructuring costs(2)	2.9	7.2	(4.3)
Acquisition and M&A costs(3)	(2.1)	0.2	(2.3)
IAS 29, Hyperinflation (Argentina)	1.6	2.5	(0.9)
Management equity plan related costs(4)	11.5	5.7	5.8
Disposal and risks related to subsidiaries(5)	-	(8.8)	8.8
Sao Paolo site closure(6)	2.4	11.4	(9.0)
Other(7)	20.3	5.8	14.5
Adjusted EBITDA	**615.2**	**543.3**	**71.9**

(1) Includes depreciation and amortisation of intangible assets and property, plant and equipment (Note 5.2 of the Group's consolidated financial statements), amortisation of intangible assets acquired through business combinations (Note 6.1 of the Group's consolidated financial statements) and impairment of property, plant and equipment (Note 6.2 of the Group's consolidated financial statements).

(2) Corresponds to restructuring costs (Note 6.2 to the Group consolidated financial statements).

(3) Corresponds to acquisition and M&A costs (Note 6.1 of the Group's consolidated financial statements). In 2019, mainly includes a reversal of the provision for accrued RETT liabilities recorded in the acquisition of the packing division of Compagnie de Saint-Gobain in 2015.

(4) Corresponds to share-based compensation plans (Notes 5.2 and 19.3 of the Group's consolidated financial statements).

(5) Corresponds mainly to the effects related to the disposals of IVN (Note 6.2 of the Group consolidated financial statements) and Alver (Notes 3.1.1 and 6.2 of the consolidated accounts of the Group).

(6) Corresponds to the closure of the Sao Paulo (Brazil) plant, for the year ended 31 December 2018, including the related restructuring costs.

(7) In 2019, corresponds mainly to the impact in France of past-service costs following the change in the national collective agreement of the mechanical glass manufacturing industries for €7.0 million and various other non-recurrent elements, in particular the costs incurred as part of the €10.3 million initial public offering plan.

A detailed discussion of the change in adjusted EBITDA for the years ended 31 December 2019 and 2018 can be found in Section 7.2.9 of this Universal Registration Document.

Cash conversion

Cash conversion is defined as the ratio between cash flows and adjusted EBITDA.

Cash flows are defined as (i) operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plan costs, disposal-related effects and subsidiary contingencies, site closing expenses, and other items (i.e., adjusted EBITDA) less (ii) Capex[76].

Reconciliation of adjusted EBITDA to cash conversion

(in € million)	**Year ended 31 December2019**	**Year ended 31 December2018**	**Change**
Adjusted EBITDA	**615.2**	**543.3**	**71.9**
Capex [1]	(252.5)	(225.0)	(27.5)
Cash flows	**362.7**	**318.3**	**44.4**
Cash conversion	**59.0%**	**58.6%**	**40Pb**

[1] *Excluding rights of use under IFRS 16.*

A detailed discussion of the change in cash conversion for the years ended 31 December 2019 and 2018 can be found in Section 8.5.1.4 of this Universal Registration Document.

7.2 Analysis of results for the years ended 31 December 2019 and 2018

The table below presents the Group's consolidated income statement (in millions of euros) for each of the years ended 31 December 2019 and 2018.

CONSOLIDATED INCOME STATEMENT	**Year ended 31 December 2019**	**Year ended 31 December 2018**
(in € million)		
Revenue	**2,585.9**	**2,415.8**
Cost of sales	(2,043.6)	(1,973.2)
Selling, general and administrative expenses	(170.8)	(144.7)
Acquisition-related items	(59.4)	(61.8)
Other operating income and expenses	(17.0)	(14.9)

Operating profit	**295.1**	**221.2**
Financial income	**(115.9)**	**(146.8)**
Profit before tax	**179.2**	**74.4**
Income tax	(53.8)	(24.2)
Share of net profit (loss) of associates	(0.7)	(1.7)
Net profit	**124.6**	**48.5**

2019 was marked by a continuous and significant improvement in the Group's financial performance compared to 2018.

For 2019, this performance resulted in:

- sustained revenue growth of 7% to €2,585.9 million (9.1% at constant exchange rate and scope[60]),
- strong adjusted EBITDA growth of 13.2% to €615.2 million (+16.0% at constant exchange rate and scope) and a significant improvement in adjusted EBITDA margin of 23.8% (up 130 basis points compared to 2018).

Net income was €124.6 million (compared to €48.5 million in 2018). Finally, the Group continued to deleverage and had a net debt of €1,590.6 million (compared to €1,982.5 million in 2018), a ratio of 2.6x adjusted EBITDA for the last 12 months (3.1x in 2018).

7.2.1 Revenue

The Group's consolidated revenue increased by €170.1 million, or 7%, from €2,415.8 million for the year ended 31 December 2018 to €2,585.9 million for the year ended 31 December 2019. At a constant exchange rate and scope, sales grew by 9.1% (i.e. €219.6 million), reflecting sales growth in all geographic areas, mainly driven by growth of volumes sold, from 5,675 kT in 2018 to 5,841 kT in 2019, that being an increase in activity contribution of 2.9% (73.1 million euros), coupled with the impact of sales price increases aimed at reflecting the increase in the cost of energy and raw materials. Moreover, the mix[61] improved slightly (€146.5 million) thanks to the continued roll-out of the pricing policy based on the added value of products. Moreover, the scope effect impacted revenue by -€2.8 million.

Unlike 2018, the change in consolidated revenue was less strongly impacted during the year ended 31 December 2019 in the context of the hyperinflation situation in Argentina (see Section 7.1.2.4 of this Universal Registration Document). Overall, the impact of the foreign exchange effect for the year was -1.9% (i.e. -€47 million) on the Group's revenue, mainly due to Latin America (-€54.0 million), and in particular to the evolution of the Argentine peso, but also to the negative impacts on the other two currencies in the area, which have also depreciated. This sharp depreciation is partly offset, for +€7 million, by the revaluation of the Russian ruble and Ukrainian hryvnia in Northern and Eastern Europe.

[60] In this Universal Registration Document, revenue growth at constant exchange rates is calculated by applying the average exchange rates of the comparative period to revenue for the current period of each Group entity, expressed in its reporting currency. Exchange rate movements linked to transactions made by each reporting entity in a currency other than its functional currency (generally referred to as exchange rate fluctuations on transactions) are not included.

[61] Excluding foreign currency transaction and translation effects and changes in scope, revenue may vary as a result of changes in volumes sold or the price/mix effect. The price/mix effect is the result of a change in selling prices for the same product sold to the same customer ("pure price" effect) or a change in the customer mix (sale of the same article to different customers at different prices) or a change in the product mix (sale of different articles at different prices).

The change in consolidated revenue during the year ended 31 December 2019 was driven by the revenue growth from sales of beer bottles, containers for spirits and bottles for soft drinks.

The increase in revenue during the year ended 31 December 2019 concerned all three geographical regions, and in particular Northern and Eastern Europe and Latin America, against a backdrop of high inflation. This revenue growth was driven by an increase in sales of all products.

(in € million)	**Year ended 31 December 2019**	**Change 2018 - 2019**		**Year ended 31 December 2018**
		In € million	**In %**	
Southern and Western Europe	1,753.7	104.8	6.4	1,648.9
Northern and Eastern Europe	567.6	46.7	9.0	520.9
Latin America	264.6	18.6	7.5	246.0
Consolidated revenue	**2,585.9**	**170.1**	**7.0**	**2,415.8**

Southern and Western Europe

Revenue in Southern and Western Europe increased by €104.8 million, or 6.4% (6.5% at constant exchange rate and scope), from €1,648.9 million for the year ended 31 December 2018 to €1,753.7 million for the year ended 31 December 2019.

During the year ended 31 December 2019, all countries in Southern and Western Europe experienced growth in revenue associated with a general price increase. Growth has thus been more pronounced in Spain and Italy, which have benefited from strong growth in demand, driven mainly by beer, spirits and sparkling wines. Although lower than in other countries in the area, revenue growth remained sustained in France.

Northern and Eastern Europe

Revenue in Northern and Eastern Europe increased by €46.7 million, or 9% (7.6% at constant exchange rate and scope), from €520.9 million for the for the year ended 31 December 2018 to €567.6 million for the year ended 31 December 2019.

During the year ended 31 December 2019, all the countries in Northern and Eastern Europe experienced revenue growth, mainly due to volume growth from 1,444 kT for the year ended 31 December 2018 to 1,490 kT for the year ended 31 December 2019, driven by the solid recovery of Russia and the dynamism of the beer and still wine markets in Germany. Sales price increases also took place as anticipated throughout the year to offset higher costs. However, revenue growth in Northern and Eastern Europe during the year was also positively affected by positive exchange rate fluctuations in Russia and Ukraine, with the revaluation of the Russian ruble and the Ukrainian hryvnia (+€7.0 million).

Latin America

Revenue in Latin America increased by €18.6 million, or 7.5%, from €246 million for the financial year ended 31 December 2018 to €264.6 million for the financial year ended 31 December 2019.

The increase in revenue during the year ended 31 December 2019 was reduced by the depreciation of currencies in the region, mainly the Argentine Peso. At a constant exchange rate and scope, Latin

America is experiencing a strong growth of 29.4% (12.4% outside Argentina), driven mainly by price increases, particularly in Argentina, where the pricing policy remains very dynamic in a highly inflationary context. Volumes also increased from 606 kT for the year ended 31 December 2018 to 618 kT for the year ended 31 December 2019, thanks to the positive commercial trend of still wines, beers and soft drinks in Brazil, the successful commissioning of the new plant in Jacutinga during the first half of 2019 and good business activity in Argentina.

7.2.2 Sales costs

Sales costs increased by €70.4 million, or + 3.6%, from €1,973.2 million for the year ended 31 December 2018 to €2,043.6 million for the year ended 31 December 2019.

The change in sales costs is due, in particular, to the increase in transport costs by 4.6%, raw materials by 0.9%, energy costs by 6.7% and staff costs by 4.9%.

As a percentage of revenue, however, the cost of sales decreased by 270 basis points during the year ended 31 December 2019, from 81.7% for the year ended 31 December 2018 to 79% for the year ended 31 December 2019. The Group has been able to limit the increase in sales costs despite the growth of its business, thanks in particular to the measures implemented under its Industrial Performance Action Plan (PAP) as part of the Verallia Industrial Management (VIM) 2.0 initiative (see, in particular, Section 7.1.2.4 "*Change in production costs and improved operational efficiency*" of this Universal Registration Document). The Group's dynamic pricing policy has also allowed it to pass on increases in costs – particularly energy costs – to selling prices, and to generate a positive spread on its sales.

7.2.3 Selling, general and administrative expenses

Selling, general and administrative expenses increased by €26.1 million, or +18%, from €144.7 million for the year ended 31 December 2018 to €170.8 million for the year ended 31 December 2019.

The increase in selling, general and administrative expenses during the year ended 31 December 2019 was mainly due to the business growth witnessed during the period, and an increase in the Group's structural costs.

7.2.4 Other operating income and expenses

Other operating income and expenses increased in 2019, from a net expense of €14.9 million for the year ended 31 December 2018 to a net expense of €17 million for the year ended 31 December 2019, representing an increase of €2.1 million or 14.1%.

Other operating income and expenses for the year ended 31 December 2019 primarily correspond to the costs of the Company's initial public offering in October 2019, which amounted to €10.3 million.

In 2018, these other operating income and expenses had been impacted by asset impairment reversals of €13.6 million related to the Group's disposal of its holdings in the IVN joint venture in Brazil, and by restructuring costs of €10.7 million and asset impairments of €10.3 million, mainly related to the closure of the Group's plant in Sao Paulo, Brazil to relocate production to the new site in Jacutinga, Brazil.

7.2.5 Operating profit

Operating profit increased by €73.9 million, or 33.4%, from €221.2 million for the year ended 31 December 2018 to €295.1 million for the year ended 31 December 2019.

The increase in operating profit for the year ended 31 December 2019 is primarily due to revenue growth. It also benefits from a significant improvement in the Group's profitability, despite higher costs, particularly energy costs and selling, general and administrative expenses. This increase in the operating profit is also a result of the continued rationalisation of production costs under the Group's industrial performance improvement plan.

7.2.6 Financial income

(in € million)	Year ended 31 December	
	2019	**2018**
Interest expense excluding lease liabilities	(73.5)	(96.1)
Interest expense related to lease liabilities	(2.1)	-
Amortisation of debt issuance costs, and other	(18.2)	(21.4)
Other debt-related gains and losses	3.1	3.5
Financial income from cash and cash equivalents	9.3	9.4
Cost of net debt*	**(81.4)**	**(104.6)**
Refinancing costs	(23.0)	(31.0)
Foreign exchange gains and losses	(0.2)	(4.3)
Net interest expense related to pension plans and other benefits	(1.8)	(1.8)
Profit (loss) on net monetary position in Argentina (IAS 29)	(9.5)	(5.0)
Financial income	**(115.9)**	**(146.8)**

*The cost of net debt includes the amount of interest charges (including interest on finance leases in 2018 and interest on IFRS 16 lease liabilities in 2019), amortization of loan issuance costs, factoring fees, other bank charges, other debt-related gains and losses and financial income from cash and cash equivalents, but does not include refinancing costs.

Net income decreased from a net expense of €146.8 million for the year ended 31 December 2018 to a net expense of €115.9 million for the year ended 31 December 2019, that being a decrease of €30.9 million or 21%.

This decrease in net financial expenses for the year ended 31 December 2019 is primarily due to the full effect of the repayment on 1 August 2018 of guaranteed senior bonds of €500 million (maturing in 2022 and with a 5.125% coupon) issued by the Group in 2015 and 2016, as well as senior bonds of €225 million (maturing in 2023 and with a 7.250% coupon) issued by the Group in 2015, which reduced annual financial expenses by about one third. In addition, the cost of net debt decreased due to a partial early repayment of €150 million on Term Loan B in March 2019, which enabled the Group to reduce its interest expenses by €4 million per year. Finally, the refinancing implemented as part of the Company's initial public offering has reduced interest expenses (see Section 8.5.1.3 of this Universal Registration Document) during the year ended 31 December 2019. Ultimately, it will enable a reduction in interest paid by approximately €20 million on an annual basis. The overall cost of refinancing borne during the year ended 31 December 2019 comprises €20.9 million for the acceleration of the amortisation of the issuance costs of the existing loans repaid in the Refinancing and still to be amortised and approximately €13 million for the commissions relating to the conclusion of the Senior Facilities Agreement, which will be amortised over the duration of the agreement.

7.2.7 Income tax

Income tax rose by €29.6 million, or 122.3%, from €24.2 million for the year ended 31 December 2018 to €53.8 million for the year ended 31 December 2019. This change resulted from the increase in current tax expense of €13.2 million, or 22.8%, up from €57.8 million for the year ended 31 December 2018 to €71 million for the year ended 31 December 2019. Deferred tax income significantly decreased over the period, from €35.5 million for the year ended 31 December 2018 to €17.2 million for the year ended 31 December 2019.

7.2.8 Net income

Net income grew from €48.5 million (or 2% of revenue) for the year ended 31 December 2018 to €124.6 million (or 4.8% of revenue) for the year ended 31 December 2019. This was despite the €29.6 million increase in income tax. This increase is mainly due to the increase in revenue, the significant improvement in the Group's profitability, reflected in particular by an increase of 13.2% in adjusted EBITDA (see Section 7.3.9 below), but also by a decrease of €30.9 million in net financial expenses.

The share of net income attributable to the Company's shareholders amounted to €115.6 million for the year ended 31 December 2019 and €41.1 million for the year ended 31 December 2018. This change, compared with the Group's net income, reflects the share attributable to non-controlling interests of €9.0 million for the year ended 31 December 2019 and €7.4 million for the year ended 31 December 2018.

7.2.9 Adjusted EBITDA

Adjusted EBITDA grew sharply from €543.3 million for the year ended 31 December 2018 to €615.2 million for the year ended 31 December 2019, representing an increase of €71.9 million, or 13.2% (+16% at constant exchange rate and scope).

This strong performance is based on the Group's three strategic pillars, namely:

i. sales price increases to compensate for commodity and energy price inflation, thereby generating a positive spread at the Group level and in each area;

ii. the continued roll-out of a pricing policy based on the added value of the products, enabling an improvement in the product mix[62] (the operational leverage associated with sustained volume growth was nevertheless partially offset by the significant clearance that occurred early this year to support this strong growth);

iii. the implementation of the Performance Action Plan (PAP), which reduced the costs of cash production by €44.0 million, partially offset by €3.0 million in industrial variances.

The application of IFRS 16 had a positive impact of €20.2 million on adjusted EBITDA for 2019. The adjusted EBITDA margin increased by 130 basis points to 23.8%, of which 78 basis points related to the application of IFRS 16.

In summary, the change in adjusted EBITDA consists of:

(in € million)	
2018 adjusted EBITDA	**543.3**
Business contribution	*+2.2*
Price/Mix	*+112.5*
Cost inflation	*-65.4*
Net productivity(*)	*+40.6*
Exchange rate	*-14.9*
Others	*-3.1*
2019 adjusted EBITDA	**615.2**

(*) €44 million impact of Performance Action Plan ("PAP") partially offset by -€3 million in industrial variances.

(in € million)	**Year ended 31 December 2019**	**Change 2018 – 2019**		**Year ended 31 December 2018**
		In € million	**In %/bp**	
Southern and Western Europe				
Adjusted EBITDA	*411.5*	*55.0*	*15.4*	*356.5*
Adjusted EBITDA margin	*23.5%*	-	*184Pb*	*21.6%*
Northern and Eastern Europe				
Adjusted EBITDA	*124.9*	*14.7*	*13.4*	*110.2*

[62] Excluding foreign currency transaction and translation effects and changes in scope, revenue may vary as a result of changes in volumes sold or the price/mix effect. The price/mix effect is the result of a change in selling prices for the same product sold to the same customer ("pure price" effect) or a change in the customer mix (sale of the same article to different customers at different prices) or a change in the product mix (sale of different articles at different prices).

Adjusted EBITDA margin	*22.0%*	-	*87Pb*	*21.1%*
Latin America				
Adjusted EBITDA	*78.8*	*2.1*	*2.8*	*76.7*
Adjusted EBITDA margin	*29.8%*	-	*-138 Bp*	*31.2%*
Consolidated adjusted EBITDA	**615.2**	**71.9**	**13.2**	**543.3**
Consolidated adjusted EBITDA margin	**23.8%**	-	***130 Bp***	**22.5%**

Southern and Western Europe

In Southern and Western Europe, adjusted EBITDA increased by €55 million, or a robust 15.4%, from €356.5 million for the year ended 31 December 2018 to €411.5 million for the year ended 31 December 2019.

The increase in adjusted EBITDA during the year ended 31 December 2019 is primarily a result of the Group's sales volume increases in the area, a positive spread on sales and an improvement in industrial performance. This allowed the Group to increase the adjusted EBITDA margin in Southern and Western Europe by 184 basis points, or 23.5%, in 2019 compared to 21.6% in 2018.

The application of IFRS 16 had a positive impact of €16.6 million on adjusted EBITDA in Southern and Western Europe for the year ended 31 December 2019.

Northern and Eastern Europe

In Northern and Eastern Europe, adjusted EBITDA increased by €14.7 million, or a robust 13.4% (11.6% at a constant exchange rate and scope), from €110.2 million for the year ended 31 December 2018 to €124.9 million for the year ended 31 December 2019. The adjusted EBITDA margin for this area therefore increased to 22%, compared to 21.1% in 2018.

The increase in adjusted EBITDA during the year ended 31 December 2019 is primarily a result of the Group's sales volume increase in the area, a positive spread on sales and an improvement in industrial performance. This allowed the adjusted EBITDA margin in Northern and Eastern Europe to increase by 87 basis points, or 22%, in 2019 compared to 21.1% in 2018.

The application of IFRS 16 had a positive impact of €2.4 million on adjusted EBITDA in Northern and Eastern Europe for the year ended 31 December 2019.

Latin America

In Latin America, adjusted EBITDA rose by €2.1 million, or 2.8% (24.8% at a constant exchange rate and scope), from €76.7 million for the year ended 31 December 2018 to €78.8 million for the year ended 31 December 2019.

Adjusted EBITDA grew in value during the year ended 31 December 2019 and resulted from higher volumes, higher selling prices in order to limit the impact of high inflation in this geographic area, as well as the overall improvement in the Group's industrial performance in this area. However, adjusted EBITDA was impacted by the negative effect of exchange rate developments, due to the significant depreciation of the Argentine Peso and, to a lesser extent, the Brazilian real and Chilean Peso. Argentina has been classified as a hyperinflationary economy since 1 January 2018, requiring the application of IAS 29.

Overall, the area-adjusted EBITDA margin decreased by 138 basis points, or 29.8% in 2019, compared to 31.2% in 2018.

The application of IFRS 16 had a positive impact of €1.2 million on adjusted EBITDA in Latin America for the year ended 31 December 2019.

8. LIQUIDITY AND CAPITAL RESOURCES

8.1 Overview

The Group's principal financing needs include its working capital, its capital expenditure (particularly the construction of new industrial sites or the construction or renovation of furnaces (see Section 5.7 "*Capital Expenditure"* of this Universal Registration Document)), its tax payments and its interest payments.

The main sources of liquidity for the Group as of 31 December 2019 are the following:

– cash flows from operating activities, which totalled €496.8 million for the year ended 31 December 2019 and €429.3 million for the year ended 31 December 2018 (see Section 8.2.1 of this Universal Registration Document);

– a term loan (Term Loan A) for a total principal amount of €1,500 million as of 31 December 2019 made available to the Group on 7 October 2019 under the Senior Facilities Agreement (see Section 8.2.2.1 of this Universal Registration Document), direct loans from banks and other lenders and short-term bank credit lines;

– a €500 million revolving credit facility as of 31 December 2019, made available to the Group under the Senior Facilities Agreement, drawn for €200 million on 20 March 2020 (see Section 8.2.2.1 of this Universal Registration Document);

– an unsecured Negotiable European Commercial Paper (NEU CP) programme for a maximum principal amount of €400 million as of 31 December 2019, issued by the Company's subsidiary, Verallia Packaging, €188.2 million of which was issued as of 31 December 2019 (see Section 8.2.2.3 of this Universal Registration Document);

– a pan-European factoring programme with a financing line for a maximum of €400.0 million, plus local factoring lines that may be used for up to an additional €50.0 million (see Section 8.2.2.4 of this Universal Registration Document).

On the occasion of its initial public offering, the Group proceeded, on the date of the settlement-delivery of the Company's shares offered as part of their admission for trading on the Euronext Paris regulated market on 7 October 2019, to fully repay term loans B and C and cancel the revolving credit facility that had been made available as part of the financing documentation concluded on 7 August 2015 (as subsequently amended) for a notional amount of €1,825 million thanks (x) to the €1,500 million in proceeds from the drawing carried out by the Verallia Packaging on Term Loan A made available under the Senior Facilities Agreement (see Section 8.2.2.1 of this Universal Registration Document), (y) to the proceeds from the drawings carried out on the NEU CP programme and (z) to the balance, with a portion of the Group's available cash flow.

In addition, in order to further strengthen its liquidity position in the current context of health crisis, the Group successfully set up an additional €250m Revolving Credit line with a one-year maturity, extendable by six months at the Group's discretion, on April 24, 2020 (see also paragraph 18.6 of this Universal registration document).

The Group estimates that, for the year 2020, its financing needs will mainly include its current operating needs, investment expenses, tax payments, interest payments and, subject to its approval by the General meeting of the Company's shareholders, the payment of a dividend slightly above €100 million. On the basis of updated cash projections, the Group believes it will be able to meet its liquidity needs during the 12 months following the date of this Universal Registration Document.

Readers are invited to read the following information on cash flows with the consolidated financial statements of the Group for the year ended 31 December 2019, presented respectively in Section 18.1.1

of this Universal Registration Document, having been the subject of a Statutory Auditors' audit report contained in Section 18.1.2 of this Universal Registration Document.

In accordance with article 19 of Regulation (EU) n° 2017/1129 of the European Parliament and the Council of 14 June 2017, information relating to liquidity and capital resources of the Group for the financial years ended 31 December 2018 and 2017 set out in chapter 8 "Liquidity and capital resources" of the Registration Document are incorporated by reference in this Universal registration document.

8.2 Financial resources and financial liabilities

8.2.1 Group cash flows from operating activities

The cash flows from operating activities totalled €496.8 million and €429.3 million respectively for the years ended 31 December 2019 and 2018. A detailed analysis of the Group's cash flows from operating activities for the years ended 31 December 2019 and 2018 is presented in Section 8.5.1.1 of this Universal Registration Document.

The Group uses its cash and cash equivalents to finance its current operating needs as well as its capital expenditure. The Group's cash is primarily denominated in euros.

The Group's ability to generate cash in the future from its operating activities will depend on its future operating performance, which is itself dependent, to a certain extent, on economic, financial, competitive, market, regulatory and other factors, most of which are outside the Group's control.

The Group's policy is to centralise its subsidiaries' cash at the level of Verallia Packaging, when possible, through centralised management of accounts (cash pooling in the Eurozone primarily), intra-group loans or credit lines and dividend payments.

8.2.2 Financial liabilities

The Group's financial liabilities amounted to €1,809.9 million and €2,244.6 million as of 31 December 2019 and 2018, respectively. The evolution of the Group's net debt is detailed in note 17.2 of the Group's consolidated financial statements for the years ended 31 December 2019 and 31 December 2018.

The following table shows the distribution of the Group's debt at the dates indicated:

(in € million)	**31 December 2019**	**31 December 2018**	**2019 applicable interest rates**
Revolving credit facility (RCF)(1)	-	-	*After refinancing*: EURIBOR* + 1.35% *Non-use commission: 0.405%*
Term Loan A(2)	1,490.7	-	EURIBOR* + 1.75%
Term Loan B (3)	-	1,256.7	EURIBOR* + 2.75%
Term Loan C(3)	-	545.0	EURIBOR* + 2.75%
Intragroup Loan(4)	-	273.7	8.123%
Lease / Finance lease liabilities(5)	53.3	1.9	-
Other borrowings	56.9	67.5	-
Total long-term debt	**1,600.9**	**2,144.8**	**-**
Financial derivatives	9.6	6.7	-
Total long-term debt and derivative financial instruments	**1,610.5**	**2,151.5**	**-**
Negotiable commercial paper (NEU CP) (6)	188.2	80.0	-
Other borrowings(7)	11.2	13.1	-
Total short-term debt	**199.4**	**93.1**	**-**
Gross debt	**1,809.9**	**2,244.6**	**-**
Cash and cash equivalents	**(219.2)**	**(262.1)**	**-**
Net debt	**1,590.6**	**1,982.5**	**-**

**Euribor with a floor rate of 0%*

(1) *the revolving credit facility for a principal amount of €500 million, made available under the Senior Facilities Agreement, had not been drawn down as of 31 December 2019 but has been drawn for €200 million on 20 March 2020. The revolving credit facility for a principal amount of €325 million, made available in the financing documentation concluded on 7 August 2015 (as subsequently amended) had not been used as of 31 December 2018.*

(2) *Term Loan A was fully drawn down on 7 October 2019 as part of the Group's refinancing for a principal amount of €1,500 million.*

(3) *Term Loans B and C were fully repaid as part of the Group's refinancing on 7 October 2019.*

(4) *As of 20 September 2019, the Company incorporated the balance of the Intragroup Loan of €251.4 million into its capital.*

(5) *Figure taking into account the impact of IFRS 16 applied by the Group as of 1 January 2019 (see Section 7.1.2.11 "Changes in IFRS" in this Universal Registration Document).*

(6) *In June 2018, the Group established a €250.0 million Negotiable European Commercial Paper (NEU CP) programme (increased to €400.0 million in July 2019), €188.2 million of which was issued as of 31 December 2019.*

(7) *Including factoring liabilities, which correspond to assignment of receivables with recourse (see Note 14.4 "Factoring" and Note 17.2 "Change in gross debt" to the Group consolidated financial statements for the years ended 31 December 2019 and 31 December 2018).*

As of 31 December 2019, the Group's net financial debt/adjusted EBITDA ratio was 2.6x. As of 31 December 2018, the same ratio was 3.1x, taking into account only third-party debt (see Section 8.2.2.5 of this Universal Registration Document).

The overall expenses for refinancing, which occurred on 7 October 2019, include an amount of €20.9 million for the acceleration of the amortisation of the fees relating to the existing term loans repaid in the refinancing and still to be amortised. The cost of this refinancing includes an amount of approximately €13 million for fees related to the conclusion of the Senior Facilities Agreement, to be amortised over the duration of the Senior Facilities Agreement. The Refinancing operation will enable a reduction in interest paid by approximately €20 million on an annual basis.

The main elements of the Group's financial liabilities are described below.

8.2.2.1 Senior Facilities Agreement (Term Loan A)

On the occasion of its initial public offering, the Group proceeded, on 7 October 2019, the date of the settlement-delivery of the Company's shares as part of their admission for trading on the Euronext Paris regulated market, to fully repay its existing financial debt under the financing documentation concluded on 7 August 2015 (as subsequently amended).

To this end, on 17 July 2019, the Group entered into a new senior facilities agreement called "Senior Term and Revolving Facilities Agreement" with a trade union of international banks including Banco Santander S.A., Paris Branch, BNP Paribas, Citibank Europe plc, Crédit Agricole Corporate and Investment Bank, Credit Suisse International, Deutsche Bank Luxembourg S.A., Société Générale, Banco de Sabadell S.A., Allied Irish Banks plc, Commerzbank Aktiengesellschaft, Filiale Luxemburg, Cooperatieve Rabobank U.A., Crédit Industriel et Commercial, La Banque Postale, Mediobanca - Banca di Credito Finanziario S.p.A. and Raiffeisen Bank International AG (the "**Lenders**"), for a period of five years from the date of the drawing of the Term Loan A, which took place on 7 October 2019. The Senior Facilities Agreement is governed by French law.

i. Credit lines

The Senior Facilities Agreement provides two lines of credit for a total principal amount of €2.0 billion, broken down as follows:

– a term loan (Term Loan A) for the principal amount of €1,500.0 million, with a maturity of five years from 7 October 2019, repayable in full at maturity; and

– a revolving credit facility (which can be used up to a maximum principal amount of €50.0 million as a swingline loan (a very short-term line)) for a maximum principal amount of €500.0 million with a maturity of five years from 7 October 2019.

The Senior Facilities Agreement also provides for additional uncommitted term and revolving loans subject to meeting certain conditions.

ii. Interest and fees

The loans borrowed under the Senior Facilities Agreement will bear interest at a variable rate indexed to EURIBOR (in the case of advances denominated in euros) or LIBOR (in the case of advances denominated in a currency other than the euro), in each case with a floor rate at 0% and increased by the applicable margin. The applicable margin is initially set at (i) 1.75% per annum for the term loan (*Term Loan A*) and (ii) 1.35% per annum for the revolving facility, in each case with an up or down adjustment mechanism (ratchet). The following fees will also apply to the revolving facility: (i) a commitment fee due for the available credit commitment of each lender under the revolving credit facility a rate of 30% of the applicable margin and (ii) use fees of 20 basis points, or, as the case may be, 40 basis points respectively in the case of drawing above a threshold of 33.1/3%, or, as the case may be, 66.2/3% of the commitments available under the revolving credit facility.

The table below shows the breakdown of the margins that apply to each of the facilities as a function of the ratio of the Group's total net debt to pro forma consolidated EBITDA as defined in the Senior Facilities Agreement. These margins will be reviewed semi-annually, and for the first time on the date that falls six months after 7 October 2019.

Leverage ratio (total net debt/*pro forma* consolidated EBITDA)	Revolving Loan Margin	Term Loan A margin
Less than or equal to 1.0x	0.35%	0.75%
Higher than 1.0x and less than or equal to 1.5x	0.60%	1.00%

Higher than 1.5x and less than or equal to 2.0x	0.85%	1.25%
Higher than 2.0x and less than or equal to 2.5x	1.10%	1.50%
Higher than 2.5x and less than or equal to 3.0x	1.35%	1.75%
Higher than 3.0x	1.60%	2.00%

Total net debt is defined in the Senior Facilities Agreement as the Group's consolidated financial debt, excluding intra-group debt and obligations related to interest rate and foreign exchange hedging instruments, after deduction of cash and cash equivalents. Pro forma consolidated EBITDA corresponds to adjusted EBITDA as defined in this Universal Registration Document.

iii. Guarantees and security interests

The Company is a guarantor of the payment of amounts due under the Senior Facilities Agreement and Verallia Packaging is the initial borrower and (subject to the usual limitations) guarantor of the other borrowers' and/or guarantors' commitments under the Senior Facilities Agreement. Verallia France, Verallia Italia, Verallia Brasil, Verallia Spain, Verallia Portugal and Verallia Deutschland have acceded (subject to the usual limitations) as guarantors of the commitments of other borrowers and/or guarantors under the Senior Facilities Agreement within 120 days of the date of the first draw under the Senior Facilities Agreement, in accordance with its terms.

Any member of the Group that becomes a borrower under the Senior Facilities Agreement must be a guarantor of the obligations of the other borrowers, subject to applicable rules limiting guarantees. In addition, within 90 days (or 120 days if the member of the Group in question is registered in a jurisdiction in which no existing borrower and/or guarantor is registered) of the date on which the Company's annual consolidated financial statements are to be issued to the agent pursuant to the Senior Facilities Agreement, in accordance with its provisions, any company that is a material subsidiary (as defined in English in the Senior Facilities Agreement, the "**Material Subsidiary**") of the Company will be required to become a guarantor of the Senior Facilities Agreement, in accordance with the Agreed Guarantee Principles (as defined in English in the Senior Facilities Agreement). At these same dates, the Company must procure that other members of the Group accede such that the consolidated EBITDA of all members of the Group that are guarantors under the Senior Facilities Agreement represent in total at least 80% of the Group's consolidated EBITDA (as specified in the Senior Facilities Agreement).

The Senior Facilities Agreement does not require the Group to constitute collateral.

iv. Covenants and restrictive clauses

The Senior Facilities Agreement contains certain affirmative and negative covenants, including limitations on the following:

- the constitution of collateral;
- the incurrence of financial debt exceeding 20% of the Group's total net debt by Group companies that are not either guarantors or borrowers under the Senior Facilities Agreement;
- disposals/transfers of assets;
- certain mergers, spin offs, partial asset contributions and similar transactions; and
- a change in the nature of the Group's activities,

subject in each case to the *de minimis* amounts stipulated and usual exceptions for this type of financing.

The Senior Facilities Agreement also contains affirmative covenants to maintain insurance policies, comply with applicable laws, maintain the borrowings at the same rank as other unsecured debts of the borrowers and guarantors under the Senior Facilities Agreement, procure that the Group's Material Subsidiaries become guarantors under the Senior Facilities Agreement and to procure that the combined consolidated EBITDA of all Group members that are guarantors under the Senior Facilities Agreement represent together at least 80% of the Group's total consolidated EBITDA (as specified in the Senior Facilities Agreement). Finally, the Senior Facilities Agreement requires compliance with a financial ratio that will limit the amount of debt that may be contracted by the members of the Group. Specifically, the Group will be required to maintain a leverage ratio (total net debt to pro forma consolidated EBITDA, the pro forma consolidated EBITDA corresponding to the adjusted EBITDA as defined in this universal registration document), which is tested at the end of each six-month period and for the first time for the period ending 31 December 2020, and must be less than or equal to 5x until the maturity of the Senior Facilities Agreement.

For the record, as of 31 December 2019, no default has occurred or continues under the Senior Facilities Agreement.

v. Voluntary prepayment

The Senior Facilities Agreement authorizes voluntary prepayments with advance notice and subject to a minimum amount.

vi. Cases of mandatory prepayment

The Senior Facilities Agreement provides for prepayment or early termination in the event of a change in control at the request of any lender made within 30 calendar days after receipt by the lenders of notification by the agent of the Company's notification informing the agent of the occurrence of such a case of prepayment/early termination. The available commitments of the lender concerned under the non-renewable credit facility will be cancelled upon receipt by the agent of the application of the lender concerned and the participation of the lender concerned in current drawings under the term loan and, if applicable, the revolving credit facility will have to be reimbursed within 15 business days of the agent receiving the application of the relevant lender. A change in control is deemed to occur in the event that a person or a group of persons acting in concert, as defined in Article L. 233-10 of the French Commercial Code (other than the shareholders of the Company on the date the Senior Facilities Agreement is signed, or persons affiliated with such shareholders and any other person approved by the Lenders Majority (as defined in the Senior Facilities Agreement)) who does not control the Group on the date the Senior Facilities Agreement is signed, within the meaning of L. 233-3 of the French Commercial Code, directly or indirectly acquires more than 50% of the share capital and voting rights of the Company.

vii. Acceleration events

The Senior Facilities Agreement provides for accelerated maturity in certain cases that are usual for this type of financing, including payment defaults, failure to meet the financial ratio or any other undertaking, the inaccuracy of any declaration, the occurrence of a case of cross acceleration, the initiation of collection proceedings and insolvency, enforced collection proceedings or the occurrence of a material adverse event.

8.2.2.2 Negotiable European Commercial Paper (NEU CP)

In June 2018, the Group launched a Negotiable European Commercial Paper (NEU CP) short-term financing programme with a cap of €250.0 million.

As of 31 December 2018, outstanding issues amounted to €80 million at an average rate of 0.28%.

On 25 July 2019, the cap for this programme was increased to €400 million.

As of 31 December 2019, outstanding issues amounted to €188.2 million at an average rate of 0.25%.

8.2.2.3 Factoring contracts

In the context of its activity, the Group has established agreements with financing companies that provide for financing secured by customer receivables in order to accelerate the collection of receivables and cash inflows, primarily in France, Germany, Italy, Spain and Portugal.

In September 2015, the Group established a pan-European factoring programme with Eurofactor, for a maximum total amount of €400.0 million (maturing in 2022) on the receivables of certain entities in our two European segments. The Group also has local lines for certain countries (Brazil, Argentina and Russia in particular) to benefit from financing of up to an additional €50 million.

Pursuant to IFRS 9, the receivables assigned are derecognised once the factoring contract transfers to the assignee the contractual rights to the cash flows and almost all of the associated risks and benefits (assignments of receivables without recourse).

(*in € million*)	**Year ended 31 December**	
	2019	**2018**
Assignment of receivables without recourse	313.9	320.7
Assignment of receivables with recourse	10.9	16.2
Total receivables assigned	**324.8**	**336.9**

In addition, the Group has entered several reverse factoring programmes proposed by some of its clients for an amount of €32.6 million in 2019 and €21.9 million in 2018.

8.3 Contractual obligations and off-balance sheet commitments

The Group has contracted certain off-balance sheet commitments, including operating commitments and financing commitments.

As of 31 December 2019, the operating commitments given totalled €560.8 million, €557.5 million of which for non-cancellable purchase commitments and €3.4 million of which for other operating commitments given.

Non-cancellable purchase commitments include firm orders for property, plant and equipment as well as purchase commitments for raw materials and services, including forward purchases of CO_2 emission allowances. The operating commitments given totalled €508.8 million for the year ended 31 December 2018.

As of 31 December 2019, the financing commitments given totalled €2,063.3 million, mainly consisting of guarantees given under the Senior Facilities Agreement by the companies which are parties to it as guarantors (€2,047.2 million) and, to a lesser extent, comfort letters for local loan guarantees (€16.2 million).

For more information on the Group's contractual obligations and off-balance sheet commitments, see Note 23 to the Group consolidated financial statements for the years ended 31 December 2019 and 31 December 2018.

8.4 Description and analysis of the principal categories of the use of Group cash

8.4.1 Capital expenditure

The Group's capital expenditure (Capex) represents acquisitions of property, plant and equipment and intangible assets necessary to (i) maintain the value of an asset and/or adapt to market demands and to environmental, health and safety requirements (together, "Recurring Capex"), or (ii) increase the Group's capacities. The acquisition of securities is excluded from this category. Capex corresponds to the line item “Acquisition of property, plant and equipment and intangible assets” in the consolidated statement of cash flows.

The Group’s capital expenditure primarily involves the construction of new industrial sites or the reconstruction or expansion of existing industrial sites, the construction of new furnaces or the renovation of existing furnaces, and the replacement of other property, plant and equipment and intangible assets, particularly machines (blowers or forming machines, for example) and equipment.

The Group’s capital expenditure for the years ended 31 December 2019 and 2018 amounted to €252.5 million[63] and €225 million respectively. For more information on the Group’s historical, current and future capital expenditure, see Section 5.7 “*Capital Expenditure*” of this Universal Registration Document.

8.4.2 Interest payments and repayment of financial debt

A portion of the Group’s cash flows is allocated to servicing and repayment of its debt (see Section 8.2.2 “*Financial liabilities”* of this Universal Registration Document). The Group paid interest in the amounts of €70.4 million and €99.8 million respectively during the years ended 31 December 2019 and 2018. It also paid, as repayment for its financial debts, €1,891 million and €741.4 million respectively during the years ended 31 December 2019 and 2018.

The 2019 financial year was mainly marked by the full repayment of Term Loan B and C for a notional amount of €1,825 million, and by the incorporation of the Intragroup Loan with a capital of €251.4 million as of 20 September 2019.

8.4.3 Financing of working capital requirements

Net working capital primarily corresponds to the value of inventories plus trade receivables and other operating receivables minus debts to suppliers and other operating liabilities (see Note 14 of the Group's consolidated financial statements for the years ended 31 December 2019 and 2018).

The net working capital amounted to (€24.9) million during the year ended 31 December 2019 and €35.2 million during the year ended 31 December 2018. The change in net working capital thus amounted to (€60.1) million during the year ended 31 December 2019, compared to (€19.7) million during the year ended 31 December 2018.

The value of inventories decreased during 2019 to €455.2 million as of 31 December 2019, compared to €477.9 million as of 31 December 2018, reflecting a decrease in finished product and raw material inventories, particularly as a result of clearances during the year. Trade receivables also decreased during the 2019 to €178.9 million as of 31 December 2019, compared to €190.9 million as of 31 December 2018. Likewise, trade payables also decreased during the year ended 31 December 2019 to €383.6 million as of 31 December 2019, compared to €408.4 million as of 31 December 2018. The first half of the year ended 31 December 2019 was marked by a significant decrease in trade payables (-€35.9 million) which was partly offset in the second half of the year.

8.4.4 Acquisitions of companies or activities

The Group made no acquisitions of companies or businesses during the year ended 31 December 2019.

8.4.5 Dividends

Subject to the approval of the annual General Meeting of the Company’s shareholders, the Group intends to distribute, in 2020, an annual dividend slightly above €100 million for the year ended 31 December 2019.

[63] Excluding rights of use under IFRS 16.

8.5 Group consolidated cash flows

8.5.1 Group consolidated cash flows for the years ended 31 December 2019 and 31 December 2018

The following table summarises the Group's cash flows for the years ended 31 December 2019 and 31 December 2018:

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Net cash flows from operating activities	496.8	429.3	67.5
Net cash flows from (used in) investing activities	(222.0)	(220.0)	(2.0)
Net cash flows from (used in) financing activities	(316.2)	(162.5)	(153.7)
Increase (decrease) in cash and cash equivalents	**(41.4)**	**46.8**	**(88.2)**
Impact of changes in foreign exchange rates on cash and cash equivalents	*(1.5)*	*(4.7)*	*3.2*
Cash and cash equivalents at beginning of the period	262.1	220.1	42.0
Closing cash and cash equivalents	219.2	262.1	(42.9)

As of 31 December 2019, Group cash and cash equivalents amounted to €219.2 million, compared to €262.1 million as of 31 December 2018.

8.5.1.1 Net cash flows from operating activities

The following table shows the Group's net cash flows from operating activities for the years ended 31 December 2019 and 31 December 2018:

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Net profit	**124.6**	**48.5**	**76.1**
Share of net profit of associates, net of dividends received	0.7	1.7	(1.0)
Depreciation, amortisation and impairment of assets	283.5	301.8	(18.3)
Gains and losses on disposals of assets	(1.4)	6.6	(-8)
Interest expense on financial liabilities	68.8	92.3	(23.5)
Unrealised foreign exchange gains and losses	(1.6)	-	(1.6)
Gain/loss on net monetary position (IAS 29, Hyperinflation)	5.8	0.7	5.1
Unrealised gains and losses on changes in the fair value of derivatives	(2.9)	(0.5)	(2.4)
Change in inventories	19.7	(27.7)	47.4
Change in trade receivables, trade payables and other receivables and payables	(13.9)	8.1	(22.0)
Current tax expense	71.0	57.8	13.2
Taxes paid	(59.1)	(38.9)	(20.2)
Changes in deferred taxes and provisions	1.6	(21.1)	22.7
Net cash flows from operating activities	**496.8**	**429.3**	**67.5**

Group net cash flows from operating activities amounted to €496.8 million for the year ended 31 December 2019, compared to €429.3 million for the year ended 31 December 2018.

The increase in net cash flows from the Group's business of €67.5 million between the two periods of the year ended 31 December 2019 is primarily a result of the increase in net income (see Section 7.3.8 "*Net income*" of this Universal Registration Document) as well as the decrease in working capital over the period concerned, mainly due to the decrease in inventories and trade receivables.

8.5.1.2 Net cash flows from (used in) investing activities

The following table shows the Group's net cash flows from investing activities for the years ended 31 December 2019 and 31 December 2018:

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Acquisition of property, plant and equipment and intangible assets	(252.5)	(225.0)	(27.5)
Increase (decrease) in debt on fixed assets	19.3	(5.6)	24.9
Acquisitions of subsidiaries, net of cash acquired	(0.5)	-	(0.5)
Deferred payment related to the acquisition of a subsidiary	-	-	-
Capital expenditure	**(233.7)**	**(230.6)**	**(3.1)**
Disposals of property, plant and equipment and intangible assets	3.7	-	3.7
Sale of equity-accounted securities	-	14.0	(14.0)
Disposals	**3.7**	**14.0**	**(10.3)**
Increase in loans, deposits and short-term borrowings	(5.7)	(3.8)	(1.9)
Reduction in loans, deposits and short-term borrowings	13.7	0.4	13.3
Changes in loans and deposits	**8.0**	**(3.4)**	**11.4**
Net cash flows used in investing activities	**(222.0)**	**(220.0)**	**(2.0)**

The Group's net cash flows from investing activities, which primarily reflect acquisitions of property, plant and equipment and intangible assets (or capital expenditure (Capex) (see Sections 5.7 "*Capital expenditure*" and 8.4.1 "*Capital expenditure*" of this Universal Registration Document)), totalled €(252.5) million for the year ended 31 December 2019 and €(225.0) million for the year ended 31 December 2018.

Net cash flows from the Group's investing activities increased by €2.0 million between the two periods of the year ended 31 December 2019, mainly due to an increase in 2019 in investments, a decrease in disposals (2018 was marked by the disposal of the holdings in the IVN joint venture in Brazil) and by an improvement in loans, deposits, and security accounts under factoring contracts.

8.5.1.3 Net cash flows from (used in) financing activities

The following table shows the Group's net cash flows from financing activities for the year ended 31 December 2019 and 31 December 2018:

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Capital increase (decrease)	-	-	-

Transactions with shareholders	-	-	-
Capital increases of subsidiaries subscribed by third parties	7.2	5.8	1.4
Dividends paid to non-controlling interests by consolidated companies	(6.9)	(2.5)	(4.4)
Transactions with non-controlling interests	**0.3**	**3.3**	**(3.0)**
Increase (decrease) in bank overdrafts and other short-term borrowings	106.4	67.5	38.9
Increase in long-term debt	1,538.5	607.9	930.6
Decrease in long-term debt	(1,891.0)	(741.4)	(1,149.6)
Financial interest paid	(70.4)	(99.8)	29.4
Change in gross debt	**(316.5)**	**(165.8)**	-
Net cash flows from financing activities	**(316.2)**	**(162.5)**	**(153.7)**

The Group's net cash flows from financing activities amounted to €(316.2) million for the year ended 31 December 2019 compared to €(162.5) million for the year ended 31 December 2018.

The main flows for the year ended 31 December 2019 concerned the change in gross debt, amounting to €(316.5) million, mainly related to the Group's refinancing as part of its initial public offering in October 2019. Indeed, the increase in long-term debt is mainly due to the new Term Loan A for €1,500 million. At the same time, the company repaid Term Loans B and C for €1,801.7 million (balance as of 31/12/2018).

The financial interest paid also decreased by €29.4 million, due to (i) the impact of interest related to Senior Unsecured Notes and Senior Secured Notes, which were fully repaid in August 2018, (ii) the partial repayment of Term Loan B for €150 million (EURIBOR (floor rate at 0%) + 2.75% margin) in March 2019 and (iii) the introduction of Term Loan A for €1,500 million (EURIBOR (floor rate at 0%) + 1.75% margin) in October 2019.

Dividends paid to non-controlling interests by consolidated companies of the Group amounted to €6.9 million and €2.5 million for the years ended 31 December 2019 and 2018.

8.5.1.4 Operating cash flows and cash conversion

The main performance indicators used by the Group to analyse its cash flows are operating cash flows and cash conversion (see also Section 7.1.4 "*Key performance indicators*" of this Universal Registration Document). The Group regularly reviews these performance indicators to analyse and evaluate its operations and their trends, measure their performance, prepare results forecasts and make strategic decisions.

(*in € million*)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Operating cash flows	408.4	300.5	107.9
Cash conversion	59.0%	58.6%	4 bps

Operating cash flows and cash conversion are alternative performance measures according to the position of AMF No. 2015-12.

Operating cash flows and cash conversion are not standardised accounting measures meeting a single definition generally accepted by IFRS. They should not be considered a substitute for operating profit, net income or cash flows from operating activities, which are measures defined by IFRS, or a substitute measure of liquidity. Other issuers may calculate operating cash flows and cash conversion differently from the definitions used by the Group.

Operating cash flows

Operating cash flows represent cash flows plus the change in operating working capital.

Cash flows correspond to operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal-related effects and subsidiary contingencies, site closure expenses and other items (i.e., adjusted EBITDA) less Capex.

Reconciliation of operating profit to operating cash flows

(in € million)	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**Change**
Operating profit	**295.1**	**221.2**	**73.9**
Depreciation, amortisation and impairment(1)	283.5	298.2	(14.7)
Restructuring costs(2)	2.9	7.2	(4.3)
Acquisition and M&A costs(3)	(2.1)	0.2	(2.3)
IAS 29, Hyperinflation (Argentina)	1.6	2.5	(0.9)
Management equity plan related costs(4)	11.5	5.7	5.8
Disposal and risks related to subsidiaries(5)	-	(8.8)	8.8
Sao Paolo site closure(6)	2.4	11.4	(9.0)
Other(7)	20.3	5.8	14.5
Adjusted EBITDA	**615.2**	**543.3**	**71.9**
Capex(8)	(252.5)	(225.0)	27.5
Cash flows	**362.7**	**318.3**	**44.4**
Change in operating working capital(9)	45.7	(17.9)	63.6
Operating cash flows	**408.4**	**300.5**	**107.9**

(1) Includes depreciation and amortisation of intangible assets and property, plant and equipment (Note 5.2 of the Group's consolidated financial statements), amortisation of intangible assets acquired through business combinations (Note 6.1 of the Group's consolidated financial statements) and impairment of property, plant and equipment (Note 6.2 of the Group's consolidated financial statements).

(2) Corresponds to restructuring costs (Note 6.2 of the Group's consolidated financial statements).

(3) Corresponds to acquisition and M&A costs (Note 6.1 of the Group's consolidated financial statements). In 2019, mainly includes a reversal of the provision for accrued RETT liabilities recorded in the acquisition of the packing division of Compagnie de Saint-Gobain in 2015

(4) Corresponds to share-based compensation plans (Notes 5.2 and 19.3 of the Group's consolidated financial statements).

(5) Corresponds mainly to the effects related to the disposals of IVN and Alver (Note 6.2 to the Group consolidated financial statements).

(6) Corresponds to the closure of the Sao Paulo (Brazil) plant, for the year ended 31 December 2018, including the related restructuring costs.

(7) In 2019, corresponds mainly to the impact in France of past-service costs following the change in the national collective agreement of the mechanical glass manufacturing industries for €7 million and various other non-recurrent elements, in particular the costs incurred as part of the €10.3 million initial public offering plan.

(8) Excluding rights of use under IFRS 16.

(9) Taking into account only the impact of cash flows.

The Group's operating cash flows increased by €107.9 million during the year ended 31 December 2019, thanks to improved operating income. This improvement is primarily a result of revenue growth and benefits from a significant improvement in the Group's profitability, despite an increasing costs base, particularly energy costs or selling, general and administrative expenses. This increase in the operating profit is also a result of the continued rationalisation of production costs under the Group's industrial performance improvement plan.

Cash conversion

Cash conversion is defined as the ratio between cash flows (as defined above) and adjusted EBITDA.

Elements related to the determination of adjusted EBITDA are provided in the reconciliation of operating cash flows (see above).

Reconciliation of operating profit to cash conversion

(*in € million*)	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Adjusted EBITDA	**615.2**	**543.3**
Capex(1)	(252.5)	(225.0)
Cash flows	**362.7**	**318.3**
Cash conversion	**59.0%**	**58.6%**

(1) *Excluding rights of use under IFRS 16.*

The Group's cash conversion increased very slightly during the year ended 31 December 2019, from 58.6% for the year ended 31 December 2018 to 59% for the year ended 31 December 2019. This slight increase is due to an increase in adjusted EBITDA. At the same time, an increase in Capex can be observed in the same proportions of the adjusted EBITDA, explaining the slight increase in *cash conversion*.

9. LEGISLATIVE AND REGULATORY ENVIRONMENT

9.1 Legislation and regulations in European Union Member States

9.1.1 Regulations for packaging products

Health regulations

The Group, as a manufacturer of packaging for beverages and food products, is subject to European regulations aimed at protecting consumer health.

Contact with food

EC Regulation no. 1935/2004 dated 27 October 2004 governing the materials and items that come into contact with liquid and solid foodstuffs is intended to ensure a high level of protection of human health and consumer interests.

This regulation covers materials and items destined to come into contact with food or which are already in contact with food. This regulation is therefore particularly aimed at packaging and containers like those produced by the Group.

This regulation states that packaging must be sufficiently inert. Thus, materials and items must be manufactured in line with good manufacturing practices so that, under normal or foreseeable conditions of use, they are not transferred to food in quantities large enough to endanger human health, to bring about an unacceptable change in the composition of the food, or cause a deterioration in its organoleptic properties. In terms of migration limits, glass in certain countries is subject to the directive on ceramic articles, in particular Directive 84/500/EEC, which was modified by Directive 2005/31/EC, which sets forth migration limits for lead and cadmium.

The commercialisation of packaging destined to come into contact with food that does not abide with these regulations is prohibited.

For glass packaging producers, the traceability of labelled packaging is ensured when products are stored on pallets. This makes the inspection of products and the removal of defective items easier.

Packaging hygiene

The Group is also subject to European regulations regarding packaging hygiene. EC Regulation no. 852/2004 dated 29 April 2004 stipulates general hygiene rules that apply to all food and requires that packaging and container materials must not be a source of chemical, bacterial or physical contamination of food.

The regulation also stresses that every food business operator along the food chain should ensure that food safety is not compromised. This includes the storage of packaging and the process of packaging food.

So that each of the Group's companies complies with these requirements, a Hazard Analysis Critical Control Point (HACCP) methodology has been implemented, which includes documentation that identifies and evaluates significant food risk factors. On a voluntary basis, some of the Group's companies have obtained ISO 22000 certification for their internal procedures. Twenty-two of the Group's production facilities are now ISO 22000 certified.

Environmental regulations

In its role as a producer of packaging, the Group is subject to regulations governing packaging and packaging waste enacted with the aim of protecting the environment.

Directive 94/62/EC of 20 December 1994 on packaging and packaging waste (the "**Packaging and Packaging Waste Directive**"), transposed in France in Articles R. 543-42 to R. 543-52 of the Environmental Code, and in all the European countries in which the Group has industrial facilities, aims to harmonise national legislation governing packaging and packaging waste in order to decrease their impact on the environment.

To do so, the Packaging and Packaging Waste Directive sets out guidelines for the prevention of packaging waste, its reuse, recycling and recoverability. These requirements apply to the production and composition of the packaging as well as its reusable or recoverable features.

The Group must notably keep the mass and volume of its packaging to the minimum possible within safety and hygiene standards, while maintaining the needed functionality and respecting customers' expectations in terms of quality. The Group must also produce packaging in such a way that it can be reused or recovered, including recycled.

This recovery and recycling of packaging is carried out through glass packaging collection schemes that vary from one country to another. The main collection and recycling schemes in force in the Member States of the European Union where the Group has production facilities are described below.

France

The Packaging and Packaging Waste Directive, and its application orders codified in the Environmental Code, favour recycling and packaging recoverability.

The schemes in place distinguish between household and non-household waste.

If the end users are households, the collection and recycling scheme for household waste in France was established, even before the Packaging and Packaging Waste Directive, by law no. 75-633 of 15 July 1975, as amended, regarding the disposal of waste and the recovery of materials and its implementing decree no. 92-377 of 1 April 1992 (included in the Environmental Code in Articles R. 543-53 et seq). This law requires all producers that package their products (either directly or through a third party) for sale on the national market to provide waste-disposal schemes to households for this packaging. The producer can delegate the provision of this scheme to a company authorised by the public authorities in exchange for financial payment. In return, the two authorised companies in France (Citeo and Adelphe) provide financial assistance to local authorities to set up selective household packaging waste collection.

The authorised companies coordinate between the companies that commercialise packaged products, the local authorities that are in charge of setting up waste collection and treatment schemes, and the recycling professionals.

The Chambre Syndicale des Verreries Mécaniques de France ("CSVMF"), the French glass industry federation, undertakes to take charge of all the glass packaging waste collected by local authorities pursuant to a framework agreement with the authorised companies. The CSVMF designates glass producers to recover the glass according to on their collection zones.

The glass makers execute the commitment made by the CSVMF by signing a recovery guarantee contract with local authorities. They recover the glass packaging collected by the local authorities, transport it and transform it into cullet through the intermediary of cullet treatment centres.

The collection and recycling scheme for non-household waste is outlined in directive no. 94-609 of 13 July 1994 (included in the Environmental Code under articles R. 543-66 et seq). Under this scheme, the Group has three options for recovering its waste: recover the waste itself at an authorised installation; transfer the waste to an operator of an authorised installation; or transfer the waste to an authorised third party.

Germany

Since 1 January 2019, the packaging law (*Verpackungsgesetz*) has replaced the regulations that entered into force in 1991 (*Verpackungsverordnung*). In particular, this law requires glass producers to participate in a German eco-organisation for the collection and recycling of packaging waste. One of the largest collective recycling companies in Germany is DSD (*Duales System Deutschland GmbH*). The glass producers obtain cullet from these recycling companies.

Spain

Spain's recycling system is governed by law no. 11/1997 of 24 April 1997 on packaging and packaging waste. It includes an integrated glass bottle collection system. The entity in charge of glass collection and recycling is the not-for-profit organisation Ecovidrio.

Portugal

Portugal has also enforced a glass collection and recycling scheme. Under the terms of Legislative Decree No. 152-D/2017 of 11 December 2017, drink and food producers are responsible for recycling. Glass packaging producers must, therefore, in cooperation with producers of beverages and food products and the importers of packaged products, work to incorporate secondary raw materials coming from the recycling of packaging waste in their production process.

Glass packaging producers are required to recycle at least 60% of the glass packaging used within the country. The objective is to reach a recycling rate of 70% by 2025 and 75% by 2030.

In order to comply with these obligations, producers of food and beverage products and importers may subcontract the management of their packaging and waste.

Italy

In Italy, legislative decree number 22/97 dictates obligations in terms of glass collection and recycling. Based on this decree, "Co.Re.Ve" (the glass recovery consortium) was created in October 1997 and is charged with collecting and recycling used glass.

9.1.2 Regulations for the glass making industry

The Group is also subject to regulations aimed at managing the emissions of pollutants, which have increased in recent years.

Pursuant to European Council Directive 96/61 EC of 24 September 1996 on the prevention and integrated reduction of pollutants (the "**IPPC Directive**"), for an operating permit to be granted, the Group's facilities had to be operated so that all of the "best available techniques" were implemented to prevent pollution. Directive 2010/75/EU, the Industrial Emissions Directive ("**IED**"), replaced and reinforced the IPPC Directive. Thus, for an operating permit to be granted, the emissions from the Group's facilities must not exceed certain limits, the value of which is established based on the "best available techniques" as defined in the European Commission's enforcement decision establishing conclusions on the best available techniques for the production of glass under the IED of 28 February 2012. The IED was adapted in France within the framework of the Regulation on Classified Facilities, in Articles L.515-28 et seq. of the French Environmental Code.

Moreover, Directive no. 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a Community System for Greenhouse Gas Emissions Trading within the Community, known as the "**EU Emissions Trading System**" (EU ETS), introduced greenhouse gas emission quotas in the European Union for carbon dioxide only.

The ETS Directive is designed to reduce emissions of gas pollutants in the air by creating an EU Community-based trading system in greenhouse gas emission allowances. The European glass industry to which the Group belongs is covered in Annex I of this Directive.

The Emission Trading System Scheme states that each Member State should develop a National Allocation Plan (**NAP**) setting the total emissions allowance for a given period (first period: 2005-2007; second period: 2008-2012; third period: 2013-2020) and the breakdown of this allowance by site.

The Emissions Trading Directive thus allows member States to impose a cap on the greenhouse gas emissions of the relevant facilities, and then to allocate freely the quotas corresponding to this cap. The companies covered by the Directive also have the option to trade allowances on the ETS. As a result, a facility that emits more than its allocation must obtain the missing quotas; this is the polluter-pays principle; and, inversely, a facility that emits less than its allocation may sell its unused allowances and thus generate revenue.

The Emissions Trading Directive was transposed to French law by the Decree No. 2004-832 of 19 August 2004, as amended by Decree No. 2019-190 of 14 March 2019, now codified in Articles R. 229-5 et seq. of the Environmental Code; the distribution of quotas by operator was set for the period 2013-2020 by an order of 24 January 2014, as amended.

For the period between 2013 and 2020 (Phase III), the Emissions Trading System was amended by Directive 29/2009/EC, which defines the gradual reduction in the quantity of allowances issued and revises the allocation system for free allowances by introducing a European system based on benchmarks by product. It also stipulates special provisions for industrial sectors that are considered to be exposed to "carbon leaks"[64]. The hollow glass sector, in which the Group operates, meets the criteria set out by the European Commission to be considered as an exposed sector, and is therefore eligible for free carbon credits, the total volume of which may not exceed the benchmark calculated on the basis of the average performance of the most efficient installations in the European Union. European Commission Regulation 1031/2010 of 12 November 2010 on a scheme for greenhouse gas emission quotas trading for the 2013-2020 period completes this Regulation.

For the period from 2021 to 2030 (Phase IV), Directive 2018/410/EU of 14 March 2018 on improving the cost-efficiency ratio from lower emissions and favouring low carbon-intensity investments stipulates an acceleration in the annual reduction of the total number of allowances in circulation, in order to increase the rate of emission reductions.

Given the Group's quota deficit, a provision was recognised in for the 2018 and 2019 years for an amount of €27.6 million and €37.7 million, respectively. In addition, in order to secure the prices at which it will have to acquire the quotas, and with the prospect of the end of Phase III, the Group made forward purchases of carbon dioxide quotas on the market for a total amount of €34.9 million as of 31 December 2019, corresponding to the deficits expected. The unwinding of the forward purchases and the delivery of the quotas will result in a cash disbursement by the Group (which will therefore record a reversal of the aforementioned provision in the amount of such disbursements), primarily in 2021.

For Phase IV (2021–2030), the level of allowances freely allocated to the Group will not be known until the beginning of 2021 for the period from 2021-2025 and at the beginning of 2026 for the period from 2026-2030. Despite the uncertainty about the number of quotas it will be allocated for Phase IV, the Group already anticipates that this number will be lower than the number it was freely allocated in Phase III and that, in any case, it will probably not allow the Group to meet its restitution obligations for its carbon dioxide emissions. In light of this prospect, the Group has already made forward purchases of carbon dioxide quotas on the market during the financial year 2019 for a total amount of €24.6 million. In addition, in the event of a significant increase in the production capacity of one or more of its sites during Phase IV, the Group would have to ask the competent authorities to revise the level of quotas allocated to such site or sites, without any assurance that such a request would be favourably received or on the level of quotas to be allocated. The Group therefore believes that, despite the efforts

[64] A "carbon leak" is a situation in which a company, in order to escape the costs related to climate policies, moves its production to another country that applies less stringent rules for limiting emissions.

it may make to lower its carbon dioxide emissions, it will be forced to continue its policy of purchasing quotas on the market for substantial amounts.

The Group's activities are also subject to the requirements resulting from directives on air quality, such as Directive 2008/50/EC of the European Parliament and the Council of 21 May 2008 governing the quality of ambient air and pure air in Europe, as amended, which merged most of the existing directives on air quality and which also imposes emission limits on certain substances, such as sulphur dioxide. Moreover, the Group's operations must comply with the requirements stipulated by the framework directive 2000/60/EC on water of the European Parliament and Council adopted on 23 October 2000 aimed at preventing and reducing water pollution. The Group must also comply with the national regulations that transpose Directive 2002/49/EC of the European Parliament and Council of 25 June 2002 on the assessment and management of noise in the environment.

The Group is also subject to Directive 2004/35/EC of the European Parliament and Council dated 21 April 2004 on environmental responsibility for the prevention and repair of environmental damage on the basis of the "polluter pays" principle. In addition, national regulations generally impose decontamination obligations on present and past owners, operators or users of contaminated sites, as applicable.

Finally, some countries in which the Group is present, including Germany and Italy, have established subsidies tied to the cost of energy. In Germany, the Group, as a high energy-consumption company, thus benefits from an exemption or reductions in some taxes applied to electricity prices. In Italy, a mechanism set up in 2005, from which the Group benefits, provides for the award of energy savings certificates (Certificati Bianchi), if measures to improve energy efficiency are implemented. These certificates can be traded on a regulated market and sold to power distributors. In addition, since the second half of 2013, the Group has benefited in Italy from subsidies on certain items included in the prices of its electricity consumption. Until 31 December 2017, these subsidies were in the form of reimbursements; as of 1 January 2018, they result in a reduction in the cost of its power consumption.

9.1.3 Regulations regarding chemical substances

EC Regulation no. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH Regulation**") imposes a series of obligations on all industrial sectors, including the glass industry, in the area of registration, use and restrictions applicable to the chemical substances used in production processes. For example, the Group must provide information to users directly down the supply chain, such as a declaration that the substance is not subject to authorisation or the details of any restriction imposed. Moreover, although glass is exempt from the registration obligation as a downstream user of substances, the Group must communicate its uses of substances to suppliers so that they are covered in their registration files.

The Group keeps a close eye on changes to the list of substances that are subject to authorisation or restrictions in order to fulfil, where necessary, its obligation to communicate with its customers.

9.2 Legislative and regulatory environment in Latin America

In Latin America, the Group is also subject, particularly in Brazil and Argentina, to a legislative and regulatory environment similar to the one described above, particularly for the protection of consumer health and protection of the environment.

Brazil

Pursuant to Resolution no. 237/1997 of the National Environment Council, industrial activities that use environmental resources and are considered to be potentially polluting, or that can cause environmental damage, are subject to environmental authorisation. Industrial activities, like those of the Group's Brazilian subsidiary, must comply with the parameters for atmospheric emissions defined by the national air quality monitoring programme established by Resolution no. 05/89. In addition, in accordance with the national policy on solid waste (Federal Law no. 12.305/2010), the producer is responsible for the elimination of the hazardous and non-hazardous waste that it produces. Moreover, packaging materials that are in contact with liquid and solid food must comply with the rules stipulated by the National Health Monitoring Agency. Finally, in the coming months, Brazil intends to develop a control system for chemical substances inspired by the European directives.

Argentina

Law no. 24.051, the "Hazardous Waste Law", promulgated in 1992 (the "**HWL**"), and Decree no. 831/93 govern the production, transport, treatment and elimination of hazardous waste. The HWL defines hazardous waste as waste that could harm humans, flora or fauna, or pollute the soil, water, or the environment in general. All companies involved in the production, transport, treatment and elimination of hazardous waste, like the Group's Argentine subsidiary, must be registered in the register of producers and users of hazardous waste, which is kept by the Office of Natural Resources and the Environment, the governmental organisation responsible for applying the law. This organisation issues environmental certificates authorising the production, transport, treatment and elimination of hazardous waste, subject to compliance with certain requirements of the HWL. In addition, the National Food Code stipulates that packaging products that come in contact with liquid and solid food must first be authorised by the competent government authority. This obligation applies to packaging products manufactured in Argentina and to products imported from a third country.

10. TREND INFORMATION

10.1 Trends in activities

A detailed description of the Group's results for the year ended 31 December 2019 can be found in Chapter 7 "*Analysis of the Group's financial position and results*" of this Universal Registration Document.

10.2 Medium-term outlook

The important consequences on the economy of the Covid-19 pandemic, the extent and duration of which are still uncertain, have led the Group to withdraw its objectives for the 2020 financial year (see chapter 11 of this universal registration document).

The Group's outlook and objectives below, which are taken from the Group's overall strategy, are not intended as forecasts or as estimates of the Group's results. The figures, data, assumptions, estimates and objectives presented below are subject to unforeseen changes or modifications over the next months, depending in particular on the evolution of the current health crisis, changes in the economic, financial, competitive, legal, regulatory, accounting and tax environments, or other factors of which the Group is unaware of at the date of this universal registration document.

In addition, the materialisation of certain risks described in Chapter 3 "*Risk Factors*" of this universal registration document could have a negative impact on the Group's operations, financial position, market position, results or outlook, and thus jeopardise its ability to achieve the objectives described below.

Furthermore, achieving these objectives presupposes the success of the Group's strategy.

Accordingly, the Group makes no undertaking and gives no guarantee as to the achievement of the objectives contained in this section.

Outlook for the evolution of the Group's activities and financial objectives

The Group estimates that the impact of the Covid-19 pandemic on the general economic context, which is, as of the date of this universal registration document, difficult to assess, could affect some of the trends and growth outlook related to certain end markets, although the fundamental trends of the glass packaging market, mainly related to the inherent features of glass, should not be significantly affected.

In this difficult context, over the 2021-2022 period, the Group is aiming to implement a strategy of profitable growth in its activities based primarily on (i) continued disciplined growth, (ii) ongoing deployment of its operational excellence programme, (iii) continuation of a rigorous investment policy for the Group's future sustainable development, and (iv) development of a strong entrepreneurial culture.

Over the 2021-2022 period, the Group's objective is to record an organic CAGR[65] of between 3% and 5% in its consolidated revenue. In support of this objective, the Group intends to rely primarily on:

i. the favourable fundamental trends of the glass packaging market and some of its end markets over the 2021-2022 period (see Section 5.5 of this Registration Document);

ii. an ongoing improvement to the mix due to premiumisation trends in its product range; and

iii. an increase in the Group's selling prices designed to pass on the increase in production costs under its pricing policy.

The Group also expects to benefit from past and future capital expenditure to increase its production capacities with (a) the addition of new production capacities with the addition in 2020 of a new furnace at the Rosario site in Chile that is set to generate additional annual production capacities of around 50 kT; the construction of a new furnace with two production lines at the Villa Poma site in Italy that will generate around 80 kT of additional annual production capacity, with the possibility of extending this production capacity up to around 115 kT by 2022, if necessary; and the construction of a new furnace with two productions lines at the Azuqueca site in Spain that is scheduled to generate an additional annual production capacity of around 85 kT (see Section 5.7 "*Capital expenditure*" of this Registration

[65] On a like-for-like basis (excluding changes in exchange rates and scope).

Document) and (b) the creation of additional production capacities on existing production lines, relying on improved yields from the Group's production sites ("debottlenecking") within the framework of the implementation of its operational excellence programme (see Section 5.2.3 of this Registration Document).

The Group is also targeting an adjusted EBITDA margin above 25% in 2022, primarily through (i) favourable fundamental trends of the glass packaging market and some of its end markets, (ii) continued implementation of the plan to improve the Group's industrial performance (Performance Action Plan (PAP)), and the reduction in costs, and (iii) the continuation of its dynamic pricing policy. This target adjusted EBITDA margin integrates the impact of unwinding the forward purchases of carbon dioxide quotas (see Section 9.1.2 "*Regulations governing the glass industry*" of this Registration Document).

The Group also intends to optimise the allocation of its capital expenditure by pursuing a disciplined investment policy aimed at maintaining recurring capital expenditure at around 8% of its annual consolidated revenue (excluding capitalisation of the right of use related to the application of IFRS 16) over the 2021-2022 period.

The Group also intends to maintain its ratio of net financial debt to adjusted EBITDA between 2x and 3x over the 2021-2022 period.

Finally, the Group's objective is to distribute dividends over the 2021-2022 period in an annual amount greater than 40% of its consolidated net income and at a minimum annual amount of €100 million, subject to approval by the general meeting of the Company's shareholders.

11. PROFIT FORECASTS OR ESTIMATES

Given the unprecedented nature of the situation caused by the Covid-19 pandemic and the corresponding lack of visibility, the Group withdrew on 7 April 2020 its annual objectives, which had been announced on 20 February 2020.

12. SUPERVISORY AND MANAGEMENT BODIES

12.1 Composition and operation of supervisory and management bodies

(a) Board of Directors

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
Michel Giannuzzi	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Chairman and Chief Executive Officer	1				X	Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Chairman of the Board of Directors and Chief Executive Officer Verallia Packaging – Chairman Verallia Italia SpA – Chairman of the Board of Directors Rayen Cura S.A.I.C – Chairman of the Board of Directors Verallia Deutschland A.G.[(2)] – Chairman of the Supervisory Board Vidrieras de Canarias S.A. - Permanent Representative of board member Verallia Packaging *Outside the Group:* Factory Mutual Insurance Company (FM Global) – Member of the Board of Directors and Audit Committee Appointments and positions previously held in the last five years: *Within the Group:* Horizon Intermediate Holdings S.C.A. - Day-to-day management delegate Horizon Holdings I – Chairman Horizon Holdings II – Chairman Verallia France – Chairman and Chief Executive Officer and director *Outside the Group:* Sequana[(2)] – Member of the Board of Directors and Audit Committee Tarkett[(2)] – Chairman of the Management Board

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
Robert Seminara(1)	American	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	-	-				Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Apollo Advisors V (EH), LLC – Vice-Chairman Greenhouse Holdings, Ltd. – Vice-President Overwood GP, LLC – Vice-Chairman Overbloom GP, LLC – Vice-Chairman Apollo Asset Management Europe PC LLP – Director Apollo Asset Management Europe LLP – Director Luminescence Cooperatief U.A. – Director Appointments and positions previously held in the last five years: *Within the Group:* Verallia – Chief Executive Officer Verallia Packaging – Chief Executive Officer Horizon Holdings I – Chief Executive Officer Horizon Holdings II – Chief Executive Officer *Outside the Group:* SL Aviation Group S.à r.l. – Category A Manager Redleaf, Ltd. – Vice-President Airopack Technology Group AG – Director NCL Corporation Ltd. – Director Norwegian Cruise Line Holdings Ltd. – Director Berry Global Inc. – Director Covalence Specialty Materials Corp. – Director Smart & Final Holdco LLC – Vice-Chairman

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
Claudia Scarico(1)	Italian	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	-	-	X			Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Horizon Parent Holdings S.à.r.l. – Category A Manager Horizon up S.à.r.l. – Category A Manager Rome UK Midco Limited – Director Rome UK Bidco Limited – Director Rome UK Bondco Limited – Director Rome Topco Limited – Director Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Horizon PIK S.à.r.l. – Category A Manager
Pierre Vareille(1)	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	2	-		X		Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Bic(2) – Chairman of the Board of Directors Outokumpu Oyj(2) – Director Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Constellium NV – Chief Executive Officer Ferroglobe plc – Director Etex SA – Director Vectra – Director
Bpifrance Investissement, represented by Sébastien Moynot(2)	French	General Shareholders' Meeting of 03 October 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	2	-			X	Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Albioma(2) – Director Altrad Investment Authority SAS – Director Bénéteau(2) – Director

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
										Cosmeur SAS – Chairman of the Board of Directors Green Yellow – Member of the Supervisory Committee Vivescia Industries – Non-voting member of the Supervisory Board Nexteam – Non-voting member of the Supervisory Board Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Farinia SA – Director AD Industries SAS – Non-voting member
Cécile Tandeau de Marsac	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	1	X		X		Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Sodexo(2) – Director, Chairwoman of the Compensation Committee and Chairwoman of the Nominating Committee DAHER - Director Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Solvay – Group General Manager in charge of Human Resources
Marie-José Donsion	French and Spanish	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	-	X	X			Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Arkéma(2) – Group Chief Financial Officer Committee Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Alstom(2) – Chief Financial Officer

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
										Arkéma[2] – Director and Chair of the Audit & Accounts
Virginie Hélias	French and Switzerland	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	-	X			X	Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Procter & Gamble[2] – Vice-President of Sustainable Development and member of the Executive Committee Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* None
José Arozamena	American and Spanish	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	-	X	X	X		Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Cambium USA, Inc. – Chief executive officer Arglass Southeast, LLC – Chief executive officer Arglass Yamamura - Director Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Lindsay Goldberg, LLC – Affiliate Partner SGI Cambium, LLC – Partner Hydrogen Engine Center, Inc.[2] – Director Mineraqua Portugal Lda – Director North Sails – Director

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles[3]	Brazilian	General Shareholders' Meeting of 03 October 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director	1	X		X		Appointments and positions held at the date of this Universal Registration Document: *Within the Group:* Verallia – Director *Outside the Group:* Brasil Warrant Administração de Bens e Empresas S.A. – Chief executive officer BW Gestão de Investimentos Ltda. –Chief executive officer IUPAR – Itau Unibanco Participações S.A.[2] – Director Alpargatas[2] – Member of the Board of Directors' Financial Committee Appointments and positions previously held in the last five years: *Within the Group:* None *Outside the Group:* Cambuhy Investimentos Ltda. – Partner and chief executive officer XP Investimentos - Director
Dieter Müller	German	23 January 2020	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Director representing employees	1	-			X	Appointments and positions held at the date of this Universal Registration Document: Within the Group: Verallia – Director Verallia Deutschland AG[2] – Vice-Chairman of the Supervisory Board Outside the Group: Honorary Judge at the Labour dispute court in Essen Appointments and positions previously held in the last five years: Within the Group: Verallia Deutschland AG - Secretary of the Central Works Committee Verallia Group – Deputy Secretary of the European Works Committee Outside the Group: None

Full name	Nationality	Appointment date	Date term expires	Current main position within the Company	Number of offices currently held in listed companies	Independent Director (as defined by the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company over the last five years
							Audit Committee	Appointments and Compensation Committee	Sustainable Development	
Sylvain Artigau	French	14 February 2020	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2023	Director representing employees	-				X	Appointments and positions held at the date of this Universal Registration Document: Within the Group: Verallia – Director Outside the Group: None Appointments and positions previously held in the last five years: Within the Group: VOA – Union representative Outside the Group: Union départementale des syndicats CGT du Tarn – general secretary

(1) Directors appointed upon a proposal by Apollo Global Management.

(2) Listed company.

(3) Director appointed pursuant to the Investment Agreement entered into between the Company, Horizon Parent Holdings S.à.r.l. and Brasil Warrant Administração de Bens e Empresas S.A. in the context of the initial public offering of the Company, described in section 5.2.2 of the securities note approved by the Financial markets authority on 20 September 2019.

Personal information about members of the Board of Directors

Michel Giannuzzi, born in 1964, a graduate of the École Polytechnique and Harvard Business School, has devoted most of his career to industry, in France and internationally. From 1988 to 2001, he held a series of positions within the Michelin Group. After a successful stint in manufacturing in France and the UK, he was appointed to head up a new unit using advanced tyre production technology. He later took over the reorganisation of the supply chain in Europe, before being appointed Chairman of Michelin Japan. In 2001, he joined the Valeo Group as Vice-Chairman and member of the Executive Committee, where he had global responsibility first for Electrical Systems and then Wiper Systems. From 2007 to 2017, Michel Giannuzzi served as Chairman of the Management Board of Tarkett, world leader in innovative solutions for floor coverings and sports surfaces.

Robert Seminara, born in 1972, holds a degree in economics from the University of Pennsylvania's Wharton School of Business. From 1994 to 1996, he was employed as a financial analyst at Lazard Frères & Co. in its Media & Communications practice. He was then Vice President of the Private Equity department at Evercore Partners from 1996 to 2003. In the same year, he joined Apollo as partner in the Private Equity department. Since 2012, he has been senior partner in the Private Equity department at Apollo Management International LLP. In addition, he has been Head of Europe and Head of European Private Equity at Apollo Management International LLP since 2018.

Claudia Scarico, born in 1987 holds a master's degree in finance from the University of Bocconi in Italy. Claudia Scarico began her career as an analyst with Morgan Stanley, a position she held from 2011 until 2014. Since 2014, she has been Principal at Apollo Management International LLP.

Pierre Vareille, born in 1957, is a graduate of the École Centrale de Paris and a former student at the Université de la Sorbonne. He has held several positions as Chief Executive Officer with international corporations, including Wagon Automotive, the British automobile equipment manufacturer, and FCI, one the world's leading suppliers of electronic connectors. Pierre Vareille served as Chief Executive Officer of Constellium until July 2016. Mr. Vareille is Chairman of the Board of Directors of the Bic company director of Outokumpu Oyj, Finland. He is also co-founder of The Vareille Foundation, an international foundation of recognised public interest.

Sébastien Moynot, born in 1972, is an alumnus of the École Normale Supérieure in Paris. He holds a postgraduate degree in probability and is a mathematician. He is also a graduate of the École Nationale de la Statistique et de l'Administration Économique. Since 2013, he has been a member of the Capital Development Steering Committee at Bpifrance Investissement, where he is in charge of equity investments in midcaps and large corporates. He joined the Fonds Stratégique d'Investissement when it was created in 2009, as Head of Investment. Previously, Sébastien Moynot spent around 10 years working in various roles at the Ministry of Finance Treasury Department. He was notably in charge of the transport sector at the Agence des Participations de l'État, and was previously Head of Strategy and then Market Operations at the Agence France Trésor.

Marie-José Donsion, born in 1971, graduated from the European School of Management (Paris) business school and has served as Chief Financial Officer of Arkema since June 2018. She was also a director of the Arkema Board of Directors and Chair of its audit committee until May 2018. Prior to that, within the Alstom Group, she was Chief Financial Officer of the Group, after holding various financial functions in several subsidiaries in France and abroad. Prior to joining Alstom, Marie-José Donsion began her career with Coopers & Lybrand in the audit branch between 1994 and 1997.

Cécile Tandeau de Marsac, born in 1963, a former student of NEOMA Business School, holds a Master's degree in Economics, has been since 2016, an independent director of the Board of Directors of the Sodexo Group, of which she chairs the Appointments Committee and the Remuneration Committee. From 2012 to 2019, she was General Manager in charge of Human Resources for the Solvay Group in Belgium. From 2011 to 2012, she led the integration of the Rhodia and Solvay groups. Prior to that, she held various functions in the Rhodia Group in the Human Resources Department from 2007 to 2011, and at Nestlé in marketing, sales, communication and human resources from 1987 to 2006.

Virginie Helias, born in 1965, former student of HEC Paris (*Hautes Etudes Commerciales*), has been Vice President of Global Sustainability in the Procter & Gamble Group since 2016. She has been a member of the Procter & Gamble Group Executive Committee since January 2020. She began her career in 1988 in the same group, where she held various positions in France, the United States and Switzerland in marketing, brand management, sales, innovation and digital, before taking over as Global Sustainability Director in 2012.

José Arozamena, born in 1960, an industrial and systems engineer graduated from the University of Southern California, Los Angeles, California, founded Cambium in 1996, a family investment vehicle that has invested in various companies in the United States, Europe and Latin America. Mr. Arozamena is also Chairman and CEO of Arglass Yamamura. Between 2005 and 2008, José Arozamena was an operational partner of funds III and IV of the Lehman Brothers investment bank. From 2003 to 2005, he led investments in American Rice and Mineraqua-Agua Castello. From 1995 to 2003, José Arozamena was Chairman and Chief Executive Officer of Alpha Private Equity Group, a private investment vehicle.

João Salles, born in 1981, holds a BA in Economics from INSPER, an MA in Economics and a specialised post-graduate degree in finance from Columbia University, as well as a Ph.D. in economics from the University of São Paulo. Mr Salles has been Managing Director of the holding BWSA and has been a member since 2017 of the Investment Committee, Risk Committee and Management Committee of BWGI, an asset manager. Mr Salles is currently a member of the Boards of Directors of Itaú Unibanco, of IUPAR, an entity holding the control of Itaú Unibanco and a member of the Financial Committee of Alpargatas. Between 2013 and 2018, Mr Salles was a partner, Investment Professional and a member of the Cambuhy Investimentos Investment Committee. Previously, he worked in the investment bank and acquisition mergers sector in New York, with J.P. Morgan.

Dieter Müller, born in 1958, has worked for Verallia Deutschland since 1988, where he began his career as a sheet metal operator. He is a member of the Industriegewerkschaft Bergbau-Chemie-Energie (IG-

BCE) trade union. In 1993, Dieter Müller was elected as a member of the Essen Works Committee, of which he became Secretary in 1996. In 2010, Dieter Müller was elected Secretary of the Verallia Deutschland Central Works Committee. Since 2017, he was also a member of the Verallia European Works Committee, of which he was elected Deputy Secretary. He resigned from these positions when he was appointed by the Group's European Works Committee. Dieter Müller has also been a member of the Supervisory Board of Verallia Deutschland for almost 20 years and its Vice-President for more than 10 years.

Sylvain Artigau, born in 1972, has worked in the shipping department of VOA – Verrerie d'Albi, a subsidiary of Verallia France since 1997. He is a member of the Conféderation générale du travail (CGT) trade union and has served as an employee representative on the VOA. He was a trade union delegate from 2004 to 2016. From 2017 to 2019, Sylvain Artigau was seconded to the Departmental Union of the CGT trade unions of the Tarn region to take up the position of Secretary-General. He resigned from all these positions when he was elected by the employees of the Group companies that have registered offices in France. Since January 2020, he has rejoined the shipping department of VOA – Verrerire d'Albi.

Nationality of members of the Board of Directors

Seven members of the Board of Directors are foreign nationals.

Independent members of the Board of Directors

In light of the independence criteria set out in the AFEP-MEDEF Code, the Board of Directors considered that five members of the Board of Directors, namely, Marie-José Donsion, Cécile Tandeau de Marsac and Virginie Hélias, José Arozamena and Brasil Warrant Administração de Bens e Empresas S.A., represented by Mr. João Salles, are independent members on the Board of Directors.

Balanced gender representation

The Board of Directors comprises four women, or 40% of the Board members. The composition of the Board of Directors therefore complies with the provisions of Article L.225-18-1 of the French Commercial Code, which requires a balanced representation of men and women on the boards of companies whose shares are admitted to trading on a regulated market.

Non-voting members

Mr Guilherme Bottura and Mr Fabrice Nottin were appointed as non-voting members of the Board of Directors of the Company for a period of four (4) years by a decision of the Board of Directors of 3 October 2019.

Guilherme Bottura, born in 1979, graduated from the Polytechnic School of the University of São Paulo with a bachelor's degree in production engineering. Mr Bottura is Managing Director of BWGI, the global asset management division of BWSA, and has been a member since 2018 of the BWGI Investment Committee, Risk Committee and Management Committee. Mr Bottura is currently a director, a member of the Finance Committee and the Audit Committee of Eneva SA and a member of the Finance Committee of Alpargatas SA and a member of the Audit Committee of Fundo Patrimonial Amigos da Poli, an endowment fund affiliated with the Polytechnic School of the University of São Paulo. Between 2011 and 2018, Mr. Bottura was a partner and member of the Investment Committee of Cambuhy Investimentos. Before that, he has been portfolio manager at Lanx Capital between 2009 and 2011 and was a Vice-President at Goldman Sachs between 2005 and 2009.

Fabrice Nottin, born in 1978, holds a degree in finance and strategy from the École supérieure des sciences économiques et commerciales (ESSEC) in Paris. Prior to joining Apollo, Fabrice Nottin was a senior partner at Lion Capital LLP from 2005 to 2011. Since 2011, he has been a partner at Apollo Management International LLP.

12.2 Statements relating to administrative bodies

In addition, to the Company's knowledge, over the past five years: (i) no member of the Board of Directors or the Chairman and Chief Executive Officer of the Company has been convicted of fraud, (ii) no member of the Board of Directors or the Chairman and Chief Executive Officer of the Company has been involved in bankruptcy, receivership, liquidation or compulsory administration proceedings, (iii) no member of the Board of Directors or the Chairman and Chief Executive Officer of the Company has been charged and/or officially disciplined by judicial or administrative authorities (including designated professional bodies), and (iv) no member of the Board of Directors or the Chairman and Chief Executive Officer of the Company has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from being involved in the management or running of an issuer.

12.3 Conflicts of interest

To the Company's knowledge, at the date of this Universal Registration Document, there are no potential conflicts of interest between the duties of the members of the Board of Directors and the Chairman and Chief Executive Officer to the Company and their private interests and/or other duties.

12.4 Information on services agreements between members of the board and the company or any of its subsidiaries

To the knowledge of the Company, as of the date of this universal registration document, there are no services agreements between members of the Board of directors and the Company or any of its subsidiaries and providing for the granting of any advantages.

13. COMPENSATION AND BENEFITS

See Chapter 2, "*Remuneration and Benefits to Corporate Officers*" of the Corporate Governance Report contained in Annex I to this Universal Registration Document.

14. OPERATION OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

See Chapter 1 "*Corporate Governance*" of the Corporate Governance Report contained in Annex I to this Universal Registration Document.

15. EMPLOYEES

15.1 Employment data

15.1.1 Number and breakdown of employees

As of 31 December 2019, the Group had approximately 9,700 employees within its scope of consolidation.

At that date, around 87% were employed in Europe (with France accounting for approximately 25% of the Group total) and around 13% in Latin America.

For the year ended 31 December 2019, the Group's payroll amounted to €486 million, compared with €466 million for the year ended 31 December 2018. The payroll is the sum of all gross wages and salaries and employers' social security contributions, as well as employee profit-sharing and incentives and other personnel expenses paid in each financial year.

The table below shows the trend, over the past three years, of the Group's headcount by geographic area:

	Headcount* as of 31 December		
Geographic area	**2019**	**2018**	**2017**
Northern and Eastern Europe	3,322	3,275	3,248
Southern and Western Europe	5,191	5,105	5,107
Latin America	1,259	1,295	1,283
Total	**9,772**	**9,675**	**9,638**

**Headcount excluding India, the United States and Alver (sold in 2018) and excluding temporary workers and trainees.*

The table below shows the trend, over the past three years, of the Group's headcount for its main subsidiaries (excluding temporary workers and trainees):

	Headcount as of 31 December		
Subsidiaries	**2019**	**2018**	**2017**
Verallia Packaging	155	139	140
Verallia France	1,788	1,795	1,784
VOA Verrerie d'Albi	322	316	321
Verallia Deutschland	1,655	1,576	1,494
Verallia Italia S.p.A.	1,246	1,143	1,146
Verallia Spain	1,029	1,043	1,041
Verallia Portugal	245	244	248
Rayen Cura	422	420	420
Verallia Brasil	640	711	708
Verallia Ukraine	537	537	563
Total	**8,039**	**7,924**	**7,865**

The table below shows the trend, over the past three years, of the breakdown of the headcount by socio-professional category (SPC):

	Headcount* as of 31 December		
Breakdown of headcount by SPC	**2019**	**2018**	**2017**
Managers	921	850	866
Clerical and supervisory staff	2,324	2,266	2,299
Manual workers	6,527	6,559	6,473
Total	**9,772**	**9,675**	**9,638**

**Headcount excluding India, the United States and temporary workers and trainees.*

The table below shows the trends, over the past three years, of the breakdown of the headcount by type of employment contract:

Breakdown of headcount* by type of employment contract	Financial year 2019	Financial year 2018	Financial year 2017
Permanent contracts	88.5%	88.2%	87.5%
Fixed-term contracts	5.0%	4.2%	4.1%
Temporary staff	6.5%	7.6%	8.3%
Total	**100%**	**100%**	**100%**

**Headcount excluding India, the United States and trainees.*

15.1.2 Employment

The table below shows trends in employment within the Group over the past three years:

Employment*	Financial year 2019	Financial year 2018	Financial year 2017
Total turnover (departures)	10.9%	8.4%	7.1%
Voluntary turnover (resignation)	3.5%	3.4%	2.7%
Recruitment rate	11.3%	10.6%	9.5%
Percentage of permanent contracts	6.8%	6.1%	5.3%
Percentage of disabled employees/average headcount	2.5%	3.3%	3.3%

**Headcount excluding India, the United States and temporary workers and trainees.*

15.1.3 Working conditions and human resource policy

The Group attaches considerable importance to employment-related issues, and in particular health and safety in the workplace, staff motivation, the quality of social dialogue, and diversity and integration with the local community. All these themes form part of the Group's CSR strategy, as adopted by each division.

The human resources management policy is a key part of the Group's strategy. It seeks to anticipate the Group's skills requirements, ensuring that critical posts are filled, fostering the conditions for employee buy-in and meeting employee expectations, notably by taking their career plans and working conditions into account.

Embracing the Group's values provides the foundation on which the Group's mission, goals and strategy can be built, securing the commitment of all employees to espouse those values and strive for operational excellence.

Employee respect begins with the quality of the work environment, which must be sufficient to prevent workplace accidents and occupational illnesses.

The Group's plants operate continuously throughout the year. The glass production business requires constant commitment and sophisticated technical expertise. Workplace safety is a priority for the Group.

Updated in 2018, the Group's EHS (Environment, Health and Safety) policy targets a zero accident rate through compliance, training, dialogue and discipline. Integrated with the Group's industrial excellence programme, the policy applies to everyone working on Group sites (employees, temporary workers and subcontractors).

The health and safety strategy is based on:

– upstream risk analysis at all sites;

– downstream root cause analysis, shared with all sites following an accident;

– compliance with the four key life-saving rules;

– dissemination and application of about twenty of the Group's safety standards;

– training and awareness-raising;

– audits; and

– pre-meeting security briefings.

The table below shows the trends in workplace safety over the past three years:

Workplace safety	**Financial year 2019**	**Financial year 2018**	**Financial year 2017**
Number of lost-time injuries (LTI)	86	44	67
Lost-time injury frequency rate (LTIFR)*	5.21	2.3	2.5
Severity rate	0.2	0.04	0.18

* *Number of work-related accidents per million hours worked. The calculation rules changed internally in 2019. With a comparable rule, the AF1 in 2018 would be 4.4 and the number of accidents would be 73.*

15.1.4 Diversity and gender equality policy

The Group is fully committed to gender equality and the diversity of its staff in every respect.

The main focus of this policy includes:

– ensuring that applications are received from both sexes when recruiting;

– creating more employment opportunities for people with disabilities and changing employee attitudes towards disability, particularly through sponsorship of the French wheelchair rugby team;

– balancing internal promotion with external recruitment;

– raising staff awareness of the need for gender balance and respect for women (such as an online course on women's rights in March 2019, short scene on sexist behaviour); and

– coaching women in their careers: training, mentoring by members of Comex, exchange forum, theatrical training on self-confidence and speech.

The Group has joined the United Nations Global Compact and is committed to advocating the principles of human rights, environmental protection, international labour standards and anti-corruption.

15.1.5 Training

Each year, the Group defines the key areas of its training policy in line with the operational objectives to be achieved. The Group's general training programmes cover compliance (corruption, competition, embargoes), leadership, commitment to values, business-specific training and EHS. The courses are either attended in person or increasingly designed as online courses.

Other training courses are arranged locally based on the framework of the general training policy. They are primarily aimed at developing employee skills either individually or collectively.

Training needs are identified during annual appraisals when employees and their line managers review the achievement of performance targets (mid-year review). For non-executives, the appraisal is based on the skills matrix associated with each job. These are subsequently collated by the heads of HR in each division so that they can be implemented.

Each year, the Group carries out "people reviews", which are an opportunity to validate the organisational structure, as well as examine skills matching, promotions and succession plans. The reviews are carried out in each country during budgeting and strategic planning, and are also organised by major sector.

The table below presents trends in training over the past three years:

Training	**Financial year 2019**	**Financial year 2018**	**Financial year 2017**
Percentage of workforce trained	80%	80%	81%
Proportion of managers and non-managers trained			
Managers	82%	82%	81%
Senior technicians and supervisors(1)	73%	75%	79%
Operations, administrative and technical staff(2)	72%	73%	73%
Training costs as a % of total payroll	1%	1%	1%
Number of training hours per employee	37	45	37
Percentage per type of training: Technical EHS Management Language Other	 46% 19% 9% 9% 10%	 38% 21% 7% 9% 25%	 42% 17% 11% 9% 21%

1. Senior technicians and supervisors.
2. Shop floor workers, administrative staff and technicians.

15.2 Compensation policy

The Group's compensation policy is intended, in accordance with the Company's social interest, and in line with market and industry practices, to ensure competitive compensation levels while maintaining a strong link to company performance.

The Group has thus implemented a compensation policy consisting of (i) a basic salary, which remunerates the position held and is attractive for recruiting and retaining talent, and for executives concerned and (ii) a variable annual share, which remunerates individual and collective performance based on the achievement of ambitious goals while capped at a maximum level to discourage excessive risk-taking. A source of motivation for teams, this variable annual share is based on annual criteria including safety, the environment, financial and operational performance, and personal goals.

In addition to this variable annual compensation, the Group intends to fully associate its employees with its development by associating them with the capital; the employee share ownership policy is thus a strategic pillar to support the Group's profitable and sustainable growth, which the Group intends to pursue actively (as at 31 December 2019, the Verallia employee investment fund (FCPE), which brings together the Company's employee share ownership, thus holds 2.6% of the Company's capital). In particular, the Company should offer in 2020 Group employees the possibility of subscribing to a reserved capital increase via Verallia's corporate mutual fund, under the discount and employer matching contribution conditions approved by the Board of Directors.

15.3 Stock options and free share grants

The Company has implemented a long-term incentive policy for senior executives, including its Chairman and Chief Executive Officer, in line with market practices (see chapter 2 of Annex I of this universal registration document).

15.4 Profit-sharing and incentive agreements

15.4.1 Profit-sharing agreements

In France, the Group's companies benefit from profit-sharing, depending on performance, in accordance with the statutory conditions.

15.4.2 Incentive agreements

In France, employees in most of the Group's companies are eligible for a share of their company's profits, calculated according to performance indicators such as safety, quality, output and operating income.

In Europe, Germany and Italy also have incentive agreements.

15.4.3 Employee savings plans and similar plans

The Group has a Group Savings Plan ("PEG") for French companies and an International Group Savings Plan ("PEGI") for its foreign companies, allowing eligible employees to participate in offers reserved for them through the Verallia employee investment fund or by direct shareholding for the offer reserved for employees only in 2020 and invest their savings in diversified funds.

15.5 Employee share ownership

The Company has a Verallia corporate investment mutual fund, invested in Verallia securities (the "**FCPE**"). The FCPE is an investment option for employees of Group companies participating in Group savings plans, either through the Group Savings Plan (PEG) or through the International Group Savings Plan (PEGI).

In 2019, the countries (other than France) participating in the PEGI were Spain, Germany, Portugal, Poland and Brazil.

In this respect, as a result of plans launched by the Group between 2016 and 2019, more than 2,000 employees have become shareholders of the Company through FCPE Verallia. At the date of this Universal Registration Document, the FCPE holds 2.6% of the capital of Company's capital.

The Company’s shareholders, meeting on 20 September 2019 in a Combined Shareholders’ Meeting, delegated to the Board of Directors in their 15th resolution the authority to decide to increase the Company’s share capital in one or more times, up to a maximum nominal amount of €19,500,000, per issue of new shares of the Company, reserved for eligible employees and corporate officers of the Company and of French and foreign companies linked to it under the terms of Articles L. 225-180 of the French Commercial Code and L. 3344-1 of the French Labour Code, members of a company savings plan of the Group. On 3 December 2019, the Board of Directors of the Company decided to issue common shares for employees who are members of a Group Corporate Savings Plan, the main features of the transaction were laid down and delegated to the Chairman and CEO of the Company the powers necessary to implement the transaction in 2020.

15.6 Social relations

The Group’s employees are represented at various levels by trade union representatives, through various existing bodies, according to the regulations of the different countries, such as works committees and committees for health, safety and working conditions.

In accordance with the applicable European regulations, a European works committee has been in place since 2016. It is composed of 16 representatives who meet once a year. Its select committee meets two to three times a year. The Agreement on the establishment and functioning of the European Committee was renewed for a period of 3 years, until 31 December 2022.

In addition, elections were held in 2019 in the companies in France, which led to the establishment of a Social and Economic Committee (ESC) in accordance with the regulations in force.

Each company in each country has established employee representative bodies in accordance with the applicable law and maintains permanent social dialogue with employees and their representatives.

16. MAIN SHAREHOLDERS

16.1 Shareholders

The table below provides a breakdown of the Company's share capital at 31 December 2019:

Shareholder	Diluted number of shares	% of capital and voting rights
Horizon Investment Holdings(1)	65,505,178	55.3%
Bpifrance Participations	8,861,539	7.5%
Brasil Warrant Administração de Bens e Empresas S.A. (BWSA)(2)	10,185,185	8.6%
Managers	5,814,108	4.9%
Including Mr Michel Giannuzzi, Chairman – Chief Executive Officer(3)	2,565,522	2.16%
FCPE Verallia	3,019,530	2.6%
Public	25,008,402	21.1%
Total	**118,393,942**	**100%**

(1) Company wholly owned by Horizon Parent Holdings S.à.r. LLP, which is wholly owned by AIF VIII Euro Laverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc.

(2) Acting through Lepton Fund Ltd., a fund managed by BW Gestão de Investimentos Ltda., a wholly owned subsidiary of Brasil Warrant Administração de Bens e Empresas S.A. In addition, the Company has been informed on 5 March 2020 of the acquisition by Brasil Warrant Administração de Bens e Empresas S.A. of 5,164 shares of the Company, on 2 March 2020 (see AMF declaration AMF2020DD671777).

(3) In the context of the initial public offering of the Company, Mr Michel Giannuzzi has undertaken, subject to certain exceptions, not to sell Verallia shares for a period of 365 calendar days following the settlement of the initial public offering on 7 October 2019 (see also section 7.4.2 of the securities note approved by the Financial and markets authority on 20 September 2019).

16.1.1 Apollo Global Management

Apollo Global Management is a leading global alternative investment manager with offices in New York, Los Angeles, San Diego, Houston, Bethesda, London, Frankfurt, Madrid, Luxembourg, Mumbai, Delhi, Singapore, Hong Kong, Shanghai and Tokyo. As of 31 December 2018, Apollo had approximately $280 billion in assets under management in private equity, credit and real estate funds, invested through a core group of nine sectors in which Apollo has significant knowledge and resources. Apollo Global Management shares are admitted to trading on the New York Stock Exchange.

16.1.2 Bpifrance Participations

A state-owned subsidiary of the Caisse des Dépôts et Consignations, Bpifrance SA provides credit and equity for entrepreneurs and businesses from their start-up to their listing on the stock exchange. Bpifrance Participations is a *société anonyme*, 100% of which is held by Bpifrance SA. Its objective is to provide long-term support to mid-caps with potential in order to accelerate their growth, strengthen their innovation capacity and promote their international development. The investments made by Bpifrance Participations are made on its behalf by the management company Bpifrance Investissement.

16.1.3 Brasil Warrant Administração de Bens e Empresas S.A. (BWSA)

BWSA, a Brazilian investment company that has been operating for six decades, has successfully forged partnerships around the world with leading companies in their sector, as well as their reference shareholders and founders, in a variety of sectors, such as financial services, natural resources, agriculture, consumer products, distribution and industry. BWSA now focuses its business in the banking and mining sectors of Brazil. Recently, BWSA acquired a joint ownership interest in Alpargatas, Latin America's largest footwear manufacturer (including the manufacturer of the "Havaianas" flip-flops). BWSA also manages the investments of the BWSA Group through BWGI, an asset management entity, established in 2008.

16.2 Statement relating to control of the Company

At the date of this Universal Registration Document, the Company is controlled by Horizon Investment Holdings S.à.r.l.

On the occasion of the Company's initial public offering, Bpfrance Participations and AIF VIII Euro Leverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc., on 8 October 2019, a shareholders' agreement concerning their equity holdings in the capital of Horizon Parent Holdings S.à.r.l[66], which holds 55.3% of the share capital and voting rights thereof. In order for such control not to be exercised in an abusive way, it is reminded that five members of the Board of directors (i.e. almost half) are independent members, pursuant to the recommendations of the AFEP-MEDEF Code applicable to controlled companies and three members (i.e. a quarter), are appointed upon Apollo's proposal.

In the context of the shareholder reorganisation implemented at Horizon Parent Holdings S.à.r. LLP, this agreement was terminated on 18 December 2019 and a new shareholder agreement was concluded between Bpfrance Participations and Horizon Investment Holdings S.à.r.l. The agreement, which has been concluded for a period of 20 years from its signature and which will be terminated as of right, once one of the parties ceases to hold direct or indirect shares in the Company, provides, inter alia:

– *Lack of concerted action*: the parties to the agreement have stated that they do not intend to act together with the Company and do not intend to exercise their voting rights within the Company to implement a common policy.

– *Bpfrance Participations representation on the Board of Directors of the Company*: as long as Bpifrance Participations and its affiliates hold a stake representing at least 5% of the Company's share capital, Bpifrance Participations may propose the appointment of a director to the Company's Board of Directors, which will also be a member of the Company's Sustainable Development Committee. Horizon Investment Holdings S.à r.l committed to vote in favour of the above-mentioned appointment to the Company's Shareholders' Meeting and to instruct its representatives on the Board of Directors of the Company to propose and vote in favour of the above-mentioned appointment to the Board of Directors of the Company (whether through the convening of a Company's Shareholders' Meeting on this agenda or through the Board of Directors' co-optation process).

– *Right of information*: As long as Bpfrance Participations and its affiliates hold a stake representing at least 5% of the Company's share capital, it will be provided, in compliance with the applicable regulations, to Bpifrance Participations the same information and documents received by Horizon Investments Holdings S.à.r.l and AP VIII Horizon Holdings L.P. or any other direct or indirect partner of Horizon Investments Holdings S.à.r.l, including in connection with the preparation of the Company's budget, financial and operational information and strategic decisions.

[66] A company held at 100% by Horizon Parent Holdings S.à.r.l., which is itself held at 100% by AIF VIII Euro Leverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc.

16.3 Agreements that could lead to a change of control

The Company has been informed of the implementation on 20 December 2019 by Horizon Investment Holdings S.à.r.l. of a financing agreement secured by way of a pledge of part of the shares of the Company held by Horizon Investment Holdings S.à.r.l.[67]

[67] See in particular AMF decision 219C2898 dated 23 December 2019.

17. RELATED PARTY AGREEMENTS

17.1 Principal transactions with related parties

The Group's related parties mainly include the Company's shareholders, unconsolidated subsidiaries, associates (companies accounted for by the equity method), and entities over which the various Group executives exercise at least significant influence.

The figures for the relationships with these related parties are set out in Note 22 to the consolidated financial statements for the financial year ended 31 December 2019 contained in Section 18.1.1 of this Universal Registration Document.

The main related party agreement is a €10 million amortisable loan agreement signed on 11 December 2018, between Verallia Packaging, a subsidiary of the Company, and Bpifrance Financement, an affiliate of the Company's shareholder (see Chapter 16 of this Universal Registration Document), to finance and refinance the cash flow requirements of Verallia Packaging and its subsidiaries. The loan bears annual interest at a rate of 0.70%. The loan is repayable on 31 December 2021.

17.2 Statutory Auditors' special report on related party agreements for the financial year ended 31 December 2019

"*This is a free translation into English of the Statutory Auditors' special report on related party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Verallia SA

Tour Carpe Diem

31 Place des Corolles - Esplanade Nord

92400 Courbevoie, France

To the General annual meeting,

In our capacity as Statutory Auditors of Verallia SA (hereinafter the "Company"), we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the General Shareholders' Meeting

Agreements authorised and entered into during the year

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements which were entered into during the year and authorised in advance by the Board of Directors.

English-language Underwriting Agreement entered into on 3 October 2019

Party concerned:

Horizon Parent Holdings Sàrl, a company controlling a corporate shareholder of the Company owning more than 10% of the voting rights, i.e., Horizon Intermediate Holdings SCA.

Purpose of the agreement:

In connection with the initial public offering of the Company, the public offering (offre à prix ouvert) and the international private placement (placement global) were subject to an underwriting agreement entered into on 3 October 2019 with a group of financial institutions (the "Guarantors"), covering the total number of shares sold (the "Underwriting Agreement"). Pursuant to the Underwriting Agreement, the Guarantors undertook, jointly but not severally, to organise for investors to purchase or, failing that, to purchase themselves, the number of guaranteed shares subject to their respective underwriting undertakings, in full at the settlement date and at the offering price.

The Underwriting Agreement was authorised by the Board of Directors on 3 October 2019.

Terms and conditions:

The remuneration due to the Guarantors in respect of the Underwriting Agreement was paid by the selling shareholders, i.e., (i) Horizon Parent Holdings Sàrl, (ii) certain managers of the Verallia Group and (iii) certain co-investors.

Reasons provided by the Company:

The Underwriting Agreement was consistent with market practices for this type of operation and was in the interests of the Company by providing a guarantee of a successful initial public offering.

Neuilly-sur-Seine and Paris, 17 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	BM&A
Itto El Hariri	Gilles Rabier

18. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES

Pursuant to Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, the financial statements for the years ended 31 December 2018, 2017 and 2016 as well as the corresponding auditors' report, set out in Chapter 18, "*Financial information on assets and liabilities, the Company's financial position and results*" from the Company's Registration Document approved by the AMF on 4 September 2019, under No. I. 19-031, are included by reference in this Universal Registration Document.

18.1 Group's consolidated accounts for the year ended 31 December 2019 and the Auditors' Report

18.1.1 Group consolidated financial statements for the year ended 31 December 2019

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STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(*in € million*)	Note	31 December 2019	2018
ASSETS			
Goodwill	9	550.9	552.0
Other intangible assets	10	499.2	559.3
Property, plant and equipment	11	1 299.3	1 199.5
Investments in associates	3.3	0.6	0.6
Deferred tax	8.2	42.3	43.6
Other non-current assets	13	37.5	46.4
Non-current assets		**2 429.8**	**2 401.4**
Short-term portion of non-current assets			0.5
Inventories	14.1	455.2	477.9
Trade receivables and other current assets	14.2	179.9	190.9
Current tax receivables	14	21.0	14.9
Cash and cash equivalents	15	219.2	262.1
Current assets		**874.3**	**946.3**
Total assets		**3 304.1**	**3 347.7**
EQUITY & LIABILITIES			
Share capital	16.1	400.2	137.5
Consolidated shares	16	(14.0)	(114.4)
Equity attributable to shareholders		**386.2**	**23.1**
Non-controlling interests		33.4	27.5
Equity		**419.6**	**50.6**
Non-current financial liabilities and derivatives	17	1 584.0	2 139.2
Provisions for pensions and other employees benefits	19	133.0	117.4
Deferred tax	8.2	166.6	192.6
Provisions and other non-current financial liabilities	18	43.1	52.8
Non-current liabilities		**1 926.7**	**2 502.0**
Current financial liabilities and derivatives	17	225.9	105.4
Current portion of provisions and other current financial liabilities	18	51.9	41.1
Trade payables	14.3	383.6	408.4
Current tax liabilities	14	19.3	8.6
Other current liabilities	14.3	277.1	231.6
Current liabilities		**957.8**	**795.1**
Total equity and liabilities		**3 304.1**	**3 347.7**

CONSOLIDATED STATEMENT OF INCOME

(*in € million*)	Note	Year ended 31 December	
		2019	**2018**
Revenue	**5.1**	**2 585.9**	**2 415.8**
Cost of sales	5.2	(2 043.6)	(1 973.2)
Selling, general and administrative expenses	5.2	(170.8)	(144.7)
Acquisition-related items	6.1	(59.4)	(61.8)
Other operating income and expenses	6.2	(17.0)	(14.9)
Operating profit		**295.1**	**221.2**
Net financial income (expense)	**7**	**(115.9)**	**(146.8)**
Profit (loss) before tax		**179.2**	**74.4**
Income tax	8	(53.8)	(24.2)
Share of net profit (loss) of associates	3.3	(0.7)	(1.7)
Net profit (loss) for the year		**124.6**	**48.5**
Attributable to shareholders of the Company		***115.6***	***41.1***
Attributable to non-controlling interests		*9.0*	*7.4*
Basic earnings per share *(in €)*	**16.3**	**1.00**	**0.18**
Diluted earnings per share *(in €)*	**16.3**	**1.00**	**0.18**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Year ended 31 December	
		2019	**2018**
Net profit (loss) of the year		*124.6*	*48.5*
Items that may be reclassified to profit or loss			
Translation differences		6.8	(44.2)
Changes in fair value of cash flow hedges		(20.6)	(23.6)
Deferred tax on items that may subsequently be reclassified to profit or loss	8.2	5.5	6.1
Total		**(8.3)**	**(61.7)**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit liability (asset)	19.1	(8.0)	2.7
Deferred tax on items that will not be reclassified to profit or loss	8.2	2.3	(0.7)
Total		**(5.7)**	**2.0**
Other comprehensive income (loss)		***(14.0)***	***(59.7)***
Total comprehensive income (loss) for the year		**(110.6)**	**(11.2)**
Attributable to shareholders of the Company		*(101.2)*	*(11.9)*
Attributable to non-controlling interests		*9.4*	*0.7*

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	Year ended 31 December 2019	2018
Net profit (loss) for the year		**124.6**	**48.5**
Share of net income of associates, net of dividends received	3.3	0.7	1.7
Depreciation, amortization and impairment of assets		283.5	301.8
Gains and losses on disposals of assets	6.2	(1.4)	6.6
Interest expense on financial liabilities	17.7	68.8	92.3
Unrealised gains and losses on changes		(1.6)	-
Gain/loss on net monetary position (IAS 29, *Hyperinflation*)		5.8	0.7
Unrealised gains and losses on changes in the fair value of derivatives		(2.9)	(0.5)
Change in inventories		19.7	(27.7)
Change in trade receivables, trade payables and other receivables and payables		(13.9)	8.1
Current tax expense	8.1	71.0	57.8
Taxes paid		(59.1)	(38.9)
Changes in deferred taxes and provisions		1.6	(21.1)
Net cash flows from operating activities		**496.8**	**429.3**
Acquisition of property, plant and equipment and intangible assets	4.3	(252.5)	(225.0)
Increase (decrease) in debt on fixed assets	14	19.3	(5.6)
Acquisitions of subsidiaries, net of cash acquired		(0.5)	0.0
Deferred payment related to the acquisition of a subsidiary		0.0	0.0
Capital expenditure		**(233.7)**	**(230.6)**
Disposals of property, plant and equipment and intangible assets		3.7	0.0
Sale of equity-accounted securities	3.1.1.2 &3.1.2.3	0.0	14.0
Disposals		**3.7**	**14.0**
Increase in loans, deposits and short-term borrowings		(5.7)	(3.8)
Reduction in loans, deposits and short-term borrowings		13.7	0.4
Changes in loans and deposits	**13**	**8**	**(3.4)**
Net cash flows (used in) investing activities		**(222.0)**	**(220.0)**
Capital increase (reduction)	16	0.0	0.0
Transactions with shareholders		**0.0**	**0.0**
Capital increases of subsidiaries subscribed by third parties	19.4	7.2	5.8
Dividends paid to non-controlling interests by consolidated companies		(6.9)	(2.5)
Transactions with non-controlling interests		**0.3**	**3.3**
Increase (reduction) in bank overdrafts and other short-term borrowings	17	106.4	67.5
Increase in long-term debt	17	1 538.5	607.9
Reduction in long-term debt	17	(1 891.0)	(741.4)
Financial interest paid	17.7	(70.4)	(99.8)
Changes in gross debt		**(316.5)**	**(165.8)**
Net cash flows (used in) financing activities		**(316.2)**	**(162.5)**
Increase (reduction) in cash and cash equivalents		**(41.4)**	**46.8**
Impact of changes in foreign exchange rates on cash and cash equivalents		(1.5)	(4.7)
Impact of changes in fair value on cash and cash equivalents		0.0	0.0
Opening cash and cash equivalents		**262.1**	**220.1**
Closing cash and cash equivalents		**219.2**	**262.1**

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(in € million)	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Other reserves and retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
As of 31 December 2017		**137.5**	0.0	**(3.2)**	**1.5**	**(131.5)**	**4.4**	**19.1**	**23.4**
IFRS 9 (transition effect)		0.0	0.0	0.0	0.0	3.3	**3.3**	0.1	**3.4**
IAS 29 *Hyperinflation*		0.0	0.0	0.0	0.0	14.5	**14.5**	10.4	**24.9**
As of 1 January 2018		**137.5**	**0.0**	**(3.2)**	**1.5**	**(113.9)**	**22.1**	**29.6**	**51.7**
Other comprehensive income (loss)		0.0	0.0	(31.3)	(22.7)	0.9	**(52.9)**	(6.8)	**(59.7)**
Net profit (loss) for the year		0.0	0.0	0.0	0.0	41.1	**41.1**	7.4	**48.5**
Total comprehensive income (loss) for the year		*0.0*	0.0	*(31.3)*	*(22.7)*	*42.0*	***(11.9)***	*0.7*	***(11.2)***
Capital increase for the Group Savings Plan _ Verallia Packaging		0.0	0.0	0.0	0.0	7.5	**7.6**	(1.8)	**5.8**
Dividends / distribution of share premium		0.0	0.0	0.0	0.0	0.0	**0.0**	(1.3)	**(1.3)**
Share-based compensation		0.0	0.0	0.0	0.0	4.5	**4.5**	0.2	**4.7**
IAS 29, *Hyperinflation*		0.0	0.0	0.0	0.0	1.1	**1.1**	0.8	**1.9**
Other		0.0	0.0	0.0	0.0	(0.2)	**(0.2)**	(0.5)	**(0.7)**
Changes in non-controlling interests		0.0	0.0	0.0	0.0	0	**0**	0)	**0.0**
As of 31 December 2018		**137.5**	**0.0**	**(34.5)**	**(21.2)**	**(58.9)**	**23.1**	**27.5**	**50.6**
IFRS 16 (transition effect)		0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2
As of 1 January 2019		**137.5**	**0.0**	**(34.5)**	**(21.2)**	**(58.7)**	**23.3**	**27.5**	**50.8**
		0.0	0.0						
Other comprehensive income (loss)		0.0	0.0	6.7	(20.8)	(0.3)	(14.4)	0.4)	(14.0)
Net profit (loss) for the year		0.0	0.0	0.0	0.0	115.6	115.6	9.0	124.6
Total comprehensive income (loss) for the year		*0.0*		*6.7*	*(20.8)*	*115.3*	***101.2***	*9.4*	***110.6***
Capital increase	16.1	251.7	1.8	0.0	0.0	0.0	253.5	0	253.5
Capital increase for the Group Savings Plan _ Verallia SA	16.1	11.0	*76.6*	0.0	0.0	(93.7)	(6.1)	6.1	0.0
Capital increase for the Group Savings Plan _ Verallia Packaging		0.0	0.0	0.0	0.0	9.5	9.5	(2.3)	7.2
Dividends / distribution of share premium		0.0	0.0	0.0	0.0	0.0	0.0	(6.3)	(6.3)
Share-based compensation		0.0	0.0	0.0	0.0	5.7	5.7	0.0	5.7
IAS 29 *Hyperinflation*		0.0	0.0	0.0	0.0	9.5	9.5	6.4	15.9
Other		0.0	0.0	0.2	(0.4)	(10.0)	(10.2)	(6.6)	(16.8)
Changes in non-controlling interests		0.0	0.0	0.0	0.0	0.0	0.0	(0.8)	(0.8)
As of 31 December 2019		**400.2**	**78.4**	**(27.6)**	**(42.4)**	**(22.4)**	**386.2**	**33.4**	**419.6**

NOTE 1 – INFORMATION ON THE GROUP

1.1 INCORPORATION AND CREATION

1.1.1 CORPORATE NAME

At 31 December 2019, the Company's corporate name is "Verallia" and has been since 20 June 2019.

1.1.2 PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered in the Nanterre Trade and Companies Register under number 812 163 913.

LEI: 5299007YZU978DE0ZY32

1.1. 3 DATE OF INCORPORATION AND LENGTH OF LIFE OF THE COMPANY

The Company has been incorporated for a period of 99 years starting from its registration on 23 June 2015, unless it is dissolved early or extended on the joint decision of the shareholders in accordance with the law and articles of association.

The financial year begins on 1 January and ends on 31 December of each year.

1.1.4 REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LEGAL REGIME

The Company's registered office is located at 31 Place des Corolles, Tour Carpe Diem, Esplanade Nord, 92400 Courbevoie, France.

At 31 December 2019, the Company is a *société anonyme* (limited company) governed by French law.

1.2 HIGHLIGHTS

Verallia SA listed on Euronext on 4 October 2019.

On 20 September 2019, prior to this IPO, the company incorporated into its capital the outstanding amount (principal and interest) of the loan granted to it by its parent company, Luxembourg's Horizon Intermediate Holdings S.C.A., via a €251.4 million increase in the Company's capital (Note 16).

While listing its shares for trading on the regulated market of Euronext, the Group also carried out a number of transactions and reorganisation measures:

- the merger-acquisition of Horizon Holdings II by Horizon Holdings I, both fully owned subsidiaries of the Company, and then the merger-acquisition of Horizon Holdings I by the Company; these transactions had no impact on the Group's consolidated financial statements,
- the merger-acquisition by the Company of Horizon Intermediate Holdings S.C.A., the Company's parent company with 100% of its capital,
- the transfer by the Verallia FCPE (employee investment fund) to the Company of all ordinary and preference shares corresponding to the 3.52% it owned at 7 October 2019 in the capital of the Verallia Packaging subsidiary, in exchange for new ordinary shares in the Company. This transaction resulted in the reclassification of non-controlling interests to attributable shareholders' equity,
- the full repayment of Term Loan B of a nominal amount of €1,125 million and of Term Loan C of a nominal amount of €550 million, together with the arrangement of a new Term Loan A of a nominal amount of €1,500 million on 7 October 2019,

- the arrangement of a new revolving credit facility of €500 million on 7 October 2019 to replace the €325 million facility. This revolving credit facility provides the Group with a secure source of funding (together with the potential support of its programme to issue Negotiable European Commercial Paper (Neu CP)).

1.3 OPERATIONS

With industrial operations in 11 countries, Verallia is the world's third-largest producer of glass packaging for beverages and food products. In 2019, the Group produced approximately 16 billion bottles and jars. The Group boasts a sound position in Western and Eastern Europe, as well as in Latin America. Its main subsidiaries are located in the following countries: France, Italy, Germany, Spain, Portugal, Argentina and Brazil. Verallia employs approximately 9,705 employees worldwide, spread over 32 glass production sites with a total of 57 furnaces.

NOTE 2 – BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 DECLARATION OF COMPLIANCE AND APPLICABLE FRAMEWORK

The Verallia Group's consolidated financial statements for the period ended 31 December 2019 have been prepared in accordance with international accounting standards (IFRS) as published by the IASB (International Accounting Standards Board) and adopted in the European Union in compliance with European Regulation n°1606/2002 of 19 July 2002. They were approved by the Board of Directors on 20 February 2020.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations. This reporting framework can be found on the European Commission's website[68].

The consolidated financial statements are presented in millions of euros, with amounts rounded up or down to the nearest million. So rounding differences may appear between different financial statements.

The accounting principles applied are identical to those applied to the consolidated financial statements at 31 December 2018 except for the following standards, amendments and interpretations applied starting from 1 January 2019:

IFRS 16, *Leases*	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IAS 28, *Long-term interests in Associates and Joint Ventures*	1 January 2019
Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*	1 January 2019
IFRIC 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Annual improvements to IFRS (2015-2017 cycle)	1 January 2019

These new texts had no material impact on the financial statements, except for IFRS 16. The resulting changes to accounting policies are described in detail in Note 11.

IFRIC 23 was applied retrospectively without restating comparative periods and only had a presentation impact corresponding to the reclassification of tax risk provisions to current tax liabilities at 1 January 2019 (Note 8.5 & Note 18).

The Group did not apply the following new standards, amendments and interpretations, which were not yet effective:

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS PUBLISHED BUT NOT YET EFFECTIVE OR EARLY ADOPTED BY THE GROUP

[68] https://ec.europa.eu/info/index_en

Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3, Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of Material	1 January 2020

Application of the Phase 1 amendments to IFRS 9/IAS 39 relating to the interest rate benchmark reform, published in September 2019 and adopted by the European Union on 15 January 2020, will not compromise interest rate hedging relations despite the reform.

The Group thus decided to apply the Phase 1 amendments early on 31 December 2019 and provide the required information up until the end of the period of uncertainty, i.e. the date on which application of these amendments ends.

The Group's interest rate hedging relations subject to the interest rate benchmark reform are its interest rate swaps, classified as cash flow hedges, and the cash flow hedging arranged for its new Term Loan A.

Hedged financing and hedging instruments are indexed to the Euribor.

The Group expects the Euribor rate to be replaced by the hybrid Euribor rate simultaneously in both hedging instrument contracts and hedged items, so it believes the corresponding cash flow hedging relations will remain fully effective.

The Group therefore expects the interest rate benchmark reform to have no material impact on its hedging relations.

2.2 FIRST TIME APPLICATION OF IFRS 16

The Group adopted IFRS 16 Leases for the first time on 1 January 2019.

On 13 January 2016, the IASB issued IFRS 16 Leases, which was adopted by the European Union on 31 October 2017. IFRS 16 replaces IAS 17 and the corresponding IFRIC and SIC interpretations. For lessees, it removes the different accounting treatments previously applicable to operating leases and finance leases.

Lessees are required to record all agreements (with exceptions) on terms similar to those currently imposed by IAS 17 for finance leases, recognising a right-of-use asset (representing the right to use the underlying leased asset) and a lease liability (representing the obligation to pay rent over the term of the lease).

The standard does, however, provide exemptions for leases that are short term (12 months or less) or for low-value assets. The Group made use of these two exemptions. The agreements in question mainly concern light industrial equipment, photocopiers, water fountains and IT equipment.

The Group presents right-of-use assets as "property, plant and equipment" on the same line as underlying assets of a similar nature over which it has full ownership, and it presents lease liabilities as "financial liabilities and non-current derivatives" and "financial liabilities and current derivatives" in the statement of financial position.

The new accounting policies applied in accordance with IFRS 16 are described in Note 11.

2.2.1 Method and transition impacts

The Group used the simplified retrospective approach to apply IFRS 16, which recommends recognising the cumulative effects of initial application of IFRS 16 by adjusting the opening balance of reserves at 1 January 2019. As a result, comparative information presented for 2018 was not restated and is therefore presented, as previously, according to the principles of IAS 17 and its interpretations.

At the transition date, i.e. 1 January 2019, the lease liabilities of agreements qualified as operating leases under IAS 17 were measured at the value of outstanding lease payments, discounted at a single discount rate for each portfolio of similar leases. Discount rates are based on the incremental borrowing rate by currency, taking into account the specific economic conditions in each country. In addition, discount rates were determined based on remaining lease terms (rather than original terms).

Right-of-use assets are measured at an amount equal to that of lease liabilities, adjusted for lease payments made in advance or outstanding recognised in the balance sheet as well as any incentives received from lessors.

As a lessee, the Group rents certain equipment (primarily forklift trucks) under leases that were previously qualified as finance leases under IAS 17. In the case of such finance leases, the carrying amounts of the right-of-use asset and lease liability at 1 January 2019 were determined as being those of the underlying leased asset and the lease liability hitherto calculated under IAS 17.

As part of the transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities in the balance sheet (in addition to the existing finance leases at 31 December 2018). The transition impacts are summarised below.

(*In € million*)	**As of 1 January 2019**
Right-of-use assets recorded in "Property, plant and equipment"*	60.0
Lease liabilities recorded in current and non-current "Financial liabilities and derivatives"**	(60.4)
Balance sheet reclassification ***	0.4

** This item does not include assets under IAS 17 recognised in the amount of €1.7 million at 31 December 2018.*

*** This item does not include finance lease liabilities under IAS 17 recognised in the amount of €1.9 million at 31 December 2018.*

**** Reclassification of accrued expenses relating to the staggering of the rent-free period as a reduction in the value of the right-of-use asset, of which a €0.2 million impact on equity in the opening balance.*

To measure these lease liabilities on agreements previously classified as operating leases, the Group discounted the lease payments using the incremental borrowing rate at 1 January 2019. The weighted average rate was 4.02%.

The reconciliation between off balance sheet commitments relating to leases recorded in the financial statements at 31 December 2018 and lease liabilities under IFRS 16 is presented below:

(*In € million*)	**As of 1 January 2019**
Operating lease commitments as of 31 December 2018	46.7
Commitments to purchase services as of 31 December 2018*	3.2
Finance lease liabilities under IAS 17 as of 31 December 2018	1.9
Impact of optional periods not included in off-balance sheet commitments**	16.2
Discounting effect	(8.7)
Exemptions for low-value and short-term leases	(0.6)
Others	3.7
Lease liabilities as of 1 January 2019 under IFRS 16***	62.4

* Off balance sheet commitments recorded in the notes to the last annual financial statements (Note 23.1.2 - the "Non-cancellable purchase commitments/Services" line relating mainly to logistics platforms).

*** Mainly relating to warehouses in Italy.*

**** This item includes finance lease liabilities under IAS 17 recognised in the amount of €1.9 million at 31 December 2018.*

2.2.2 Impacts on the financial statements for 2019

On application of IFRS 16 to leases previously classified as operating leases, the Group recorded €52.3 million of right-of-use assets, €53.3 million of lease liabilities and €0.9 million of deferred tax assets at 31 December 2019.

Also with regard to these leases, the Group recognised depreciation costs and interest expenses instead of the rental expenses associated with operating leases. It thus recognised €18.8 million of depreciation costs and €2.1 million of interest expenses in respect of these leases.

The impact of IFRS 16 on information relating to operating segments is provided in Note 4.2 (Impact on adjusted EBITDA).

2.3 ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, Management relies on estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses, as well as the information presented in the notes. These estimates and assumptions are reviewed on a regular basis to ensure that they are reasonable in light of the Group's history, economic conditions and the information available to the Group. Actual results may differ from the estimates used. Major sources of estimation uncertainty may result in significant adjustments to the amounts of assets and liabilities in the subsequent year. Besides making use of estimates, the Group's Management must exercise judgement in selecting and/or applying the most appropriate accounting treatment for certain transactions and activities and in defining the terms of its application.

Management's main estimates and judgements in the preparation of these consolidated financial statements were as follows:

Management's main judgements and estimates	Note
Assessment of the recoverable value of goodwill and fixed assets	9 & 12
Recoverability of deferred tax assets	8
Measurement of provisions and other financial liabilities	18.1
Measurement of the value of rights-of-use and finance leases	2.4
Measurement of defined benefit obligations and plan assets	19.1
Measurement of put liabilities on non-controlling interests	18.2

2.4 VALUATION PRINCIPLES

The consolidated financial statements were prepared on a historical cost basis with the exception of:

- Certain financial assets and liabilities measured using the fair value model (Note 21);
- Defined benefit plan assets (Note 19.1).

ACCOUNTING PRINCIPLES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The methods used to measure the fair value of financial and non-financial assets and liabilities as defined above are classified according to the following three fair value levels:

- **Level 1:** fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** fair value measured using inputs other than quoted prices in active markets, which are observable either directly (price) or indirectly (price-derived data);
- **Level 3:** fair value inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.5 TRANSACTIONS IN FOREIGN CURRENCIES

ACCOUNTING PRINCIPLES

The Group's presentation currency is the euro, which is also the functional currency of the Group's parent company. Each Group entity determines its own functional currency, and all its financial transactions are then measured in that currency.

The financial statements of subsidiaries that have a functional currency other than the presentation currency are translated using the closing rate method:

- Assets and liabilities, including goodwill and fair value adjustments in the context of acquisition accounting, are translated into euros at the closing rate, i.e. the daily rate on the closing date;
- Statement of income and cash flow items are translated into euros at the average rate for the period, unless significant differences are recognised.

The resulting foreign currency translation differences are recognised in other comprehensive income, with a corresponding entry in the translation reserve in shareholders' equity. When a foreign entity is sold, the cumulative amount of foreign currency translation differences in equity relating to that entity is reclassified to profit or loss.

Transactions denominated in foreign currency are converted into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the closing rate, and the resulting translation differences are recognised in the statement of income in financial income or expense. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the day of the transaction.

Differences arising from the translation of borrowings, loans or advances that are substantially part of the net investment in a foreign entity are recognised in other comprehensive income, with a corresponding entry in the translation reserve in equity, and reclassified to profit or loss on disposal of the net investment.

Hyperinflation in Argentina

In 2018, Argentina was considered a "hyperinflationary" economy within the meaning of IFRS, rendering IAS 29 *Financial Reporting in Hyperinflationary Economies* applicable.

Accordingly, the Group has applied IAS 29 since 1 January 2018. Adoption of IAS 29 requires the restatement of the non-monetary assets and liabilities, equity and statement of income of the Group's Argentine subsidiary in order to reflect the change in the purchasing power of its functional currency. The gain or loss on the net monetary position is included in financial income or expense. Moreover, the financial information of the Group's Argentine subsidiary is converted into euros by applying the exchange rate prevailing on the closing date of the relevant period.

The cumulative foreign currency translation differences relating to the Argentine subsidiary at 1 January 2018 have been transferred to the reserve since that date. The Group will apply the final position adopted by the IASB's Interpretations Committee once it has been published.

The rates selected for the main currencies were as follows:

	2019		2018	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
Brazilian real (EUR/BRL)	4.5	4.41	4.43	4.31
Argentine peso (EUR/ARS)*	67.14	53.76	43.13	32.89
Russian rouble (EUR/RUB)	69.48	72.46	79.56	74.02
Ukranian hryvnia (EUR/UAH)	26.71	28.93	31.69	32.1

** In accordance with IAS 29, all financial information is translated at the closing rate for subsidiaries located in a country considered to be "hyperinflationary" (applicable to Argentina since 2018).*

NOTE 3 – CONSOLIDATION METHODS AND SCOPE OF CONSOLIDATION

ACCOUNTING PRINCIPLES

Basis of consolidation

The consolidated financial statements include the assets and liabilities, income and cash flows of the Company and its subsidiaries. All balances and reciprocal transactions between companies controlled by the Group are eliminated.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed or entitled to variable returns because of its relationship with the entity and has the ability to affect those returns because of the power it holds over it. The interests acquired in these entities are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which the control ceases to be exercised. See **Note 3.3** for more information on associated companies.

3.1 CHANGES IN THE SCOPE OF CONSOLIDATION

ACCOUNTING PRINCIPLES

Business combinations

Business combinations are accounted for in accordance with IFRS 3 *Business Combinations* using the acquisition method.

Goodwill corresponds to:

- the fair value of the consideration transferred; plus
- the amount recognised for any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of any pre-existing equity interest in the acquired company; less
- the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

When the difference is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration for the acquisition is measured at fair value, which is the sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred or assumed, and the equity securities issued in exchange for the acquisition of control of the acquired company. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at fair value. Subsequent changes in the fair value of the contingent consideration corresponding to debt instruments are recognised in profit or loss.

Acquisition-related costs are recorded as expenses when incurred and recognised in "Items related to acquisitions" in the consolidated statement of income.

At the acquisition date, the Group recognises identifiable assets acquired and liabilities assumed (identifiable net assets) in the subsidiary, based on their fair value at that date (with some exceptions). The assets and liabilities recognised may be adjusted for a maximum of 12 months from the acquisition date, based on new information gathered on the facts and circumstances existing at the acquisition date.

For business combinations resulting in less than a 100% interest, the non-controlling interest in the acquired company (i.e. any interest that gives its holders the right to a share of the net assets of the acquired company), as at the acquisition date, is measured:

- either at fair value, so that a portion of the goodwill recognised at the time of the combination is allocated to the non-controlling interest (the "full goodwill" method);
- or based on the share of the identifiable net assets of the acquired company, so that only goodwill attributable to the Group is recognised (the "partial goodwill" method).

The method applied is selected according to factors specific to each transaction.

In 2015, the Company, via its Verallia Packaging subsidiary, acquired substantially all the entities and operations of the Saint-Gobain Group's Packaging division; non-controlling interests acquired were measured according to the "partial goodwill" method.

Changes in equity interests (%) in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a gain or loss of control are accounted for as equity transactions – in other words, as transactions with shareholders acting in that capacity. The difference between the fair value of any consideration paid and the carrying amount of the share of the subsidiary's net assets acquired or disposed of is recorded in equity.

Commitments to purchase non-controlling interests

Commitments to purchase non-controlling interests result in the recognition in the financial statements of a liability in "Provisions and other non-current financial liabilities", which is the present value of the estimated exercise price of the put option on non-controlling interests, with a corresponding reduction in non-controlling interests and equity attributable to owners of the parent company for the balance, if any. Any subsequent change in the fair value of the liability is recognised through an adjustment to equity.

Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or group of assets through its sale rather than its use, the asset in question is presented separately on the "Assets held for sale" line in the statement of financial position in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Liabilities related to such assets, if any, are also presented on a separate line of the statement of financial position ("Liabilities related to assets held for sale").

Assets classified as such are measured at the lesser of the carrying amount or the fair value, less the cost of selling them. Assets classified as assets held for sale cease to be depreciated from the date they qualify for classification as assets held for sale.

A discontinued operation is either a component of the Group from which it has separated or an activity that is classified as held for sale and:

- which represents a separate major line of business or geographical area of operations; and
- is part of a single, coordinated plan to dispose of a separate line of business or geographical area of operations; or
- is an activity acquired exclusively for resale.

When an activity is classified as a discontinued operation, the comparative statement of income and statement of cash flows are restated as if the activity had met the criteria for an activity that was discontinued from the start of the comparative period.

In these financial statements, no non-current assets met the criteria for classification as assets held for sale and none of the businesses sold during the year met the criteria for classification as a discontinued operation.

ESTIMATES AND ASSUMPTIONS USED BY MANAGEMENT

Determination of the fair value of assets and liabilities at the acquisition date involves the Group making estimates using several methods with the help of independent valuation experts. These estimates are based on a number of assumptions and assessments.

The significant assumptions used to determine the allocation of fair value include the following valuation methods: the cost approach, the revenue approach and the market approach. These methods are based on cash flow projections and related discount rates, sector indices, market prices for replacement cost and comparable market transactions.

3.1.1 Changes in 2019

There were no significant changes to the consolidation scope other than the reorganisation measures taken relating to the initial public offering described in Note 1.2 “Highlights”.

3.1.2 Changes in 2018

3.1.2.1 Disposal of Alver

In May 2018, the disposal of the Group’s subsidiary in Algeria to a local industrialist was finalised for a token price of 600,000 dinars (approximately €4,000). This resulted in a loss of €3.6 million recognised in “Other operating income and expenses” in the year ended 31 December 2018, mainly relating to the reclassification of the translation reserve to profit or loss (**Note 6.2**). For the record, the subsidiary’s property, plant and equipment had been fully impaired in 2017 in the amount of €35 million (**Note 6.2**).

3.1.2.2 Disposal of IVN

On 26 October 2018, the Group finalised the sale of its stake in the associated company IVN (Brazilian company “Indústria Vidreira do Nordeste”). In 2018, a profit of €14 million was recorded as a result of this sale (**Note 18.1.5**).

3.2 LIST OF THE MAIN CONSOLIDATED COMPANIES

*As mentioned in Note 1.2 “Highlights”, the companies Horizon Holdings I and Horizon Holdings II were merged into Verallia SA on 7 October 2019.

Entity	Country	% interest as of 31 December		
		2019	2018	Consolidation method
Verallia SA	France	100.0%	100.0%	Parent Company
Horizon Holdings Germany	Germany	100.0%	97.1%	Full consolidation
Verallia Deutschland (ex SG Oberland Aktiengesellschaft)	Germany	100.0%	97.1%	Full consolidation
Rayen-Cura SAIC	Argentina	60.0%	58.2%	Full consolidation
Verallia Brasil (ex SG Vidros SA)	Brazil	100.0%	97.1%	Full consolidation
Inversiones Verallia Chile (ex Inversiones SG Chili)	Chile	100.0%	97.1%	Full consolidation
Verallia Chile (ex SG Envases)	Chile	100.0%	97.1%	Full consolidation
Horizon Holdings Vitrum Spain	Spain	100.0%	97.1%	Full consolidation
Verallia Spain (ex SG Vicasa)	Spain	99.9%	97.0%	Full consolidation
Etablissements René Salomon	France	100.0%	97.1%	Full consolidation
Everglass	France	100.0%	97.1%	Full consolidation
Horizon Holdings I	France	Merged*	100.0%	/
Horizon Holdings II	France	Merged*	100.0%	/
Saga Décor	France	100.0%	97.1%	Full consolidation
Société Charentaise de Décor	France	100.0%	97.1%	Full consolidation
Verallia France (ex SG Emballage)	France	100.0%	97.1%	Full consolidation
Verallia Packaging (Horizon Holdings III)	France	100.0%	97.1%	Full consolidation
VOA Verrerie d’Albi	France	100.0%	97.1%	Full consolidation
Verallia Italia (ex Saint-Gobain Vetri Spa)	Italy	100.0%	97.1%	Full consolidation
Verallia Polska (ex Euroverlux Sp. Z.o.o)	Poland	100.0%	97.1%	Full consolidation
Verallia Portugal (ex SG Mondego SA)	Portugal	99.9%	97.0%	Full consolidation
Kavminsteklo Zao	Russia	98.6%	95.8%	Full consolidation
Zao Kamyshinsky Steklotarny ZA	Russia	96.5%	92.8%	Full consolidation
Verallia Ukraine (ex Consumers SKLO Zorya)	Ukraine	100.0%	93.9%	Full consolidation

**As mentioned in Note 1.2 “Highlights”, the companies Horizon Holdings I and Horizon Holdings II were merged into Verallia SA on 7 October 2019.*

3.3 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

ACCOUNTING PRINCIPLES

Associates

Associated companies are companies over which the Group exercises significant influence, i.e. the power to participate in financial and operating policy decisions, without exercising control or joint control over such policies. They are recognised in the consolidated financial statements using the equity method.

Equity method

Under the equity method, an investment in an associate must initially be recognised at the acquisition cost and then adjusted based on the Group’s share of the profit or loss and, where applicable, other comprehensive income of the associated company as well as dividends. Goodwill is included in the carrying amount of the investment. Any losses or reversals of the value of investments and any gains or losses on the sale of investments in companies accounted for under the equity method are presented under “Share of net income of associates” in the statement of income.

Gains from transactions with equity-accounted entities are eliminated via a corresponding entry of equity-accounted securities in proportion to the Group's interest in the company. Losses are eliminated in the same way as gains, but only insofar as they are not indicative of impairment.

The Group holds several interests in associates, none of which is of a significant size individually:

Entity	Country	Main % interest as of 31 December		
		2019	2018	Consolidation method
Vetreco SRL	Italy	40.00%	39.08%	Equity method
Cogeneradores	Spain	25.75%	25.19%	Equity method

Changes in investments in associates break down as follows:

The table below presents the main financial information concerning associated investments (presented at 100%):

(in € million)	**Year ended 31 December**	
	2019	**2018**
Opening		
Gross amount	0.6	5.6
Impairment	0.0	0.0
Investments in associates – Net amount	**0.6**	**5.6**
Changes during the year		
Translation differences	0.0	0.0
Transfers, share issues and other movements	0.7	(3.3)
Dividend paid	0.0	0.0
Share of profit (loss) of associates	(0.7)	(1.7)
Total changes	**0.0**	**(5.0)**
Closing		
Gross amount	0.6	0.6
Impairment	0.0	0.0
Investments in associates – Net amount	**0.6**	**0.6**

The table below presents the main financial information concerning associated investments (presented at 100%)

(*in € million*)	Year ended 31 December	
	2019	**2018**
Equity	(1.6)	(1.3)
Total assets	39.7	39.2
Total revenue	48.3	42.5
Net profit (loss) for the year	(0.5)	(1.7)

NOTE 4 – SEGMENT INFORMATION

ACCOUNTING PRINCIPLES

Definition of operating segments

In accordance with IFRS 8 *Operating Segments*, segment reporting must reflect the operating segments for which results are regularly reviewed by the chief operating decision-maker (CODM) in order to make decisions about resources to be allocated to the segments and to assess their performance.

4.1 BASIS FOR SEGMENTATION

In accordance with the provisions of IFRS 8 Operating Segments, the Group has identified the following 3 operating segments corresponding to the geographical areas in which the assets are located:

- **Southern and Western Europe** including production sites located in France, Italy, Spain, Portugal and Algeria (until May 2018). Verallia's operations in this region are focused mainly on bottles of still and semi-sparkling wines and spirits containers, market segments characterised by export-driven growth.

- **Northern and Eastern Europe** including sites located in Germany, Russia, Poland and Ukraine. The Group's activities in Northern and Eastern Europe are focused mainly on beer bottles, particularly in Germany, as well as food jars and bottles, largely for local markets.

- **Latin America** including sites located in Brazil, Argentina and Chile. The Group's activities in Latin America are focused mainly on bottles for still wines, a market segment dominated by exports, as well as beer bottles, particularly in Brazil.

The above operating segments correspond to reporting segments in the absence of their consolidation by the Group.

This sector breakdown reflects the Group's management organisation set up at the time of the initial public offering and its internal reporting system as submitted to the Board of Directors, Verallia's chief operating decision-maker ("CODM"). This reporting method makes it possible to assess the performance of the operating segments, based on adjusted EBITDA, and to decide on the allocation of resources, particularly investments.

4.2 KEY PERFORMANCE INDICATORS

The Group uses the following aggregates to assess the performance of the operating segments presented:

- revenue, corresponding to the revenue presented in the consolidated financial statements.

- capital expenditure, corresponding to the Group's acquisitions of property, plant and equipment and intangible assets.

- adjusted EBITDA, an indicator for monitoring the underlying performance of businesses adjusted for certain expenses and/or non-recurring items liable to distort the company's performance.

Adjusted EBITDA is calculated based on operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, subsidiary disposal-related effects and contingencies, plant closure costs and other items.

As it is an aggregate not directly presented in the consolidated statement of income, a reconciliation with the consolidated financial statements prepared under IFRS is presented in accordance with the provisions of IFRS 8:

(*in € million*)	**Note**	**Year ended 31 December**	
		2019	**2018**
Net profit (loss) for the year		**124.6**	**48.5**
Net financial income		115.9	146.8
Income tax		53.8	24.2
Share of net profit (loss) of associates		0.7	1.7
Operating profit		**295.1**	**221.2**
Depreciation, amortisation and impairment	**A**	283.5	298.2
Restructuring costs	**B**	2.9	7.2
Acquisition and M&A costs	**C**	(2.1)	0.2
IAS 29, *Hyperinflation* (Argentina)		1.6	2.5
Management share ownership plan and associated costs	**D**	11.5	5.7
Disposal and subsidiary risks	**E**	0.0	(8.8)
closure of Sao Paulo plant	**F**	2.4	11.4
Other	**G**	20.3	5.8
Adjusted EBITDA		**615.2**	**543.3**

A. Includes depreciation and amortisation of intangible assets and property, plant and equipment (**Note 5.2**), amortisation of intangible assets acquired through business combinations (**Note 6.1**) and depreciation of property, plant and equipment (**Note 6.2**).

B. Corresponds to restructuring costs (**Note 6.2**).

C. Corresponds to acquisition and M&A costs (Note 6.1). In 2019, this mainly includes the reversal of a provision for accrued RETT expenses recognised as part of the acquisition of the Packaging division from Compagnie de Saint-Gobain in 2015.

D. Corresponds to share-based compensation plans (**Notes 5.2 and 19.3**).

E. Corresponds mainly to the effects relating to the disposals of IVN and Alver in 2018 (**Notes 6.2**).

F. Corresponds to the closure of the Sao Paulo plant (Brazil), and in 2018 includes the associated restructuring expenses.

G. Corresponds in 2019

- to the impact in France of past service costs following changes to the national collective agreement covering glass machine manufacturing industries in the amount of €7 million.

- to IPO costs in the amount of €10.3 million.

Note that the Group does not monitor any segment liability indicator as financial debt is managed centrally and not at the level of the three reporting segments.

4.3 SEGMENT INFORMATION

(in € million)	Note	Year ended 31 December 2019				
		Northern and Eastern Europe	**Southern and Western Europe**	**Latin America**	**Eliminations**	**Group Total**
Revenue from activities with external customers	5.1	567.6	1 753.7	264.6	0.0	**2 585.9**
Inter-segment revenue		12.7	2.5	0.0	(15.2))	**0.0**
Total segment revenue		**580.3**	**1 756.2**	**264.6**	**(15.2)**	**2 585.9**
Adjusted EBITDA	**4.2**	**124.9**	**411.5**	**78.8**	**0.0**	**615.2**
o/w impact of IFRS 16		**2.4**	**16.6**	**1.2**	**0.0**	**20.2**
Capital expenditure		**41.2**	**166.8**	**44.5**	**0.0**	**252.5**

*Excluding rights of use under IFRS 16

(in € million)	Note	Year ended 31 December 2018				
		Northern and Eastern Europe	**Southern and Western Europe**	**Latin America**	**Eliminations**	**Group Total**
Revenue from activities with external customers	5.1	520.9	1 648.9	246.0	0.0	**2 415.8**
Inter-segment revenue		14.1	42.8	1.0	(57.9)	**0.0**
Total segment revenue		**535.0**	**1 691.7**	**247.0**	**(57.9)**	**2 415.8**
Adjusted EBITDA	**4.2**	**110.2**	**356.5**	**76.7**	**0.0**	**543.3**
Capital expenditure		**34.3**	**137.1**	**53.6**	**0.0**	**225.0**

4.4 BREAKDOWN OF REVENUE BY "END MARKET"

In accordance with IFRS 8.32, the Group presents below a breakdown of revenue according to expected uses of glass packaging (notion of "end market" as defined internally):

(*in € million*)	**Year ended 31 December**	
	2018	**2018**
Still wines	838.8	799.7
Sparkling wines	307.5	287.8
Spirits	318.6	290.0
Beers	328.5	289.1
Food	425.7	404.9
Soft drinks	300.3	275.7
Other	66.5	68.6
Revenue	**2 585.9**	**2 415.8**

4.5 ENTITY-LEVEL INFORMATION

In accordance with IFRS 8.33, revenue generated in France and internationally is presented in **Note 5.1.1**.

Moreover, the geographical breakdown of non-current assets other than goodwill, customer relationships and fair value adjustments to property, plant and equipment, as well as financial instruments, deferred tax assets and post-employment benefit assets, is presented below.

(*in € million*)	**Year ended 31 December**	
	2019	**2018**
France	288.7	300.2
Italy	330.2	273.5
Spain	198.7	178.5
Germany	190.7	186.6
Other countries	285.7	253.5
Total	**1 294.0**	**1 192.3**

The Group does not monitor customer relationships by country so they were excluded from the analysis of non-current assets by country.

4.6 INFORMATION ABOUT THE MAIN CUSTOMERS

None of the Group's customers individually accounted for more than 10% of revenue in 2019 or 2018.

NOTE 5 – OPERATING INCOME AND EXPENSES

5.1 REVENUE

ACCOUNTING PRINCIPLES

Verallia's operations mainly concern the manufacture of glass packaging for beverages and food products (bottles and jars).

In accordance with commercial practices and norms in the Group's markets, commercial agreements with customers generally do not involve a commitment in respect of purchase volumes or significant penalties in the event of cancellation. In addition, no significant initial lump sum payments are made. Thus, each order combined with a possible framework agreement represents a contract within the meaning of IFRS 15. Contracts generally run for less than one year and so, under the terms of IFRS 15, the order book is not presented. The costs of obtaining contracts are not material.

Each agreement contains a performance obligation corresponding to the delivery of bottles and jars. The revenue generated from the sale of bottles and jars is recognised when the control of the asset is transferred to the customer, i.e. when the product is shipped or delivered, according to the incoterms.

In its operations, the Group does not resort to any intermediaries when selling goods to its customers other than transport services. As a result, agent/principal analysis is not relevant.

Revenue is the amount receivable for goods provided in the normal course of business, excluding amounts collected on behalf of third parties, such as sales taxes, goods and services taxes, and value added taxes.

Moulds are recognised as property, plant and equipment insofar as their purchase does not constitute a separate performance obligation (no transfer of control to customers).

Contracts have no funding component since the time between revenue recognition and payment is generally short. As a result, the Group does not adjust the transaction price based on the time value of money. Moreover, contract assets and liabilities are not significant.

5.1.1 Revenue by country of origin

(*in € million*)	Year ended 31 December	
	2019	2018
France	760.0	718.9
Italy	514.5	481.0
Spain	388.7	356.2
Germany	407.3	385.0
Other countries	514.4	474.7
Total revenue	**2 585.9**	**2 415.8**

The country of origin is the location of the entity invoicing the sales.

5.2 EXPENSES BY FUNCTION AND BY NATURE

ACCOUNTING PRINCIPLES

Cost of sales

Cost of sales includes all costs directly or indirectly related to the products sold. The main components are the cost of raw materials, energy, wages and transport, and the depreciation of production equipment.

Selling, general and administrative expense

Selling, general and administrative expense includes all expenses relating to general management, marketing, finance and accounting, computer, legal, human resources, technical, and research and development activities.

The breakdown of cost of sales and selling, general and administrative expense by type of expense is as follows:

(*in € million*)	Note	Year ended 31 December	
		2019	**2018**
Raw materials, energy, transport and other productions costs		(1 506.8)	(1 410.3)
Personnel expenses	**A**	(485.1)	(477.0)
Depreciation and amortisation	**B**	(222.5)	(230.6)
Total cost of sales and selling, general and administrative expenses	**C**	**(2 214.4)**	**(2 117.9)**

A. Personnel expenses include:

- €10.5 million in 2019 and €4.5 million in 2018 in respect of costs relating to post-employment benefits (**Notes 19.1 and 19.2**).
- €11.5 million in 2019 and €5.7 million in 2018 in respect of costs relating to share-based compensation plans (**Note 19.3**).

B. Includes amortisation of intangible assets and property, plant and equipment (Notes 10 and 11), with the exception of customer relationships which are recognised in "Acquisition-related items".

C. Includes research and development expenses of €4.9 million in 2019 and €5.1 million in 2018.

NOTE 6 - OTHER OPERATING INCOME AND EXPENSES

6.1 ACQUISITION-RELATED ITEMS

ACCOUNTING PRINCIPLES

Acquisition-related items mainly cover the impact of the adjustments recognised in connection with the purchase price allocation (amortisation of assets exclusively recognised through business combinations, such as customer relationships), as well as acquisition costs including miscellaneous fees and due diligence costs in connection with actual or prospective acquisitions. These items are presented separately from "selling, general and administrative expenses" on account of their materiality.

(*in € million*)	**Note**	**Year ended 31 December**	
		2019	**2018**
Acquisition and M&A costs	**A**	2.1	(0.2)
Amortisation of intangible assets acquired through business combinations	**B**	(61.5)	(61.6)
Acquisition-related items	**C**	**(59.4)**	**(61.8)**

A. The "Acquisition and M&A costs" line consists primarily of the reversal of the provision (€2.1 million) for German real estate transfer tax (RETT) relating to the acquisition made in 2015.

B. Represents the amortisation of customer relationships (original gross amount of €740 million) over a 12-year useful life.

6.2 OTHER OPERATING INCOME AND EXPENSES

ACCOUNTING PRINCIPLES

Other operating income and expenses reflect significant events occurring during the period that may distort the reading of the company's performance. They mainly include gains and losses on disposals, impairment losses, significant litigation outside the normal course of business, restructuring costs incurred upon the disposal or closure of operations, and costs in relation to downsizing measures.

Other operating income and expenses break down as follows:

(*in € million*)	**Note**	**Year ended 31 December**	
		2019	**2018**
Gains on disposals of assets	**A**	3.2	0.6
Reversals of asset impairment	**B**	1.3	13.6
Other income		**4.5**	**14.2**
Restructuring costs	**C**	(2.9)	(10.7)
Losses of disposals of assets and scrapped assets		(1.9)	(7.2)
Impairment of assets	**C**	(2.0)	(10.3)
Others	**D**	(14.7)	(0.9)
Other expenses		**(21.5)**	**(29.1)**
Other expenses - net		**(17.0)**	**(14.9)**

A. At 31 December 2019, gains from asset disposals mainly concerned insurance refunds received relating to asset claims.

B. In 2018: mainly relating to the sale of Brazilian associate IVN, which resulted in the reversal of a loan impairment recorded in 2016 (Note 18.1.5).

C. In 2018: mainly relating to the costs of closing the Sao Paolo plant in Brazil.

D. For financial year 2019, “Others” corresponds mainly to €10.3 million of IPO costs.

NOTE 7 – FINANCIAL INCOME AND EXPENSE

ACCOUNTING PRINCIPLES

Financial income and expense mainly includes interest expense on borrowings, accretion of financial assets and provisions, financial expense related to pension plans and other post-employment benefits, factoring fees, bank charges, changes in the fair value of derivative instruments not designated as hedging instruments, and unrealised and realised foreign exchange gains and losses. It also includes interest on finance leases for financial year 2018 along with interest on lease liabilities determined in accordance with IFRS 16 for all leases (excluding exemptions) for financial year 2019.

Financial income is mainly comprised of cash and cash equivalents.

(*in € million*)	Notes	Year ended 31 December	
		2019	**2018**
Interest expense excluding lease liabilities	**A**	(73.5)	(96.1)
Interest expense related to lease liabilities		(2.1)	-
Amortisation of debt issuance costs, and other	**B**	(18.2)	(21.4)
Other debt-related gains and losses	**C**	3.1	3.5
Financial income from cash and cash equivalents		9.3	9.4
Cost of net debt*		**(81.4)**	**(104.6)**
Refinancing costs	**D**	(23.0)	(31.0)
Foreign exchange gains and losses	**E**	(0.2)	(4.3)
Net interest expense related to pension plans and other benefits	**19.1**	(1.8)	(1.8)
Profit (loss) on net monetary position in Argentina (IAS 29)	**2.5**	(9.5)	(5.0)
Net financial income (expense)		**(115.9)**	**(146.8)**

* The cost of net debt includes the amount of interest expense (including interest on finance leases in 2018 and interest on lease liabilities under IFRS 16 in 2019), the amortisation of debt issuance costs, factoring fees, other bank charges, other debt-related gains and losses and financial income on cash deposits, but does not include refinancing costs.

The main items of financial income and expense are attributable to:

A. interest expenses on borrowings (Note 17). This item decreased largely because of refinancing deals in the second half of financial year 2018 and the refinancing arranged on very attractive terms at the time of the initial public offering, which greatly reduced net financial expenses.

B. the amortisation of funding costs and debt issuance premiums, as well as factoring fees and other bank charges,

C. the amortisation under IFRS of the fair value of the floor,

D. the accelerated amortisation of debt issuance costs relating to repaid borrowings,

E. the foreign exchange impact of foreign currency borrowings and the effects of variations in foreign exchange derivatives.

NOTE 8 – INCOME TAX

ACCOUNTING PRINCIPLES

Income tax expense represents the sum of current tax and deferred tax.

Tax expense is calculated based on the tax laws in force or substantively in force as of the reporting date in the countries where the Company and its subsidiaries operate.

The amount of current tax payable (or recoverable) is determined based on the best estimate of the amount of tax that the Group expects to pay (or recover) and reflecting any potential associated uncertainties.

The Group is subject to income tax in France, Spain, Germany, Italy and several other jurisdictions.

Current tax and deferred tax are recognised in profit or loss unless they relate to items that have been recognised in other comprehensive income or directly in equity. If current tax or deferred tax arises from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

Deferred tax assets and liabilities are recognised on the basis of temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their respective tax values (with some exceptions).

The impact of a change in tax rates and tax laws on deferred income tax assets and liabilities is generally recognised as tax income/expense over the period that the change was substantively in effect. Deferred tax assets and liabilities are measured at the expected tax rates for the period of realisation of the asset or settlement of the liability, based on tax rates and tax laws prevailing or substantively in force on the reporting date.

Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits only if it is probable that the Group will have sufficient future taxable profits against which they can be used. They are reviewed at each reporting date and are impaired if it no longer appears likely that sufficient future taxable income will be available. To determine whether deferred tax assets should be recognised in respect of tax loss carryforwards, the Group applies various criteria that take into account the likely recovery period based on economic projections and the strategy for recovering tax losses over the long term applied in each country.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

Management's judgement is necessary to determine the extent to which tax losses can be recovered by the Group, resulting in the recognition of a deferred tax asset. In assessing the recognition of deferred tax assets, Management considers whether it is more likely than not that they will be used. Ultimately, deferred tax assets will be used if sufficient taxable income is available during the periods in which the temporary differences become deductible. Estimates of taxable profit and the use of tax loss carryforwards are based on the earnings forecast in the budget, the medium-term plan and, if necessary, supplementary estimates.

8.1 INCOME TAX

The table below shows the breakdown of income tax expense:

(in € million)	Year ended 31 December	
	2019	**2018**
France	(8.2)	(6.1)
Outside France	(62.8)	(51.6)
Current tax	**(71.0)**	**(57.8)**
France	13.0	24.3
Outside France	4.2	9.4
Deferred tax	**17.2**	**33.5**
Total income tax	**(53.8)**	**(24.2)**

8.2 ANALYSIS OF DEFERRED TAXES ON THE BALANCE SHEET

In the consolidated balance sheet, changes in net deferred taxes are as follows:

(in € million)	Year ended 31 December	
	2019	**2018**
Opening	**(149.0)**	**(180.9)**
Recognised in profit or loss	17.2	33.5
Recognised in equity	7.8	5.4
Other movements	(0.3)	(7.0)
Closing	**(124.3)**	**(149.0)**

The table below shows net deferred taxes by type:

(in € million)	Year ended 31 December	
	2019	**2018**
Deferred tax assets	42.3	43.6
Deferred tax liabilities	(166.6)	(192.6)
Net deferred tax	**(124.3)**	**(149.0)**
Pensions	19.7	15.9
Depreciation and amortisation, accelerated amortisation and regulated provisions	(206.7)	(225.6)
Tax loss carryforwards	34.5	35.4
Other	28.2	25.3
Total	**(124.3)**	**(149.0)**

At 31 December 2019, the deferred tax losses carried forward recognised as assets were generated mainly by the French tax group in the amount of €31.6 million (€31 million at 31 December 2018). These tax losses can be carried forward indefinitely. The Group's business plans indicate that it will be possible to use the tax loss carryforwards as from financial year 2020 for a period of approximately 3 years.

Taking into account the improved prospect of generating taxable earnings in the short term in Russia, deferred tax assets were recognised for a portion of the tax losses. Unrecognised deferred tax assets mainly concern Chile and Russia in a total amount of approximately €15.7 million (€15 million at 31 December 2018).

8.3 TAX PROOF

The reconciliation between the income tax shown in the consolidated statement of income and the theoretical tax that would be incurred based on the rate prevailing in the country where the parent company of the Group (France) resides is as follows:

(*in € million*)	**Notes**	**Year ended 31 December**	
		2019	**2018**
Profit (loss) before tax		**179.2**	**74.4**
Tax rate in France (%)		34.43%	34.43%
Theoretical tax expense		*(61.7)*	*(25.6)*
Difference in tax rates between countries	A	13.5	8.5
Deferred tax assets		1.6	0.3
Permanent differences	B	2.9	1.1
Tax credit		-	1.0
Tax not levied on taxable profits	C	(8.6)	(8.4)
Impact of changes in local tax rates		-	(0.1)
Withholding tax		(2.1)	(1.5)
Other		0.6	0.4
Total income tax		**(53.8)**	**(24.2)**

A. This item corresponds mainly to improved earnings generation at subsidiaries with lower tax rates.

B. Permanent differences consist mainly of the consolidation of net financial expenses on borrowings.

C. These taxes mainly include the CVAE tax in France and IRAP tax in Italy.

8.4 TAX CONSOLIDATION

The calculation of income tax expense takes into account the specific local rules applicable to Verallia entities, including the tax consolidation adopted by Verallia in France and Spain, and in Germany under the Organschaft rules.

In France, Verallia SA is the head of the French tax group.

8.5 UNCERTAINTY REGARDING TAX TREATMENT

Non-current liabilities relating to uncertain tax positions include risk estimations, litigation and disputes, be they actual or probable, regarding the calculation of income tax. Any of the Group's entities may be subject to a tax audit or even be asked by the local tax authorities to make adjustments. These requested adjustments along with any uncertain tax positions identified by the Group give rise to the recognition of a liability, the amount of which is reviewed regularly in accordance with the criteria set out in the IFRIC 23 interpretation Uncertain tax positions.

Following application of IFRIC 23, tax risk provisions were reclassified to current tax liabilities in the amount of €9.5 million at 1 January 2019. These provisions amounted to €7.8 million at 31 December

2019 and mainly concerned notifications of income tax adjustments received from the tax authorities. No other material uncertainty regarding tax treatment was identified.

NOTE 9 – GOODWILL

ACCOUNTING PRINCIPLES

At the acquisition date, goodwill is measured in accordance with the accounting standards applicable to business combinations, as described in **Note 3.1**.

For the purposes of impairment testing (**Note 12**), goodwill is allocated to the cash-generating unit (or groups of cash-generating units) benefiting from the synergies of the business combination, depending on the level at which the return on investments is monitored for internal management purposes. A Cash Generating Unit (CGU) is the smallest identifiable group of assets generating cash inflows that are largely independent of those generated by the entity's other assets. CGUs are defined on the basis of industrial organisation and correspond to countries.

In view of the Group's activities, goodwill is tested at the level of groups of CGUs corresponding to the Group's operating segments (**Note 4**).

Goodwill is not amortised, but it is tested for impairment at each year-end or whenever events or changes in circumstances indicate that it may be impaired.

Impairment losses affecting goodwill cannot be reversed. The methods applied by the Group to perform the impairment tests are described in **Note 12**.

The change in the net value of goodwill is as follows:

(*in € million*)	**Northern and Eastern Europe**	**Southern and Western Europe**	**Latin America**	**Total**
As of 31 December 2018				
Gross amount	99.8	378.5	73.7	552.0
Net amount	**99.8**	**378.5**	**73.7**	**552.0**
Changes during the year				
Translation differences	-	-	(1.1)	(1.1)
Total changes	**-**	**-**	**(1.1)**	**(1.1)**
As of 31 December 2019				
Gross amount	99.8	378.5	72.6	550.9
Net amount	**99.8**	**378.5**	**72.6**	**550.9**

NOTE 10 – OTHER INTANGIBLE ASSETS

ACCOUNTING PRINCIPLES

Other intangible assets mainly include customer relationships, patents, trademarks, software and development costs. They are carried at historical cost less accumulated amortisation and depreciation. Intangible assets acquired in a business combination are recorded at fair value at the acquisition date.

Customer relationships are measured using the multi-period excess earnings method, in accordance with IFRS 13 *Fair Value Measurement*. The useful life of customer relationships is estimated based on the period during which the economic benefits of the asset are consumed. Customer relationships identified during the acquisition of Saint-Gobain's glass packaging division in 2015 are being amortised on a straight-line basis over an estimated useful life of 12 years.

Costs incurred for in-house software development – mainly configuration, programming and testing costs – are recognised as intangible assets and are generally amortised over a period of 5 years.

Patents and purchased computer software are amortised over their estimated useful lives, not exceeding a period of 20 years for patents and 3 to 5 years for software.

Research costs are expensed in the year in which they are incurred. Process development costs meeting the recognition criteria of IAS 38 are included in intangible assets and amortised over their estimated useful lives (not exceeding 5 years) from the date of first sale of the products to which they relate.

Other intangible assets break down as follows:

(in € million)	**Customer relationships**	**Software**	**Other**	**Total**
As of 31 December 2018				
Gross amount	739.8	21.5	6.4	767.7
Cumulative amortisation and impairment	(196.8)	(10.8)	(0.8)	(208.4)
Net amount	**543.0**	**10.7**	**5.6**	**559.3**
Changes during the year				
Changes in scope and transfers	-	2.3	(2.1)	0.2
Acquisitions	-	0.5	5.7	6.2
Disposals	-	-	(0.4)	(0.4)
Translation differences	0.6	--	-	(0.6)
Amortisation and impairment	(61.5)	(3.5)	(0.5)	(65.5)
Total changes	**(62.1)**	**(0.7)**	**2.7**	**(60.1)**
As of 31 December 2019				
Gross amount	739.2	24.3	9.6	773.1
Amortisation and impairment	(258.3)	(14.3)	(1.3)	(273.9)
Net amount	**480.9**	**10.0**	**8.3**	**499.2**

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLES

- Property, plant and equipment

Property, plant and equipment is recorded at historical cost less accumulated depreciation and impairment. This cost includes incidental expenses directly attributable to the acquisition. Property, plant and equipment acquired in a business combination is carried at its fair value on the acquisition date. Borrowing costs incurred for the construction and acquisition of property, plant and equipment requiring a long period of preparation before it can be used are included in the cost of the associated asset. Property, plant and equipment other than land is depreciated using the component approach in the straight-line method over the estimated useful lives of:

Main plants and office buildings	30-40 years
Other buildings	15-25 years
Machinery and other production equipment	5-16 years
Vehicles	3-5 years
Furniture, accessories, computer and office equipment	4-16 years

Equipment notably includes the moulds used in the product manufacturing process. They are depreciated on the basis of "beaten costs", i.e. production units.

Government grants for purchases of property, plant and equipment are recognised as deferred income under "Other current liabilities" and recorded in the statement of income as the asset is amortised.

- **Leases**

Principles applicable starting from 1 January 2019

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

So it was decided that certain logistics management contracts including materials handling and inventory management services as well as the rental of sites dedicated to Verallia contain a lease component in that the dedicated site corresponds to an identified asset, the Group obtains substantially all the economic benefits generated by this asset and it has the right to control the use of the dedicated site.

The Group records a right-of-use asset and a lease liability on the lease's start date. The right-of-use asset is initially measured at cost then, subsequently, at cost less any cumulative depreciation and any cumulative impairment losses. The amount may be adjusted according to any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments outstanding at the lease's start date. The discount rate applied corresponds to the interest rate implicit in the agreement or, if that rate cannot be readily determined, at the incremental borrowing rate (based on terms and not maturities). It is the latter that the Group generally applies as its discount rate.

The lease liability is subsequently increased by the interest expense and reduced by the amount of rent paid. It is remeasured in the event of an amendment to future lease payments resulting from a change in an index or rate used to determine those payments, a new estimate of the amounts expected to be paid under a residual value guarantee or, where applicable, a remeasurement on the exercise of an option to purchase the underlying asset or extend the lease term or on the non-exercise of a termination option (which thus become reasonably certain).

The Group has opted to analyse assets and liabilities together in order to determine its deferred taxes. A deferred tax liability was thus recognised for the net amount of taxable and deductible temporary differences.

The Group's main leases cover warehouses, offices, forklift trucks and other industrial equipment, and vehicles, with the Group owning substantially all its property, plant and equipment. They are essentially fixed-rent agreements (possibly with index clauses).

Lease terms for warehouses and offices vary by country.

The Group takes the following into account when assessing the reasonable certainty of renewal or termination options being exercised:

- the financial conditions for the optional periods (attractive rents),
- with regard to property, their location (strategically located near Group factories and/or client sites) and any alterations made to the fittings,
- in some cases, the Group's operational plans and their impact on the use of a leased property.

For equipment and vehicles, lease terms generally range from 3 to 6 years.

Principles applicable before 1 January 2019

In determining whether an agreement is, or contains, a lease, the substance of the agreement needs to be established along with the extent to which its operation depends on the use of an asset or specific assets, and if the agreement confers the right to use the asset in question.

In accordance with IAS 17, leases of property, plant and equipment under which substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. The relevant assets are then capitalised at the start of the agreement at the present value of the minimum lease payments or the fair value of the leased assets, whichever is lower. The asset is depreciated over its useful life or over the life of the agreement, whichever is shorter. Finance lease obligations, net of finance costs covering future periods, are recorded as liabilities. Lease liabilities are then measured at amortised cost using the effective interest rate method.

Leases in which substantially all the risks and rewards of ownership are borne by the lessor are classified as operating leases. Rents are recognised in the statement of income on a straight-line basis over the term of the lease.

Property, plant and equipment break down as follows:

(*in € million*)	Note	Year ended December 31, 2019	January 1st, 2019
Assets owned	**A**	1 247.0	1 197.8
Assets leased	**B**	52.3	61.7
Property, plant and equipment		**1 299.3**	**1 259.5**

A. The property, plant and equipment owned by the Group break down as follows:

(*in € million*)	Land	Buildings	Machinery and equipment	Assets in progress	Total
As of 31 December 2018					
Gross amount	64.7	222.4	1 485.4	151.7	1 924.2
Cumulative amortisation and impairment	(0.8)	(67.0)	(654.4)	(2.5)	(724.7)
Net amount	**63.9**	**155.4**	**831.0**	**149.2**	**1 199.5**
Reclassification IAS 17					
Gross amount	-	(3.2)	(5.7)	-	(8.9)
Cumulative amortisation and impairment	-	3.2	4.0	-	7.2
Net amount	**-**	**-**	**(1.7)**	**-**	**(1.7)**
As of 1 January 2019					
Gross amount	64.7	219.2	1 479.7	151.7	1 915.32
Cumulative amortisation and impairment	(0.8)	(63.8)	(650.4)	(2.5)	(717.5)
Net amount	**63.9**	**155.4**	**829.3**	**149.2**	**1 197.8**
Changes during the period					
Changes in scope and other	0.5	(0.6)	0.1	-	-
Acquisitions	-	2.7	40.2	203.3	246.2
IAS 29, Hyperinflation	0.5	5.7	8.2	(1.8)	12.6
Disposals	-	(1.6)	(0.8)	-	(2.4)
Translation differences	(0.1)	(3.8)	(2.3)	(2.3)	(8.5)
Depreciation and impairment	(0.1)	(16.7)	(182.1)	-	(198.9)
Transfers	0.1	34.5	180.9	(215.5)	-
Total changes	**0.9**	**20.2**	**44.2**	**(16.3)**	**49.0**
As of 31 December 2019					
Gross amount	65.8	259.3	1 706.0	135.5	2 166.6
Cumulative depreciation and impairment	(0.9)	(83.7)	(832.5)	(2.5)	(919.6)
Net amount	**64.9**	**175.6**	**873.5**	**133.0**	**1 247.0**

B. Rights of use break down as follows:

(*in € million*)	Buildings	Machinery and equipment	Other	Total
Net carrying amount as of 1 January 2019	**49.1**	**12.6**	**-**	**61.7**
Additions during the period	2.3	8.6	-	10.9
Reductions during the period	(0.7)	(0.7)	-	(1.4)
Depreciation during the period	(11.2)	(7.6)	-	(18.8)
Net carrying amount as of 31 December 2019	**39.4**	**12.9**	**-**	**52.3**

NOTE 12 – IMPAIRMENT OF GOODWILL AND FIXED ASSETS

The carrying amounts of goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually and whenever events or changes in circumstances indicate that they may be impaired. Other fixed assets are tested for impairment whenever events or changes in circumstances indicate that they may be impaired. Such events or situations are related to material and adverse changes affecting the economic environment and the assumptions or objectives identified at the time of acquisition.

Fixed assets are tested at the level of the corresponding CGUs in general in the respective countries.

Goodwill is tested at the level of groups of CGUs corresponding to the various operating segments, i.e. Southern and Western Europe, Northern and Eastern Europe, and Latin America. The breakdown of goodwill generated at the time of the acquisition of Compagnie de Saint-Gobain's packaging activities in 2015 was based on the contribution of each group of CGUs to EBITDA.

When the carrying amount of CGUs or groups of CGUs exceeds their recoverable amount, an impairment loss is recognised and allocated first to the carrying amount of any goodwill allocated to groups of CGUs.

The recoverable amount of the CGUs or groups of CGUs is the greater of the fair value net of exit costs and the value in use, which is measured against anticipated future discounted cash flow projections.

Impairment losses recorded against goodwill cannot be reversed through profit or loss. For property, plant and equipment and other intangible assets, impairments recognised in previous periods may be reversed, taking into account the depreciation adjustment, if there is an indication that the loss of value no longer exists and that the recoverable amount of the asset is greater than its carrying amount.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

The assumptions, judgements and estimates on which the impairment tests are based are the main assumptions used to estimate the recoverable amounts in the calculation of the value in use (discount rate, perpetual growth rate, cash flow projections), all of which depend on an assessment of the economic and financial environment.

At 31 December 2019 and 2018, the recoverable amount of the groups of CGUs was determined on the basis of value in use. No goodwill impairment was recognised in financial years 2019 or 2018.

Cash flow projections

Projections of future cash flows correspond to the budget for the coming year, the strategic plan for the following 2 years and an extrapolation for the fourth and fifth years.

The Group uses a number of macroeconomic assumptions to determine its cash flows: exchange rates, GDP growth, inflation, variations in commodity, energy and packaging prices. As regards energy, the Group establishes its assumptions based on expected variations in underlying energy price data (Brent, TTF, NCG). These assumptions are determined using external data and by incorporating the hedging arrangements made.

In addition, the Group takes into account the schedule for maintenance stoppages (furnaces and machines) and for rolling out the Performance Action Plan.

The extrapolation carried out for the two test years (years 4 and 5) is based on growth and margin rates and WCR that are relatively close to those of the last year of the Plan.

Cash flows beyond this five-year period are extrapolated using a constant perpetual growth rate determined on the basis of past performance and market growth forecasts.

The assumptions used to execute the plan are based on economic growth assumptions and consistent with past performance.

Main assumptions used to estimate the value in use of each group of CGUs

	Year ended 31 December	
	2019	**2018**
Southern and Western Europe		
Discount rate	5.8%	4.6%
Perpetual growth rate	1.5%	1.5%
Northern and Eastern Europe		
Discount rate	5.7%	6.0%
Perpetual growth rate	1.5%	1.5%
Latin America		
Discount rate	9.1%	15.0%
Perpetual growth rate	1.5%	4.5%

The discount rate is the segment's weighted average cost of capital (WACC) for each group of CGUs.

When carrying out impairment tests on the Latin America group of CGUs, uncertainty about the inflation rate applicable in Argentina for the long term and the proven capacity of Argentine entity Rayen Cura in 2019 to pass hyperinflation onto its selling prices prompted the Group to conduct impairment tests based on the euro. Thus a perpetual growth rate of 1.5% was used.

Sensitivity analysis

The Group has analysed the sensitivity of the impairment tests to the main assumptions used to determine the recoverable amount of each group of CGUs to which the goodwill is allocated, namely the discount rate, the long-term growth rate used to determine the terminal value and the terminal-year cash flows, as they represent a significant portion of the recoverable amount.

For 2019, and for each group of CGUs, no impairment losses for the three groups of CGUs would be recorded in the event of a 1 percentage point increase in the WACC, a 0.5 percentage point reduction in the perpetual growth rate or a 10% decline in terminal-year cash flows.

NOTE 13 – OTHER NON-CURRENT ASSETS

The table below shows the breakdown of other non-current assets:

	Notes	Year ended 31 December	
		2019	**2018**
Equity securities	21	6.5	2.4
Loans, deposits and guarantees	21	26.8	39.7
Pension plan surpluses	19.1.2	4.1	2.8
Other		0.1	1.5
Total other non-current assets		**37.5**	**46.4**

Loans, deposits and guarantees include collateral and guarantee accounts for factoring agreements (**Note 14.4**). The table below shows changes in the net carrying amount of other non-current assets:

(*in € million*)	Equity securities	Loans, deposits and guarantees	Pension plan surpluses	Other	Total
As of 31 December 2018					
Gross amount	2.9	43.7	2.8	1.5	50.9
Impairment	(0.5)	(4.0)	-	-	(4.5)
Net amount	**2.4**	**39.7**	**2.8**	**1.5**	**46.4**
Changes during the year					
Increase (decrease)	4.1	(10.2)	-	-	(6.1)
Impairment	-	(3.0)	-	-	(3.0)
Translation differences	-	(0.1)	-	-	(0.1)
Transfers and other movements	-	0.3	1.4	(1.4)	0.3
Total changes	**4.1**	**(13.0)**	**1.4**	**(1.4)**	**(8.9)**
As of 31 December 2019					
Gross amount	7.0	33.8	4.1	0.1	45.0
Impairment	(0.5)	(7.0)	-	-	(7.5)
Net amount	**6.5**	**26.8**	**4.1**	**0.1**	**37.5**

NOTE 14 – CHANGE IN NET WORKING CAPITAL

The change in net working capital in 2019 and 2018 is as follows:

(*in € million*)	Notes	31 December 2018	Impact of cash flows	Foreign exchange and other	31 December 2019
Inventories	14.1	477.9	(19.7)	(3.0)	455.2
Operating receivables	14.2	186.2	(15.8)	(1.4)	169.0
Operative liabilities	14.3	(543.0)	9.1	5.4	(528.5)
Debts to suppliers of fixed assets		(73.2)	(19.3)	0.7	(91.8)
Operating working capital		**47.9**	**(45.7)**	**1.7**	**3.9**
Other receivables (non-operating)	14.2	4.7	2.2	3.0	9.9
Other liabilities (non-operating)	14.3	(23.6)	2.1	(18.9)	(40.4)
Current tax assets and liabilities		6.2	4.5	(9.0)	1.7
Total working capital		**35.2**	**(36.9)**	**(23.2)**	**(24.9)**
Change in working capital		**(19.7)**			**(60.1)**

Reconciliation with the condensed consolidated statement of cash flows:					
Change in inventory			19.7		
Change in trade receivables, trade payables and other			(13.9)		
Receivables/payables					
Current tax expense			71.0		
Income taxes paid			(59.1)		
Increase (decrease) in debt to suppliers of fixed assets			19.3		
Total			**36.9**		

14.1 INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are carried at the lesser of their acquisition cost or probable net realisable value. The cost of inventories includes purchase costs, production costs and other costs incurred to bring inventories to their current location and condition. It is generally determined using the weighted average cost method and, in some cases, the first-in, first-out method (FIFO). The probable net realisable value is the sale price in the ordinary course of business, less estimated completion and sale costs. Inventory acquired in a business combination is carried at its fair value on the acquisition date.

Inventory can be impaired to reflect the loss in value of inventories. For inventories of finished products, the provision generally relates to inventories whose realisable value is lower than the net carrying amount, inventories not meeting marketing quality standards, and inventories whose slow turnover is liable to result in deterioration.

The change in net inventory was as follows:

(in € million)	31 December					
	2019			2018		
	Gross	**Depreciation**	**Net**	**Gross**	**Depreciation**	**Net**
Raw materials	133.4	(16.9)	116.5	141.5	(15.7)	125.8
Inventories of work in progress	3.0	(1.9)	1.1	3.6	(0.8)	2.8
Finished goods	345.6	(7.9)	337.6	356.0	(6.7)	349.3
Total Inventories	**482.0**	**(26.7)**	**455.2**	**501.1**	**(23.2)**	**477.9**

14.2 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

ACCOUNTING PRINCIPLES

Accounting: trade receivables are initially recognised at fair value and then measured at amortised cost using the effective interest rate method, net of impairment losses (if any). As trade receivables are generally due within one year, their nominal value is close to their fair value.

On the other hand, receivables with recourse (receivables that are not guaranteed by the factor because they exceed the provisions of either the insurance or factoring arrangement) included in the factoring programme are managed based on the “hold to collect and sell” business model and are measured at fair value in the balance sheet with a corresponding entry in other comprehensive income.

Amortisation: the impairment policy for trade receivables and related accounts is described in **Note 21**.

(in € million)	Note	Year ended 31 December	
		2019	2018
Trade receivables and related accounts		**114.7**	**119.4**
Advance to suppliers		4.6	2.9
Prepaid social security contributions		0.4	0.5
Other taxes paid in advance and recoverable (other than income taxes)		31.5	38.1
Other operating receivables	**A**	17.7	25.2
Other non-trade receivables		10.0	4.8
Other current assets		**64.2**	**71.5**
Trade receivables and other current assets		**178.9**	**190.9**

A. Essentially includes energy certificates in Italy (Article 39 and White Certificates).

Impairment of trade receivables breaks down as follows:

(in € million)	Year ended 31 December	
	2019	2018
Opening balance	**8.2**	**11.1**
Additions	3.0	1.6
Reversals	(3.8)	(3.5)
Translation differences	-	(0.4)
Disposal of Alver	-	(0.6)
Closing balance	**7.4**	**8.2**

The table below shows the ageing of trade receivables at 31 December 2019 and 2018

(in € million)	31 December	
	2019	2018
Accounts receivable not yet due	**106.1**	**103.4**
Accounts receivable past due	**8.6**	**16.0**
Under 30 days	6.3	12.6
Between 30 and 90 days	0.9	1.3
Beyond 90 days	1.4	2.1
Total trade receivables (net amounts)	**114.7**	**119.4**

14.3 TRADE AND OTHER CURRENT LIABILITIES

ACCOUNTING PRINCIPLES

Trade payables and other current liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Trade payables and related accounts, other payables and accrued liabilities are generally due within one year, such that their nominal value is close to their fair value.

Trade and other current liabilities break down as follows:

(in € million)	31 December	
	2019	2018
Trade payables	**383.6**	**408.4**
Customer down payments	11.5	11.7
Debts on fixed assets	91.8	73.3
Grants received	6.2	8.0
Accrued personnel expenses	91.6	88.0
Tax liabilities (other than income tax)	16.5	12.9
Derivative liabilities	34.5	15.5
Other	25.0	22.2
Other current liabilities	**277.1**	**231.6**
Total trade payables and other current liabilities	**660.7**	**640.0**

14.4 FACTORING

ACCOUNTING PRINCIPLES

Under a non-recourse factoring agreement, when the Group has transferred substantially all the risks and rewards of ownership of the receivables, the receivables are derecognised from the consolidated balance sheet. When trade receivables are sold with limited recourse and substantially all the risks and rewards of these receivables are not transferred, the receivables remain in the consolidated balance sheet. Cash inflows and outflows related to factoring agreements for which the Group does not derecognise receivables are presented on a net basis as cash flows related to financing activities. Contracts through which the Group derecognises receivables result in changes in trade receivables, which are recognised as cash flows from operating activities.

In September 2015, the Group arranged a pan-European factoring programme with Eurofactor for a maximum amount of €400 million (maturing in 2022) and covering the receivables of certain entities within its two European segments. The Group also has local lines in certain countries (primarily Brazil, Argentina and Russia) giving it access to additional financing of up to €50 million.

In accordance with IFRS 9, transferred receivables are derecognised when the factoring agreement transfers the constructive rights to the cash flows and substantially all the associated risks and rewards (transfers of non-recourse receivables) to the assignee.

(*in € million*)	**Year ended 31 December**	
	2019	**2018**
Assignment of receivables without recourse	313.9	320.7
Assignment of receivables with recourse	10.9	16.2
Total receivables assigned	**324.8**	**336.9**

In accordance with the factoring agreements, the risk of dilution is covered by establishing reserves and escrow accounts in an amount corresponding to approximately 4% of the receivables transferred in 2019 and approximately 5% of the receivables transferred in 2018. The amounts recorded in "Other non-current assets" at 31 December 2019 and 31 December 2018 were €12.0 million and €19.3 million respectively.

In addition, the Group has entered into various reverse factoring programmes offered by some of its clients and amounting to €32.6 million in 2019 and €21.9 million in 2018.

NOTE 15 – CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLES

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits held with other banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

Statement of cash flows

The statement of cash flows is prepared using the indirect method on the basis of consolidated net income/loss and is broken down into three categories:

- **Cash flows from operating activities**: including taxes, acquisition costs relating to takeovers and payments received as grants;
- **Cash flows from investing activities**: in particular in the event of a takeover (excluding acquisition costs), a loss of control (including transaction costs), acquisitions and disposals of non-consolidated investments, associate companies and joint ventures, as well as acquisitions and disposals of fixed assets (including fees and deferred payments) excluding leases;
- **Cash flow from financing activities**: including issuance and repayment of loans, issuance of equity instruments, shareholder equity transactions (including transaction costs and any deferred payments), interest paid (cash flows related to financial expense), treasury share transactions and dividends paid.

Balances of cash and cash equivalents are as follows:

	Year ended 31 December	
	2019	**2018**
Cash	155.9	214.0
Cash equivalents	63.3	48.1
Total cash and cash equivalents	**219.2**	**262.1**

At 31 December 2019, cash and cash equivalents consist mainly of cash in bank accounts and short-term bank deposits in the amount of €219.2 million (€262.1 million at 31 December 2018).

The Group has access to a portion of the cash held by certain subsidiaries through the payment of dividends or through inter-company loans. However, local constraints may delay or restrict this access, including monetary restrictions in some foreign jurisdictions.

The Verallia Group's policy is to centralise the liquidity of its subsidiaries at Verallia Packaging where possible.

Bank guarantees are disclosed in Note **23.2.1**.

NOTE 16 – EQUITY

16.1 SHARE CAPITAL

The change in the number of shares and share capital was as follows:

(in €)	Number of shares	Face value	Share capital
As of 31 December 2018	**229 189 201**	**0.60**	**137 513 521**
Increase in the nominal value (20 September 2019)	-	1.69	249 816 229
Capital increase / Issue of new shares (20 September 2019)	954 931	1.69	1 613 833
Increase in the nominal value / Reverse split of shares (20 September 2019)	(115 072 066)	3.38	-
Capital reduction / Cross-border merger (7 October 2019)	(115 072 065)	3.38	(388 943 580)
Capital increase / Issue of new shares (7 October 2019)	118 393 942	3.38	400 171 524
As of 31 December 2019	**118 393 942**	**3.38**	**400 171 524**

At 31 December 2019, the share capital amounts to €400,171,523.96 and consisted of 118,393,942 ordinary shares with a nominal value of €3.38 each.

The following operations went ahead on 20 September 2019:

- a capital increase in cash of a nominal amount of €249,816,229.09 via an increase in the nominal value of the shares, by way of a set-off against a certain, liquid and due receivable, resulting in the Company's share capital increasing to €387,329,749.69;

- immediately followed by a capital increase in cash of a nominal amount of €1,613,833.39 via the issue of 954,931 new shares, by way of a set-off against a certain, liquid and due receivable, resulting in the Company's share capital increasing to €388,943,583.08;

These two capital increases enabled the Company to incorporate into its capital the outstanding balance (principal and interest) of the loan previously granted to it by its sole partner, Luxembourg company Horizon Intermediate Holdings S.C.A.

- immediately followed by a reverse split of all the Company's outstanding shares so that the Company's share capital was now divided into 115,072,066 ordinary shares with a nominal value of €3.38 each.

The following operations went ahead on 7 October 2019:

- The Company's merger-acquisition of Horizon Intermediate Holdings S.C.A. via:
  - o an increase in the Company's capital, following completion of the reverse cross-border merger with Horizon Intermediate Holdings S.C.A, of a total amount of €389,208,659.58 via the issue of 115,150,491 new ordinary shares with a nominal value of €3.38 each;
  - o immediately followed by the cancellation of all 115,072,065 ordinary shares in the Company transferred to it under the reverse cross-border merger (which thus then counted as treasury shares), resulting in a capital reduction of a total of €388,943,579.70;
- The Verallia FCPE (employee investment fund) transferred all the ordinary and preference shares it held in the capital of Verallia Packaging to the Company in exchange for new ordinary shares in the Company via an increase in the Company's capital of a total of €87,573,151.95 (nominal and contribution premium) involving the issue of 3,243,450 new ordinary shares in Verallia.

On 20 December 2019, the Company signed an AMAFI liquidity agreement with Rothschild Martin Maurel for market-making purposes with respect to its own shares on the regulated market of Euronext

Paris. This liquidity agreement took effect on 6 January 2020 for an initial term of 12 months, renewable by tacit agreement for successive 12-month periods. Implementation of the agreement involved €2,500,000 being credited to the liquidity account.

16.2 TRANSLATION RESERVE

In financial year 2018, the €31.3 million decrease in the translation reserve was primarily due to the Brazilian real which varied from 4.0 to 4.4 (EUR/BRL).

In financial year 2019, the €6.7 million increase in the translation reserve was primarily due to the appreciation of the Russian rouble and Ukrainian hryvnia.

16.3 EARNINGS PER SHARE

16.3.1 Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

	Year ended 31 December	
	2019	**2018**
Group's share of net profit (loss) (in € million)	115.6	41.1
Number of shares	115 502 924	229 189 201
Basic earnings per share (in €)	**1.00**	**0.18**

16.3.2 Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares:

	Year ended 31 December	
	2019	**2018**
Group's share of net profit (loss) (in € million)	115.6	41.1
Number of shares	115 511 989	229 189 201
Diluted earnings per share (in €)	**1.00**	**0.18**

The Group factored in the dilutive impact resulting from the new share ownership plan introduced in July 2019.

NOTE 17 – BORROWINGS AND FINANCIAL LIABILITIES

17.1 NET FINANCIAL DEBT

Net financial debt includes all financial liabilities and derivatives on current and non-current financial liabilities, minus the amount of cash and cash equivalents.

The table below shows the change in net financial debt:

(*in € million*)	Notes	Year ended 31 December	
		2019	2018
Non-current financial liabilities and derivatives	17.2	1 583.9	2 139.2
Current financial liabilities and derivatives	17.2	225.9	105.4
Gross Debt		**1 809.8**	**2 244.6**
Cash equivalents	15	(219.2)	(262.1)
Net debt		**1 590.6**	**1 982.5**

17.2 CHANGE IN GROSS FINANCIAL DEBT

17.2.1 Pre-IPO financing

Term Loan B

The Group carried out the following:

- On 29 October 2015, the arrangement of a Term Loan B of €1,337 million maturing in October 2022
- On 22 June 2016, an increase in the loan's nominal amount to €1,375 million
- On 3 November 2017, a partial early repayment of €100 million from its available cash
- On 28 March 2019, a partial early repayment of €150 million from its available cash
- On 7 October 2019, full repayment following the arrangement of a new Term Loan A described in Note 17.2.2.

Term Loan C

The Group carried out the following:

- On 1 August 2018, the arrangement of a Term Loan C of €550 million maturing in August 2025
- On 7 October 2019, full repayment following the arrangement of a new Term Loan A described in Note 17.2.2.

Shareholder loan

In October 2015, the Group arranged a loan with Horizon Intermediate Holdings S.C.A. (the "shareholder loan") of an initial amount of €347 million and maturing in October 2025.

The Group has made various partial early repayments of this shareholder loan:

- a total amount of €141 million over the course of 2016
- a total amount of €21.5 million on 25 March 2019
- a total amount of €16 million on 25 July 2019

On 20 September 2019, the outstanding balance of this shareholder loan (principal and interest) was incorporated into the Company's capital in an amount of €251.4 million.

17.2.2 Post-IPO financing

Term Loan A

On 17 July 2019 the Group signed a Senior Facilities Agreement, and on 7 October 2019 it arranged a Term Loan A of €1,500 million refundable via a bullet payment and maturing in October 2024. The applicable margin was initially set at Euribor + 175 base points (floor rate of 0%) with an upward or downward adjustment mechanism (ratchet).

Negotiable European Commercial Paper

In June 2018, the Group set up a short-term financing programme consisting of Negotiable European Commercial Paper (Neu CP) with a ceiling of €250 million.

- The outstanding amount issued at 31 December 2018 was €80 million bearing an average interest rate of 0.28%.
- On 25 July 2019, the ceiling on this programme was raised to €400 million.

The outstanding amount issued at 31 December 2019 is €188 million bearing an average interest rate of 0.25%.

Revolving credit facilities: changes and characteristics

The Group carried out the following:

- On 29 October 2015, the arrangement of a revolving credit facility of €200 million maturing in October 2021
- On 22 June 2016, an increase in the facility's nominal amount to €250 million
- On 1 August 2018, an increase in its nominal amount to €325 million
- On 7 October 2019, the replacement of this facility with a new revolving credit facility under the new Senior Facilities Agreement

This new revolving credit facility of a nominal amount of €500 million expires in October 2024. The facility includes a swingline of €50 million available to the Group for same-day drawing. The applicable margin was initially set at Euribor + 135 base points (floor rate of 0%) with an upward or downward adjustment mechanism (ratchet).

The following fees will also be due on the revolving credit facility: (i) a commitment fee due for the available credit commitment made by each lender under the revolving credit facility at a rate of 30% of the applicable margin and (ii) utilisation fees of 20 base points and 40 base points above the margin for any amounts drawn above thresholds of respectively 33.1/3% and 66.2/3% of the revolving credit facility.

Gross financial debt at 31 December 2019

At 31 December 2019, the revolving credit facility had not been drawn.

(in € million)	Notes	Notional or maximum amount	Currency	Contractual interest rate	Effective interest rate	Final Maturity	Type of facility	Deferred expenses and bond premiums	Carrying amount as of 31 December 2019		Total as of 31 December 2019
									Non-current	Current	
Revolving credit facility		500.0	EUR	Euribor + 1,35%	1.35%	07/10/2024	Revolving	3.0		-	
Term Loan A (floor 0%)	8	1 500.0	EUR	Euribor + 1,75%	1.90%	07/10/2024	Maturity	9.0	1 488.0	2.7	1 490.7
Lease liabilities	17.5								36.3	17.0	53.3
Other borrowings									50.4	6.5	56.9
Total long-term debt									*1 574.7*	*26.2*	*1 600.9*
Financial derivatives	20.1.2								9.3	0.3	9.6
Total long-term debt and derivative financial instruments									**1 584.0**	**26.5**	**1 610.5**
Negotiable commercial paper (NEUCP)		400.0	EUR							188.2	188.2
Other borrowings										11.2	11.2
Total short-term debt									**-**	**199.4**	**199.4**
Total borrowings									**1 584.0**	**225.9**	**1 809.9**

Gross financial debt at 31 December 2018

(in € million)	Notes	Notional or maximum amount	Currency	Contractual interest rate	Effective interest rate	Final Maturity	Type of facility	Deferred expenses and bond premiums	Carrying amount as of 31 December 2019		Total as of 31 December 2019
									Non-current	Current	
Revolving credit facility		325.0	EUR	Euribor + 2,50%	2.50%	29/10/2021	Revolving	3.2		-	
Term Loan B (floor 0%)		1 275.0	EUR	Euribor + 2,75%	3.17%	29/10/2022	Maturity	28.2	1 253.7	3.0	1 256.7
Term Loan C (floor 0%)		550.0	EUR	Euribor + 2,75%	2.98%	01/08/2025	Maturity	6.2	543.8	1.2	545.0
Shareholder Loan		269.8	EUR	8.12%	8.12%	28/10/2025	Accruable		273.7		273.7
Finance lease liabilities									1.2	0.7	1.9
Other borrowings									60.1	7.4	67.5
Total short-term debt									*2 132.5*	*12.3*	*2 144.8*
Financial derivatives									6.7	-	6.7
Total long-term debt and derivative financial instruments									**2 139.2**	**12.3**	**2 151.5**
Negotiable commercial paper (NEUCP)		250.0	EUR							80.0	80.0
Other borrowings										13.1	13.1
Total short-term debt									**-**	**93.1**	**93.1**
Total borrowings									**2 139.2**	**105.4**	**2 244.6**

17.3 THE GROUP'S DEBT STRUCTURE

Interest rates applicable to the Group's entire portfolio of financial liabilities, after incorporating derivative instruments, break down as follows:

(in € million)	**Year ended 31 December**	
	2019	**2018**
Total fixed-rate borrowings	1 512.1	1 894.4
Total variable-rate borrowings	297.8	350.2
Total borrowings	**1 809.9**	**2 244.6**

17.4 DEBT REPAYMENT SCHEDULE

The debt maturity profile of the Group's financial liabilities and derivatives is as follows:

(in € million)	**Year ended 31 December**	
	2019	**2018**
Less than one year	225.9	105.4
Between one and five years	1 559.8	1 306.6
More than five years	24.2	832.6
Total borrowings	**1 809.9**	**2 244.6**

At 31 December 2019, borrowings of under a year consist primarily of €188 million of Neu CP (negotiable commercial paper) versus €80 million in 2018.

17.5 LEASE LIABILITIES

At 31 December 2019, lease liabilities amounted to €53.3 million.

(in € million)	**Leases current Term debts**	**Leases non-current Terms Debts**	**Lease debts**
January 1st, 2019	**18.3**	**44.1**	**62.4**
Reductions during the period	(7.6)	(13.9)	(21.5)
Additions during the period	4.3	6.6	10.9
Capitalized interests	2.0	-	2.0
Change in Group Structure	-	-	-
Other	-	(0.5)	(0.5)
December 31, 2019	**17.0**	**36.3**	**53.3**

The maturity profile for lease liabilities is as follows:

(in € million)	**Year ended 31 December 2019**
Less than one year	17.0
In one to five years	29.3
In more than five years	7.0

Total lease liabilities	**53.3**

17.6 COVENANTS

2019 senior debt

The senior facilities agreement includes a certain number of affirmative and negative commitments, for instance not to:

- grant security interests;
- enable Group companies that are neither guarantors nor borrowers under the senior facilities agreement to incur debt for a cumulative amount exceeding 20% of the Group's consolidated net debt;
- sell assets;
- conduct certain mergers, demergers, partial asset transfers and similar transactions; or
- make changes to the type of business conducted by the Group,

with each of these cases subject to stipulated minimum thresholds and exceptions typical in this type of financing arrangement.

The Senior Facilities Agreement also includes affirmative commitments, for instance to maintain insurance policies, comply with applicable laws, keep the borrowings at least at the same rank as the unsecured debts of the borrowers and guarantors under the Senior Facilities Agreement, require the Group's material subsidiaries to stand as guarantors under the Senior Facilities Agreement and ensure that the consolidated EBITDA of all Group members standing as guarantors under the Senior Facilities Agreement together accounts for at least 80% of the Group's consolidated EBITDA (as specified in the Senior Facilities Agreement). Last of all, the Senior Facilities Agreement requires observance of a financial ratio threshold limiting the amount of debt that the Group's members are able to contract. The Group is required to keep its leverage ratio (total net debt/pro forma consolidated EBITDA) below or equal to 5x until the Senior Facilities Agreement expires; this ratio is tested at the end of each half-year period and for the first time for the period ending 31 December 2020.

Total net debt is defined in the senior facilities agreement as being the Group's consolidated financial debt excluding intra-group debt and obligations relating to interest rate and foreign exchange risk hedging instruments, after deduction of cash and cash equivalents.

No payment default had arisen or persisted under the Senior Facilities Agreement as at 31 December 2019.

17.7 CHANGE IN DEBT

The change in financial debt in 2019 is as follows:

(in € million)	31 December 2018	Cash inflows	Cash outflows	Discount effects and other*	Interest expense	Change in the scope of consolidation	Translation differences	31 December 2019
Non-current financial liabilities and derivatives	2 139.2	1 538.2	(1 882.1)	(227.0)	16.1	-	(0.4)	1 584.0
Current financial liabilities and derivatives (excluding interest)	100.3	106.7	(27.0)	40.6	2.1	-	(0.3)	222.4
Interest on long-term debt	5.1	-	(52.3)	-	50.6	-	0.1	3.5
Current financial liabilities and derivatives	105.4	106.7	(79.3)	40.6	52.7	-	(0.2)	225.9
Total financial liabilities	**2 244.6**	**1 644.9**	**(1 961.4)**	**(186.4)**	**68.8**	**-**	**(0.6)**	**1 809.9**

* Mainly consists of lease liabilities in application of IFRS 16

Reconciliation with the consolidated statement of cash flows

Increase (reduction) in bank overdrafts and other short-term borrowings	106.4	
Increase in long-term debt	1 538.5	
Decrease in long-term debt		(1 891.0)
Financial interest paid		(70.4)
Total	**1 644.9**	**(1 961.4)**

NOTE 18 – PROVISIONS AND OTHER NON-CURRENT FINANCIAL LIABILITIES

The change in provisions in financial year 2019 breaks down as follows:

(*in € million*)	Provisions for claims, litigation and other	Provisions for environmental risks	Provisions for restructuring and employee benefit expenses	Provisions for risks relating to associates	Other risks	Total provisions	Liabilities relating to investments	Total provisions and other liabilities
As of 31 December 2018								
Current portion	2.5	0.6	10.0	-	28.0	41.1	-	41.1
Non-current portion	18.8	9.6	0.9	3.1	4.6	37.0	15.8	52.8
Total provisions	**21.3**	**10.2**	**10.9**	**3.1**	**32.6**	**78.1**	**15.8**	**93.9**
Changes during the period								
Additions	2.7	3.0	3.3	-	17.5	26.5	-	26.5
Reversals (unused)	(3.1)	-	(1.6)	-	(0.6)	(5.3)	-	(5.3)
Reversals (used)	(1.9)	(0.3)	(3.1)	-	(5.1)	(10.4)	-	(10.4)
Other (reclassification and translation differences)	(10.8)	-	(0.5)	0.8	0.7	(9.8)	°0.1	(9.7)
Total changes	**(13.1)**	**2.7**	**(1.9)**	**0.8**	**12.5**	**1.0**	**0.1**	**1.1**
As of 31 December 2019								
Current portion	2.2	2.6	8.1	-	39.0	51.9	-	51.9
Non-current portion	5.9	10.4	0.9	3.9	6.1	27.2	15.9	43.1
Total provisions	**8.1**	**13.0**	**9.0**	**3.9**	**45.1**	**79.1**	**15.9**	**95.0**

On application of IFRIC 23, provisions for tax risks in an amount of €9.5 million were reclassified to current tax liabilities.

18.1 PROVISIONS AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES

A provision is made when (i) the Group has a legal or current implicit obligation towards a third-party resulting from a past event, (ii) an outflow of resources will probably be necessary for the Group to extinguish the obligation, and (iii) the amount of the obligation can be reliably estimated.

Provisions primarily concern obligations associated with litigation, restructuring plans and other risks identified with respect to the Group's operations. Provisions with settlement dates that can be reliably estimated are discounted.

When a current obligation is unlikely to exist, the Group recognises a contingent liability, unless there is little likelihood of an outflow of resources embodying an economic benefit.

Contingent liabilities assumed during a business combination are recognised at their fair value on the acquisition date.

Under applicable regulations on carbon dioxide (CO2) emission allowances, and in light of the Group's allowances deficit, the Group accordingly recorded provisions in financial years 2018 and 2019.

When the Group is in deficit (CO2 allowances to be surrendered for CO2 emitted during the year in excess of the stock of CO2 emission allowances allocated free of charge and featuring in the securities accounts at the closing date), it recognises a provision to cover the expected allowances deficit so as to be able to surrender the allowances in April of the following year. Measurement of the provision takes into account the price of forward purchases made for the following year and the spot price on 31 December of the current year for the balance not covered by forward purchases.

CO2 emission allowances allocated free of charge or purchased are recognised in the Group's inventory of raw materials.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

Estimates primarily concern valuations of liabilities and contingent liabilities, especially provisions for litigation and other Group risks.

18.1.1 Provisions for claims, litigation and other

These provisions mainly concern provisions for claims, litigation and other commercial risks, primarily in France and Italy.

Litigation between Verallia Italia and Nelson Servizi

In December 2014, Verallia Italia, as a supplier, and Nelson Servizi, as a distributor, renewed their previously agreed distribution contract and established mutual undertakings to sell and buy standard and customised bottles for the Cuban market for the years 2015, 2016 and 2017.

During the last few months of 2015, the Group decided to cease all commercial activity for the Cuban market starting from the second half of 2016. Verallia Italia therefore offered Nelson Servizi an out-of-court settlement to terminate their ongoing relationship. In response, Nelson Servizi suspended all payments to Verallia Italia.

In February 2016, Verallia Italia informed Nelson Servizi that said distribution contract would be cancelled if Nelson Servizi did not settle its debts towards it. That same month, Verallia Italia received a summons from Nelson Servizi ordering it (i) to fulfil its obligations under the distribution contract that was renewed in December 2014, (ii) to compensate Nelson Servizi for damages resulting from the breach of the distribution contract and from Verallia Italia's behaviour, and (iii) to compensate Nelson Servizi for damages resulting from Nelson Servizi's economic dependence on Verallia Italia. Nelson Servizi thus requested that Verallia Italia be ordered to pay damages amounting to €11 million.

At the closing date, the litigation launched by Nelson Servizi remains under investigation.

A provision was recognised accordingly in the amount of €4.3 million at 31 December 2019 and 2018.

18.1.2 Provisions for environmental risks

Provisions for environmental risks cover the costs of environmental protection measures, asbestos-related costs and the costs of waste disposal relating to the reconstruction of furnaces.

Asbestos-related litigation

Charges of gross negligence (inexcusable fault)

In France, since the late 1990s, several former and current employees of the Group or their assignees have filed lawsuits against the Group's French subsidiary, Verallia France, for gross negligence; their aim has been to obtain damages, in addition to the compensation they received from the French social security authorities, along with an increase in said compensation for occupational illnesses resulting from their alleged exposure to asbestos-containing materials. In recent years, the French courts have responded favourably to some of their demands. At 31 December 2019, the amount provisioned in respect of these claims stand at €1.1 million.

Classification of the Cognac facility as an asbestos-contaminated site

On February 4, 2019, the Bordeaux Administrative Court of Appeal reiterated the ruling handed down by the Administrative Court of Poitiers not to place the Cognac facility on the list for the period 1964-1975. The time-limit to appeal against this decision has now expired and the case is closed.

The Cognac facility has therefore not been placed on the list of manufacturing, spraying and insulation facilities involving asbestos.

Claims for compensation for anxiety

At 31 December 2019, 87 lawsuits had been filed by employees or former employees of the Group claiming compensation for anxiety caused by their alleged exposure to asbestos-containing materials at the Group's French facilities.

At the closing date, none of the plaintiffs had claimed to have fallen ill as a result of exposure to asbestos-containing materials.

A provision has been recognised for this risk in the amount of €1.5 million.

18.1.3 Provisions for restructuring and personnel expenses

Provisions for restructuring and personnel expenses amount to €9 million at 31 December 2019 and €10.9 million at 31 December 2018.

They mainly concern Brazil (€6.3 million versus €8.1 million at 31 December 2018) following the closure of the Sao Paolo production plant.

18.1.4 Provisions for other risks

Provisions for other risks mainly concern the provision relating to the Group's deficit with respect to its CO2 allowances for the period covering Phase III (2013-2020) of the "Quotas Directive", amended by Directive 29/2009/EC.

With respect to provisions for CO2 allowance deficits, emission projections were calculated for Phase III of the European plan ending in 2020 and were based on the detailed estimates made periodically by the Group's industrial management. Management measures the Group's capacity utilisation according to energy prices (fuel and gas), the markets and any upgrades made to its production facilities.

In light of the Group's allowances deficit, a provision was recognised in financial years 2019 and 2018 in the amounts of €37.7 million and €27.6 million.

Moreover, in order to secure the prices at which it will have to acquire allowances, and in preparation for the end of Phase III, the Group has made forward purchases of carbon dioxide allowances on the market for a total amount at 31 December 2019 of €34.9 million, corresponding to its expected deficit. The settlement of forward purchases and delivery of allowances will result in a cash outflow for the Group (it will accordingly record a reversal of the aforementioned provision corresponding to the amount of said outflows), mainly in 2021.

Measurement of the provision takes into account the price of forward purchases made by the Group and the spot price at the closing date for the balance not covered by forward purchases.

Under Phase IV (2021-2030), as defined by the Quotas Directive, the amount of allowances allocated to the Group free of charge will not be known until the start of 2021 for the 2021-2025 period and the start of 2026 for the 2026-2030 period. Despite the uncertainty surrounding the number of allowances that will be allocated to it free of charge under Phase IV, the Group already expects the number allocated to it free of charge to be slightly lower than under Phase III and, in any case, it believes it will probably not be allocated enough to meet its allowance return obligations in respect of its carbon dioxide emissions, which means it will have to continue purchasing large amounts of allowances on the market.

In preparation for Phase IV, the group has already made forward purchases of carbon dioxide allowances on the market for a total amount at 31 December 2019 of €24.6 million.

18.1.5 Risks relating to associates

Context

In 2013, Verallia Brasil, a Company subsidiary, set up a joint venture governed by Brazilian law (Industria Vidreira de Nordeste – "IVN") with a local partner, Ipiaram Empreendimentos e Participações Ltda (Ipiaram). Verallia Brasil held a majority stake in this joint venture, the purpose of which was to build and operate a glass manufacturing facility in the Brazilian state of Sergipe. The plant came onstream in 2015.

Verallia Brasil's shareholding was equity-accounted and then sold in October 2018.

Bank guarantees / Shareholder loans

In addition, at 31 December 2016, the shareholder loans traditionally granted to IVN by Verallia Brasil were fully impaired in the amount of 55.6 million Brazilian reals (corresponding to €15 million at the average exchange rate in 2016). In 2018, this impairment loss was fully recovered following the disposal of the shareholding to an amount of 55.6 million Brazilian reals (corresponding to €13 million at the average exchange rate of 2018) (Note 6.2).

Disposal

In October 2018, the Group and Ipiaram completed the disposal of their shareholdings in IVN. A €14 million gain was recognised in the financial year 2018 for this disposal.

Arbitration

In January 2017, Ipiaram launched arbitration proceedings with the International Chamber of Commerce (ICC) against Verallia Brasil regarding the interpretation of certain provisions in the partnership agreements signed by the two parties; Ipiaram felt entitled to exercise the undertakings to purchase granted by Verallia Brasil under these partnership agreements.

At the closing date, these arbitration proceedings were still under way. At 31 December 2019, Ipiaram's claim is estimated at 104 million Brazilian reals in total damages (i.e. approximately €23 million at the closing exchange rate on 31 December 2019); the Group, meanwhile, considers that there are no grounds for the claim. No provisions have been recognised for this risk.

18.2 OTHER NON-CURRENT FINANCIAL LIABILITIES

ACCOUNTING PRINCIPLES

The other non-current financial liabilities primarily consist of put options granted to minority shareholders in subsidiaries and liabilities relating to the acquisition of securities in the Group's companies, including additional considerations for acquisitions made. Liabilities relating to the put options correspond to the present value of their estimated exercise price, with a corresponding decrease in interests not conferring control and in equity attributable to owners of the parent company. Any subsequent fair value adjustment of the liability is recognised through an adjustment to equity.

Verallia Deutschland AG

Other non-current financial liabilities include a liability towards Verallia Deutschland AG's minority shareholders.

In December 2016, Verallia Deutschland AG, as the controlled entity, and Horizon Holdings Germany GmbH, as the controlling entity, signed a Domination and Profit & Loss Transfer Agreement ("DPLTA") approved by the local authorities.

At 31 December 2019, the Group held 96.74% of the capital and voting rights in Verallia Deutschland AG, its German-listed subsidiary (96.73% at 31 December 2018).

After signing this agreement, and in accordance with applicable German law, Horizon Holdings Germany GmbH agreed to purchase all the Verallia Deutschland AG shares it did not already own for €433.02 per share. To date, this offer still applies, but some of Verallia Deutschland AG's minority shareholders dispute the valuation on which the price per share offered was based. A liability relating to the obligation to buy out these minority shareholders was therefore recognised for a total present value of €12.9 million at 31 December 2019 (€12.3 million at 31 December 2018). This amount is based on the assumption that 100% of minority shareholders will tender their shares to the offer made by Horizon Holdings Germany GmbH to purchase their shares for €433.02 per share as proposed in 2016.

Moreover, the Domination and Profit & Loss Transfer Agreement provides for annual flat-rate compensation (in the form of dividends per share paid each year) payable to Verallia Deutschland AG's minority shareholders. A liability relating to the obligation to pay this compensation for 5 years was therefore recognised for a total present value of €2.1 million at 31 December 2019 (€2.7 million at 31 December 2018). The minority shareholders also dispute the amount of annual flat-rate compensation provided for in said agreement.

On September 24, 2018, the Stuttgart district court rejected the requests made by the minority shareholders. The minority shareholders appealed, and the case was sent to the Stuttgart regional high court where it is still pending.

Therefore, total liabilities relating to the DPLTA amounted to €15 million at 31 December 2019 versus €15 million at 31 December 2018.

NOTE 19 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits break down as follows:

(*in € million*)	Note	31 December	
		2019	**2018**
Annuities payable to plan beneficiaries		80.8	77.3
Flat-rate compensation		42.1	31.5
Post-employment medical benefits		5.9	5.4
Provisions for pensions and other liabilities	**19.1**	**128.8**	**114.2**
Other long-term benefits	19.2	4.2	3.2
Trade receivables and other current assets		**133.0**	**117.4**

The Group's workforce breaks down as follows:

	31 December	
	2019	**2018**
Managers	903	869
Employees	2 207	2 252
Manual workers	6 595	6 629
Total	**9 705**	**9 750**

The workforce presented corresponds to the average number of people employed by the Group over the year.

19.1 PENSION LIABILITIES AND OTHER POST-EMPLOYMENT BENEFIT LIABILITIES

ACCOUNTING PRINCIPLES

Defined benefit plans

Defined benefit pension plans refer to plans where the Group is committed officially or through an implicit obligation to an amount or level of benefits and therefore bears the associated medium- or long-term risk.

After retiring, the Group's former employees are entitled to pension benefits in accordance with applicable laws and regulations in the respective countries in which the Group operates. Supplemental pension liabilities also apply in some of the Group's companies, in France and also in other countries. The group's liabilities with respect to pensions and retirement benefits are established at the end of the reporting period with the assistance of independent actuaries, on an actuarial basis, using the projected unit credit method which incorporates projected final salaries on retirement and economic conditions in each country. These liabilities can be funded by pension funds or plan assets, and a provision is recognised in the consolidated balance sheet for the portion not funded by assets.

The Group contributes to defined benefit plans which determine the level of retirement benefits an employee will receive on their retirement. These plans mainly concern Germany, Spain, Italy and France.

In France, employees receive retirement benefits depending on their years of service and their last salary on the date of their retirement. This flat-rate amount is determined according to the applicable collective agreement.

Retired former employees in Spain and Germany receive benefits other than retirement benefits, for instance for healthcare. The Group's obligations under these plans are calculated on an actuarial basis and provisions are recognised accordingly in the consolidated balance sheet.

Remeasurements of the net defined benefit liability (asset), comprising actuarial gains and losses, the return on plan assets (excluding amounts factored into the calculation of net interest on net liabilities) and the change in the effect of the asset ceiling (if any, excluding interest), are recognised immediately in "Other comprehensive income".

Provisions are also made, on an actuarial basis, for other long-term employee benefits such as long-service awards and bonuses in various countries. Actuarial gains and losses relating to these other long-term benefits are recognised immediately in the statement of income.

Interest expenses relating to these liabilities and returns on the corresponding plan assets are valued by the Group using the discount rate applied to estimate the liability at the start of the period, and are recognised in financial income as "net interest expense relating to pension plans and other benefits".

Defined contribution plans

Defined contribution pension plans are those for which the Group's only obligation is to pay a contribution, but the Group has no obligation as regards the level of benefits paid.

Contributions into defined contribution plans are expensed as incurred.

ESTIMATES AND ASSUMPTIONS USED BY MANAGEMENT

The present value of defined benefit pension liabilities depends on a certain number of factors that are determined on an actuarial basis using assumptions about population growth and financial/economic factors. The assumptions used to calculate defined benefit pension liabilities and net pension costs include the discount rate and the rate of future salary growth. To establish these estimates and assumptions, Management takes advice from external consultants and actuaries. Any material change in these assumptions could result in a material change in the employee benefit expenses recognised in the consolidated statement of income and in the remeasurements recognised in "other comprehensive income" offset against equity.

19.1.1 Main economic and financial assumptions used to measure defined benefit pension liabilities and plan assets

Pension liabilities and other post-employment benefit liabilities are calculated on an actuarial basis using the projected unit credit method applied to estimated final salaries.

Rate assumptions

Assumptions about mortality, staff turnover and salary growth factor in economic conditions and population trends in each individual country.

Discount rates are established by region depending on the bond yields of high-quality companies at the end of the financial year. The discount rates used for the Group's main plans are as follows:

(in %)	**Year ended 31 December**	
	2019	**2018**
Discount rate	0.7% to 0.9%	1.6%
Salary increase including long-term inflation	1.8% to 2.5%	1.8% to 2.5%
Long-term inflation rate	1.5%	1.8%

Sensitivity analysis

The sensitivity analyses carried out imply the following outcomes for defined benefit pension liabilities:

(in € million)	**Year ended 31 December**	
	2019	**2018**
Impact of 0.5% increase in discount rate	(11.6)	(8.9)
Impact of 0.5% decrease in discount rate	13.1	9.9
Impact of 0.5% increase in inflation rate	10.7	6.7

19.1.2 Change in pension liabilities and other post-employment benefit liabilities

Net carrying value of the provision

The table below shows defined benefit pension liabilities relating to the Group's pension liabilities and other post-employment benefit plans along with the corresponding plan assets:

(*in € million*)	**Note**	**Year ended 31 December**	
		2019	**2018**
Provisions for pensions and other post-employment benefit liabilities	19	128.8	114.2
Pension plan surpluses		(4.1)	(2.8)
Net pension liabilities and other post-employment benefit liabilities		**124.7**	**111.4**

Liability analysis

The total amount of the Group's pension liabilities and other post-employment benefit liabilities breaks down as follows:

(*in € million*)	**31 December 2019**					**31 December 2018**				
	Spain	**Germany**	**Other Western European countriess**	**Other**	**Total**	**Spain**	**Germany**	**Other Western European countries**	**Other**	**Total**
Average duration (In years)					**14.1**					**12.6**
Defined benefit liabilities – funded plans	42.1		0.1		42.2	44.1		0.2		44.3
Defined benefit liabilities – unfunded plans	3.6	82.7	42.0	0.6	128.9	4.7	77.5	31.4	0.4	114.0
Fair value of plan assets	(45.4)		(1.0)		(46.4)	(46.0)		(0.9)		(46.9)
Deficit (Surplus)	**0.3**	**82.7**	**41.1**	**0.6**	**124.7**	**2.7**	**77.5**	**30.7**	**0.4**	**111.4**
Asset celling					-					-
Net pension liabilities and other post-employment benefit liabilities					**124.7**					**111.4**

Plan assets

Plan assets primarily consist of insurance policies. They are invested in low-risk assets.

Change in pension liabilities and other post-employment benefit liabilities

Changes in pension liabilities and other post-employment benefit liabilities break down as follows:

(in € million)	Notes	Pension liabilities and other post-employment benefit liabilities	Fair value of plan assets	Net pension liabilities and other post-employment benefit liabilities
As of 31 December 2017		**166.8**	**(49.7)**	**117.1**
Fluctuations during the year				
Current service cost		2.4	-	2.4
Net interest expense	7	2.5	(0.7)	1.8
Reductions/settlements		(0.2)	-	(0.2)
Past service cost		-	-	-
Contribution to the pension plan		-	0.2	0.2
Translation differences		-	-	-
Employee benefit expenses recognized in the income statement		**4.7**	**(0.5)**	**4.2**
Payment of benefits		(9.9)	3.8	(6.1)
Business combination		(1.1)	-	(1.1)
Remeasurement of net liabilities (net assets)		(2.2)	(0.5)	(2.7)
Other		-	-	-
Total movements during the year		**(8.5)**	**2.8**	**(5.7)**
As of 31December 2018		**158.3**	**(46.9)**	**111.4**
Fluctuations during the year				
Current service cost		2.3	-	2.3
Net interest expense	7	2.5	(0.7)	1.8
Reductions/settlements		(0.4)	-	(0.4)
Past service cost		7.1	-	7.1
Contribution to the pension plan		-	0.4	0.4
Translation differences		0.1	-	0.1
Employee benefit expenses recognized in the income statement		**11.5**	**(0.4)**	**11.2**
Payment of benefits		(9.1)	3.2	(5.9)
Business combination		-	-	-
Remeasurement of net liabilities (net assets)		10.3	(2.3)	8.0
Other		-	-	-
Total movements during the year		**12.8**	**0.5**	**13.3**
As of 31 December 2019		**171.1**	**(46.4)**	**124.7**

** Service costs expensed in financial year 2019 concern changes to France's national collective agreement which took effect in October 2019.*

19.2 OTHER LONG-TERM BENEFITS

Defined benefit pension liabilities are generally calculated on an actuarial basis according to the same method as for pension liabilities.

At 31 December 2019, provisions for other long-term employee benefits primarily include long-service awards payable by the subsidiaries in France amounting to €2.3 million (€1.6 million at 31 December 2018) and bonuses amounting to €1.5 million in Germany (€1.4 million at 31 December 2018).

19.3 MANAGEMENT SHARE OWNERSHIP PLAN

19.3.1 New share ownership plan

The Group's compensation policy is aimed at retaining and motivating talented employees, and at involving managerial staff in its performances, mainly through a long-term incentive plan in the form of bonus share awards subject to performance criteria linked to the Group's long-term strategy.

For this purpose, when the Group listed on the regulated market of Euronext Paris, it set up a performance share allocation plan spanning a period of three years from 2019 to 2021 (the "2019/2021 Plan"), corresponding to at most 1% of the Company's share capital and allocated in three tranches.

The final allocation of shares each year under the 2019/2021 Plan is decided subject to (a) the continued employment of the employee or executive concerned and (b) performance criteria that are (i) 70% dependent on targets set for adjusted EBITDA and net debt before dividend payouts and share buybacks, measured over the previous two years combined, and (ii) 30% dependent on the achievement of a share performance target, starting from the Company's initial public offering, relative to the share performances of companies listed in the SBF 120 index on Euronext Paris.

An initial allocation of shares corresponding to a maximum of 0.33% of the Company's share capital was made in July 2019 subject to performance criteria being met.

At 31 December 2019, the number of ordinary shares under this plan is 282,308.

19.3.2 Management share ownership plan

When Compagnie Saint-Gobain's Packaging division was acquired in 2015, the Company's shareholders set up a share ownership plan for Verallia's Management ("Management Share Ownership Plan 2015") in order to align Management's interests with those of the shareholders and to enable the Company's Management to share in Verallia's long-term growth.

Certain key executives were given the opportunity to invest in both ordinary shares and preference shares in Horizon Intermediate Holdings S.C.A ("Horizon Intermediate"), a holding company upstream of the Company, on the date of the acquisition, 29 October 2015. Thereafter, in 2017, another share ownership plan ("Management Share Ownership Plan 2017") was set up to offer a similar opportunity to other key managers.

Investments in ordinary shares and preference shares were carried out pari passu and settled in equity instruments, so they were not expensed in the income statement, in accordance with IFRS 2, *Share-based payment*.

On 7 October 2019, the Company carried out the merger-acquisition of Horizon Intermediate Holdings S.C.A., the Company's parent company with 100% of its capital. Members of Management along with other key managers having subscribed to the Management Share Ownership Plan 2015 thereby became shareholders in the Company on that date.

19.3.3 Bonus preference shares

Bonus shares were granted to members of the Management and other key managers, leading to the recognition of costs for share-based payments, based on a number of bonus preference shares I and a number of bonus preference shares II obtained in Horizon Intermediate Holdings S.C.A under the Management Share Ownership Plan 2015 and Management Share Ownership Plan 2017, respectively.

The features of these share ownership plans are summarised below:

- **Vesting period and service conditions**: essentially, the vesting of bonus preference shares is subject to 3 cumulative conditions: continued service within the Group, the occurrence of a redemption event (initial public offering or change of control), and the achievement of a specified internal rate of return. The vesting period is therefore the service period running from the grant date to the estimated redemption event date;

- **Financial rights**: once the bonus preference shares have been vested, the managers have the right: (i) for each year, to a preferred return of 0.01% per year of the face value of the bonus preference share, and (ii) during the redemption year, to a return calculated according to a percentage of the redemption gain;

- **Settlement**: share-based payments and associated financial rights are settled directly by Horizon Intermediate Holdings S.C.A.

The Company has no obligation to settle the share-based payment with its employees in cash, so bonus preference shares are recognised as plans settled in equity instruments, spread out over the vesting period of the rights acquired by the beneficiaries (the service period), with a corresponding increase in equity.

Subsequent to the Company's merger-acquisition of Horizon Intermediate Holdings S.C.A, the Company's parent company, members of the Management and other key managers eligible for bonus preference share programmes became shareholders in Verallia SA.

19.3.4 Accounting impacts

Fair values applied to the new share ownership plan and bonus preference share programmes were measured taking the features of these plans into account. Expenses incurred in relation to these plans and associated costs recognised in the consolidated statement of income were €11.5 million for the financial year ended 31 December 2019 and €5.7 million for the financial year ended 31 December 2018.

19.4 GROUP SAVINGS PLANS

In financial year 2016, Verallia Packaging SAS, a fully consolidated subsidiary of the Verallia Group, set up an employee investment fund, the Verallia FCPE (Fonds Commun de Placement), invested in shares in Verallia Packaging SAS. This fund was an option to invest offered to employees of the Group's entities participating in the Group's savings plan, either through a Group Savings Plan set up between Verallia Packaging SAS and the Verallia Group's French entities or an International Group Savings Plan set up between Verallia Packaging SAS and the Verallia Group's non-French companies. In 2019 and 2018, the non-French companies that participated in the International Group Savings Plan were Spain, Germany, Portugal, Poland and Brazil.

On 28 June 2019, a €7.2 million capital increase reserved for the Group's savings plans was carried out via the FCPE fund.

On 7 October 2019, the Verallia FCPE transferred to the Company all the ordinary and preference shares it held in the capital of the Verallia Packaging subsidiary, i.e. 3.52% of its capital (versus 2.89% at 31 December 2018), in exchange for new ordinary shares in the Company corresponding to 2.74% of its capital.

NOTE 20 – FINANCIAL RISK MANAGEMENT

The Group's financial risk management strategy aims to minimise the impact of volatility in interest rates, energy prices and exchange rates on its costs and cash flows, while maintaining the financial flexibility the Group needs to successfully roll out its commercial strategies.

20.1 LIQUIDITY RISK

In a crisis scenario, the Group might not be able to obtain the financing or refinancing needed to cover its investment plans from the credit or equity markets, or it might not be able to do so on acceptable terms.

The Group's overall exposure to liquidity risk is managed by the Group's treasury and finance department.

The table below shows the contractual deadlines applicable to the Group's financial liabilities, including its interest payments.

		31 December 2019					
(in € million)	Note	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Current and non-current portion of long-term debt (including interest)	17	1 600.9	1 749.9	57.8	50.1	1 617.8	24.2
Other liabilities, including derivative financial instruments	17	9.6	9.6			9.6	
Short-term debt	17	199.4	199.4	199.4			
Total borrowings	**17**	**1 809.9**	**1 958.9**	**257.2**	**50.1**	**1 627.4**	**24.2**
Trade payables and related accounts	14.3	383.6	383.6	383.6			
Other payables and accrued liabilities, including commodity derivative financial instruments	14.3	277.0	277.0	277.0			
Total financial liabilities		**2 470.5**	**2 619.5**	**917.8**	**50.1**	**1 627.4**	**24.2**

At 31 December 2019, the Group has a revolving credit facility with an undrawn amount of €500 million.

		31 December 2018					
(in € million)	Note	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Current and non-current portion of long-term debt (including interest)	17	2 144.8	2 541.7	74.9	54.6	1 423.	989.0
Other liabilities, including derivative financial instruments	17	6.7	6.7			6.7	
Short-term debt	17	93.1	93.1	93.1			
Total borrowings	**17**	**2 244.6**	**2 641.5**	**168.0**	54.6	**1 429.9**	989.0
Trade payables and related accounts	14.3	408.4	408.4	408.4			
Other payables and accrued liabilities, including commodity derivative financial instruments	14.3	231.6	231.6	231.6			
Total financial liabilities		**2 884.5**	**3 281.5**	**808.0**	**54.6**	**1 429.9**	**989.0**

At 31 December 2018, the Group had a revolving credit facility with a committed and undrawn amount of €325 million expiring in 2021.

20.2 MARKET RISKS

20.2.1 Interest rate risk

The Group's overall exposure to debt-related interest rate risk is managed by its Treasury and Finance Department. The subsidiaries using derivative instruments generally do so with Verallia Packaging as the counterparty. The Group's policy is to secure the cost of its medium-term debt against the risk of an increase in interest rates, while optimising its cost.

In August 2018, the Group hedged a large portion of its exposure to a rise in the Euribor rate through interest rate swaps of a nominal value of €1,500 million and maturing in August 2022.

In October 2019, after repaying some of its debt, the Group unwound €250 million of interest rate swaps.

Interest rates	31 December 2019		31 December 2018	
	Notional amount in currency millions	**Fair value**	**Notional amount in currency millions**	**Fair value**
Interest rate swaps	1 250.0	(9.1)	1 500.0	(6.6)
Cross-currency swaps (XCS BRL/USD)	-	-	10/3,06	0.4
Total interest rate derivative financial instruments		**(9.1)**		**(6.2)**

Interest rate derivative instruments: derivative instruments hedging interest rate risk are referred to as cash flow hedging instruments.

The hedging strategy is set up in such a way as to align the main characteristics of the underlying with those of the derivatives, so the inefficiency to be recorded is non-significant for the periods presented herein.

Thus, a 50 bp variation in interest rates (1m Euribor for 2019 and for 2018), projected forward to the closing date, would have the following impact on profit:

(*in € million*)	**2019**	**2018**
Impact of 50 base point (bp) increase	(0.4)	(0.4)
Impact of 50 base point (bp) decrease	0.0	0.0

20.2.2 Currency risk

Currency risk includes the following:

Transaction risk: occurring during the normal course of business. The Group mostly operates locally, and most of its receivables and payables are denominated in the subsidiary's operating currency.

Financial risk: occurring during the normal course of business for certain financial liabilities denominated in a currency other than the operating currency.

Exchange rate - Currency	31 December 2019	
	Notional amount in currency millions	**Fair value**
Currency derivatives – EUR/BRL	6.6/31.3	(0.2)
Currency derivatives – EUR/GBP	7.9/6.9	(0.2)
Currency derivatives – USD/BRL	6.22/25.3	(0.1)
Currency derivatives – EUR/RUB	18.0/1310	(0.7)
Other		0.1
Total currency derivative financial instruments		**(1.1)**

Exchange rate - Currency	31 December 2018	
	Notional amount in currency millions	Fair value
Currency derivatives – EUR/RUB	20.6/1557	1.1
Currency derivatives – EUR/USD	7.3/8.2	(0.1)
Currency derivatives – USD/ARS	5.2/248.7	(0.7)
Other		0.1
Total currency derivative financial instruments		**0.4**

Currency derivative instruments: derivative instruments hedging transaction and financial currency risks are referred to as fair value hedging instruments.

Translation risk: occurring as a result of the consolidation in euros of the financial statements of subsidiaries that have a different operating currency. Any fluctuation in the exchange rates of these currencies against the euro has an impact on the Group's equity. The Group's main exposures are to the Argentine peso, the Brazilian real and the Russian rouble.

2019	Group's equity	
(In € million)	**Euro appreciation +10%**	**Euro depreciation -10%**
Brazilian real	(23.0)	19.0
Argentine peso	(5.0)	4.0
Russian rouble	(7.0)	5.0

2018	Group's equity	
(In € million)	**Euro appreciation +10%**	**Euro depreciation -10%**
Brazilian real	(22.0)	18.0
Argentine peso	(8.0)	7.0
Russian rouble	(6.0)	5.0

20.2.3 Commodity risk

The Group is exposed to variations in the prices of the commodities and energy it uses in its operational activities. The Group may sometimes limit its exposure to fluctuations in energy prices by using swaps to hedge some of its energy purchases. Energy hedges (excluding purchases at fixed prices negotiated directly with suppliers by the procurement department) are arranged, as far as possible, by the Group's treasury and finance department in accordance with the instructions received from the Group's procurement department and in keeping with the directives established by the Board of Directors.

Commodities	31 December 2019	
	Notional amount in currency millions	Fair value
Commodity derivatives fuel swaps (€)	16.5	2.8)
Commodity derivatives gas swaps (€)	124.4	(31.9)
Commodity derivatives electricity swaps (€)	11.1	(0.9)
Total commodity derivative financial instruments		**(30.0)**

Commodities	31 December 2018	
	Notional amount in currency millions	Fair value
Commodity derivatives fuel swaps (€)	22.6	(10.5)
Commodity derivatives gas swaps (€)	158.5	(4.1)
Total commodity derivative financial instruments		**(14.6)**

Energy derivative instruments: derivative instruments hedging the risk of fluctuations in energy prices are referred to as cash flow hedging instruments. The hedging strategy is set up in such a way as to align the main characteristics of the underlying with those of the derivatives, so the inefficiency to be recorded is non-significant for the periods presented herein.

20.2.4 Financial counterparty risk

The Group may be exposed to the risk of a default by one of the banking counterparties that manages its cash or any of its other financial instruments, as such a default could result in a financial loss for the Group. Application of IFRS 13 Fair value measurement, requiring the incorporation of counterparty risk when measuring derivative instruments, had no material impact on the Group's financial statements at 31 December 2019 and 2018.

NOTE 21 – FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

Initial recognition and measurement

Trade receivables are initially recognised when they are created. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, in the case of an item not measured at fair value through profit or loss (“FVTPL”), the transaction costs that are directly attributable to its acquisition or issue. A trade receivable with no significant financing component is initially measured at its transaction price.

Classification and subsequent measurement

Financial assets

At initial recognition, a financial asset is classified as having been measured either at amortised cost, at fair value through other comprehensive income (“FVOCI”) with a distinction made between debt instruments and equity instruments, or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case all financial assets affected are reclassified on the first day of the first financial year following the change in business model.

A financial asset is measured at amortised cost if it meets the following two conditions and is not designated as at FVTPL:

- it is held as part of a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets the following two conditions and is not designated as at FVTPL:

- it is held as part of a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

At initial recognition of an equity instrument that is not held for trading, the Group has the irrevocable option to present subsequent adjustments to the fair value of this instrument in other comprehensive income. This choice is made for each instrument.

All financial assets not classified as being measured at amortised cost or at FVOCI using the method described above are measured at FVTPL. This includes all derivative financial assets (see below). At initial recognition, the Group has the irrevocable option to designate a financial asset that would otherwise meet the conditions to be measured at amortised cost or at FVOCI as being at FVTPL, if this designation makes it possible to eliminate or significantly reduce an accounting mismatch that would otherwise have arisen.

Financial assets – assessing whether contractual cash flows are solely payment of principal and interest

For the purposes of this assessment, the term "principal" is defined as being the fair value of the financial asset at initial recognition. "Interest" is defined as being the consideration of the time value of money, the credit risk associated with the principal amount outstanding during a particular period of time, and other basic lending risks and costs (for example, liquidity risk and administrative expenses), as well as the profit margin.

The Group takes into consideration the instrument's contractual terms when assessing whether contractual cash flows are solely payment of principal and interest.

Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are then measured at their fair value. Net gains and losses, including any interest income or dividends, are recognised through profit or loss. However, see **Note 20** for derivative instruments designated as hedging instruments.
Financial assets at amortised cost	These assets are then measured at amortised cost using the effective interest method. Impairment losses are deducted from the amortised cost. Interest income, currency gains and losses, and impairment losses are recognised through profit or loss. Any gains or losses from derecognition are recognised through profit or loss.
Debt instruments at FVOCI	These assets are then measured at their fair value. Interest income calculated using the effective interest method, currency gains and losses, and impairment losses are recognised through profit or loss. Other net gains and losses are recognised through other comprehensive income. At derecognition, cumulative gains and losses in other comprehensive income are reclassified to profit or loss.
Equity investments at FVOCI	These assets are then measured at their fair value. Dividends are recognised as income in profit or loss, unless the dividend clearly corresponds to the recovery of some of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

In accordance with IFRS 9, financial liabilities are classified as being measured at amortised cost or at FVTPL. A financial liability is classified as being at FVTPL if it is considered to be held for trading, whether it is a derivative or was designated as such at initial recognition. Financial liabilities at FVTPL are measured at fair value and the resulting net gains and losses, including any interest expense, are recognised through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and currency gains and losses are recognised through profit or loss. Any gains or losses resulting from derecognition are also recognised through profit or loss.

See **Note 20** for financial liabilities designated as hedging instruments.

Derecognition –

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the financial asset.

The Group carries out transactions through which it transfers assets recognised in its balance sheet but retains all or substantially all the risks and rewards of ownership of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or they expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at its fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

When a financial liability measured at amortised cost is modified without being derecognised, a gain or loss is recognised through profit or loss. The calculated gain or loss corresponds to the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Derivative financial instruments and hedge accounting under IFRS 9

The Group holds derivative financial instruments to hedge currency risk, interest rate risk, commodity risk and energy risk. Embedded derivatives are separated from the host contract and considered separately if the host contract is not a financial asset and if certain criteria are met.

Derivatives are first measured at their fair value. Subsequent to initial recognition, derivative instruments are measured at their fair value and changes therein are generally recognised in profit or loss.

The Group designates certain derivative instruments as being hedging instruments to hedge the variability of cash flows relating to highly probable forecast transactions resulting from movements in exchange rates, interest rates, commodity prices or energy prices. At inception of a designated hedging relationship, the Group documents the risk management objective and the strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether variations in cash flows from the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined using the present value, as from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount that has been accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount that has been accumulated in the hedging reserve is reclassified to profit or loss in the same period(s) as when the hedged forecast future cash flows affect profit or loss.

If the hedge no longer meets hedge qualifying criteria or if the hedging instrument is sold, expires, is terminated or exercised, hedge accounting is then discontinued prospectively. If hedge accounting of cash flow hedges ceases to apply, the amount that has been accumulated in the hedging reserve remains recognised in equity until, in the case of the hedging of a transaction giving rise to the recognition of a non-financial item, it is included in the cost of the non-financial item on its initial recognition or, in the case of other cash flow hedges, until it is reclassified in profit or loss in the same period(s) as when the hedged forecast cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

Impairment of receivables

The Group recognises impairment losses for Expected Credit Losses (ECL) for:

- financial assets measured at amortised cost; and
- contract assets.

Impairments for losses on trade receivables and contract assets are measured at an amount equal to full lifetime ECL.

To determine whether the credit risk of a financial asset has increased significantly since initial recognition, and to estimate ECL, the Group considers reasonable and supportable information that is relevant and available and does not involve undue cost or effort. This consists of quantitative and qualitative information and analyses based on the Group's past experience and on an informed credit assessment, including prospective information.

Impairments for losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off if the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to recovery procedures in accordance with the Group's credit policy.

ESTIMATES AND ASSUMPTIONS USED BY MANAGEMENT

As indicated above, the Company uses estimates to determine impairments for trade receivables.

Classification and fair value measurement

Financial assets and liabilities are classified as follows:

		31 December 2019									
		Accounting categories						**Fair value measurement based on:**			
(in € million)	**Notes**	**Amortised cost**	**Fair value through other comprehensive income – equity instruments**	**Fair value through other comprehensive income – debt instruments**	**Mandatorily at fair value through profit or loss**	**Fair value – hedging instruments**	**Carrying amount**	**Level 1: prices quoted on active markets**	**Level 2: significant observable inputs**	**Level 3: significant non-observable inputs**	**Total financial instruments at fair value**
Equity investments - non-group	13		6.5				6.5			6.5	6.5
Loans, deposits and receipts	13	26.8					26.8		26.8		26.8
Trade receivables and related accounts (excluding current tax receivables)	14.2	165.0		10.9			175.9		175.9		175.9
Derivative instruments hedging financial risk	20.2				0.1		0.1		0.1		0.1
Derivative instruments hedging operating risk(*)	14.2 & 20.2					3.1	3.1		3.1		3.1
Cash and cash equivalents	15	155.9			63.3		219.2	171.6	47.6		219.2
Total financial assets		**347.7**	**6.5**	**10.9**	**63.4**	**3.1**	**431.6**	**171.6**	**253.5**	**6.5**	**431.6**
Term Loan A and revolving credit facility (unused)	*17*	(1 490.7)					(1 490.7)		(1 490.7)		(1 490.7)
Financial liabilities on finance leases	*17*	(53.3)					(53.3)		(53.3)		(53.3)
Other long-term liabilities	*17*	(48.7)		(8.2)			(56.9)		(56.9)		(56.9)
Total long-term debt		**(1 592.7)**	**-**	**(8.2)**	**-**	**-**	**(1 600.9)**	**-**	**(1 600.9)**	**-**	**(1 600.9)**
Derivative instruments hedging financial risk(**)	20.2					(9.6)	(9.6)		(9.6)		(9.6)
Total long-term debt and instruments		**(1 592.7)**	**-**	**(8.2)**	**-**	**(9.6)**	**(1 610.5)**	**-**	**(1 610.5)**	**-**	**(1 610.5)**
Negotiable commercial paper (NEU CP)	17	(188.2)					(188.2)		(188.2)		(188.2)
Other short-term liabilities	17	(8.5)		(2.7)			(11.2)		(11.2		(11.2
Total short-term debt		**(196.7)**	**-**	**(2.7)**	**-**	**-**	**(199.4)**	**-**	**(199.4)**	**-**	**(199.4)**
Derivative instruments hedging operating risk (*)	14.3 &20.2					(34.4)	(34.4)		(34.4)		(34.4)
Trade payables and related accounts	14.3	(383.6)					(383.6)		(383.6)		(383.6)
Other payables and accrued liabilities	14.3	(242.7)					(242.7)		(242.7)		(242.7)
Total financial liabilities		**(2 415.7)**	**-**	**(10.9)**	**-**	**(44.0)**	**(2 470.5)**	**-**	**(2 470.5)**	**-**	**(2 470.5)**
Total		**(2 068.0)**	**6.5**	**-**	**63.4**	**(40.9)**	**(2 038.9)**	**171.6**	**(2 217.0)**	**6.5**	**(2 038.9)**

(*) All commodity swaps are designated as cash flow hedges.

(**) Interest rate swaps payer fixed/receiver variable) taken out by the Group are designated as cash flow hedges.

		31 December 2018									
		Accounting categories						Fair value measurement based on:			
(in € million)	**Notes**	**Amortised cost**	**Fair value through other comprehensive income – equity instruments**	**Fair value through other comprehensive income – debt instruments**	**Mandatorily at fair value through profit or loss**	**Fair value – hedging instruments**	**Carrying amount**	**Level 1: prices quoted on active markets**	**Level 2: significant observable inputs**	**Level 3: significant non-observable inputs**	**Total financial instruments at fair value**
Equity investments - non-group	13		2.4				2.4			2.4	2.4
Loans, deposits and receipts	13	40.2					40.2		40.2		40.2
Trade receivables and related accounts (excluding current tax receivables)	14.2	174.4		16.3			190.7		190.7		190.7
Derivative instruments hedging financial risk	20.2				1.5		1.5		1.5		1.5
Derivative instruments hedging operating risk(*)	14.2 et 20.2					0.2	0.2		0.2		0.2
Cash and cash equivalents	15	214.0			48.1		262.1	225.2	36.9		262.1
Total financial assets		**428.7**	**2.4**	**16.3**	**49.6**	**0.2**	**497.2**	**225.2**	**269.6**	**2.4**	**497.2**
Term Loan B and revolving credit facility (unused)	17	(1 256.7)					(1 256.7)		(1 243.9)		(1 243.9)
Term Loan C	17	(545.0)					(545.0)		(539.3)		(539.3)
Shareholder Loan	17	(273.7)					(273.7)		(273.7)		(273.7)
Financial liabilities on finance leases	17	(1.9)					(1.9)		(1.9)		(1.9)
Other long-term liabilities	17	(58.8)		(8.7)			(67.5)		(67.5)		(67.5)
Total long-term debt		**(2 136.1)**	**0.0**	**(8.7)**	**0.0**	**0.0**	**(2 144.8)**	**0.0**	**(2 126.4)**	**0.0**	**(2 126.4)**
Derivative instruments hedging financial risk(**)	20.2					(6.7)	(6.7)		(6.7)		(6.7)
Total long-term debt and instruments		**(2 136.1)**	**0.0**	**(8.7)**	**0.0**	**(6.7)**	**(2 151.5)**	**0.0**	**(2 133.1)**	**0.0**	**(2 133.1)**
Negotiable commercial paper (NEU CP)	17	(80.0)					(80.0)		(80.0)		(80.0)
Other short-term liabilities	17	(5.5)		(7.6)			(13.1)		(13.1)		(13.1)
Total short-term debt		**(85.5)**	**0.0**	**(7.6)**	**0.0**	**0.0**	**(93.1)**	**0.0**	**(93.1)**	**0.0**	**(93.1)**
Derivative instruments hedging operating risk (*)	14.3 &20.2					(15.5)	(15.5)		(15.5)		(15.5)
Trade payables and related accounts	14.3	(408.4)					(408.4)		(408.4)		(408.4)
Other payables and accrued liabilities	14.3	(216.1)					(216.1)		(216.1)		(216.1)
Total financial liabilities		**(2 846.1)**	**0.0**	**(16.3)**	**0.0**	**(22.2)**	**(2 884.6)**	**0.0**	**(2 866.2)**	**0.0**	**(2 866.2)**
Total		**(2 417.4)**	**2.4**	**0.0**	**49.6**	**(22.0)**	**(2 387.4)**	**225.2**	**(2 596.6)**	**2.4**	**(2 369.0)**

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

Fair value is based on market inputs and commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

NOTE 22 – RELATED PARTIES

ACCOUNTING PRINCIPLES

Under IAS 24 Related party disclosures, a related party is a person or an entity that is related to the reporting entity.

It can be any of the following:

- a person or company that has control over the Group;
- a Group associate;
- a joint venture;
- a member of the company's key management personnel (or a member of that person's family).

A related party transaction is a transfer of resources, services or obligations between the Group and this related party.

22.1 TRANSACTIONS WITH ASSOCIATES

The scope of associated companies is defined in Note 3.3.

The amounts shown in the Group's accounts relating to associates are as follows:

	(in € million)	**Year ended 31 December**	
		2019	**2018**
Statement of financial position	Non-current assets	4.5	2.8
	Current assets	1.3	5.2
	Non-current liabilities	-	-
	Current liabilities	1.6	1.8
Income statement	Revenue	5.2	5.7
	Cost of sales	11.9	10.7
	Financial income	-	0.3

Transactions were carried out in normal market conditions, that is in conditions similar to those that would usually apply between independent parties.

22.2 TRANSACTIONS WITH SHAREHOLDERS

22.2.1 Loan agreement between Verallia Packaging and Bpifrance Financement

On 11 December 2018, Verallia Packaging, a Company subsidiary, and Bpifrance Financement, an affiliate of Bpifrance Participations, a direct shareholder in the Company, signed an agreement for a €10 million instalment loan aimed at financing and refinancing the cash requirements of Verallia Packaging and its subsidiaries. The loan carries annual interest at a rate of 0.70%. The loan is repayable on 31 December 2021.

At 31 December 2019, the loan amount including interest totalled €6.7 million.

22.2.2 Intra-group loan with Horizon Intermediate Holdings:

On 28 October 2015, the Company signed an intra-group loan agreement with its sole partner, Horizon Intermediate Holdings S.C.A, for a maximum initial amount of €347 million with an accruable annual interest rate of 8.12% and a maturity of 10 years.

(in € million)	Year ended 31 December	
	2019	2018
Loans outstanding at start of year	**273.6**	**253.1**
Repayments	(37.6)	-
Accrued interest	15.2	20.5
Receivable incorporation _ Capital increase (20 September 2019)	(251.4)	-
Loans outstanding at end of year	**-**	**273.6**

The Company carried out the following:

- on 25 March 2019, a partial early repayment of this term loan in the total amount of €21.5 million (of which €12.5 million of principal and €9 million of accrued interest) and
- on 25 July 2019, a partial early repayment of this term loan in the total amount of €15.9 million (of which €7 million of principal and €8.9 million of accrued interest).

On 20 September 2019, Horizon Intermediate Holdings S.C.A subscribed to two capital increases carried out by the Company by way of a set-off against the receivable held by Horizon Intermediate Holdings S.C.A against the Company for the outstanding balance of principal (€248.3 million) and accrued interest not yet due (€3.1 million) under the aforementioned term loan, i.e. a total of €251.4 million:

- a capital increase in cash of a nominal amount of €249.8 million via an increase in the nominal value of the Company's shares by way of a set-off, resulting in an increase in the Company's share capital to €387.3 million (**Note 16.1**); then
- a capital increase in cash of a nominal amount of €1.6 million via the issue of 954,931 new shares in the Company by way of a set-off, resulting in an increase in the Company's share capital to €388.9 million (**Note 16.1**).

22.2.3 Services contract

The Group has no services contracts with its shareholders.

22.3 TRANSACTIONS WITH MANAGEMENT PERSONNEL

The Group's key management personnel are its Management team, which includes the following:

- The Chief Executive Officer
- The Chief Financial Officer
- Segment Managers
- The General Secretary
- The Chief Industrial Officer
- The Chief Legal Officer

The compensation of key management personnel shown in the statement of income for the period (including employer contributions and excluding social security contributions on bonus share awards) is as follows:

(in € million)	Year ended 31 December	
	2019	**2018**
Short-term employee benefits	7.5	6.6
Post-employment benefits	0.6	1.1
Other long-term benefits	-	.0.3
Termination benefits	-	0.9
Share-based payment	3.5	3.0
Total	**11.6**	**11.8**

The compensation of members of the Board of Directors (attendance fees) corresponds to the amounts recorded in the statement of income over the period.

Attendance fees allocated to non-executive officers in respect of their mandates at Verallia SA amount to €0.3 million versus €0.2 million in 2018.

NOTE 23 – CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

23.1 COMMITMENTS OF OPERATING ACTIVITIES

(in € million)	Notes	31 December	
		2019	**2018**
OPERATING COMMITMENTS GIVEN			
Operating lease liabilities*		-	46.7
Non-cancellable purchase commitments	**23.1.1**	557.5	453.1
Other financing commitments given	**23.1.2**	3.4	9.0

Total operating commitments given		**560.8**	**508.8**

OPERATING COMMITMENTS RECEIVED			
Commitments received	**23.1.3**	**11.6**	**14.2**

** Application of IFRS 16*

23.1.1 Non-cancellable purchase commitments

Non-cancellable purchase commitments include firm orders for property, plant and equipment as well as purchase commitments for commodities and services.

(in € million)			2019	Payments due		
				Less than 1 year	**1 to 5 years**	**More than 5 years**
Non-cancellable purchase commitments						
-	Non-current assets	**A**	**96.9**	92.3	4.6	0.0
-	Commodities and energy	**B**	**385.5**	252.9	130.0	2.6
-	Services		**68.8**	48.5	20.3	0.0
-	Other		**6.3**	4.7	1.6	0.0
Total			**557.5**	**398.45**	**156.4**	**2.6**

(in € million)			2018	Payments due		
				Less than 1 year	**1 to 5 years**	**More than 5 years**
Non-cancellable purchase commitments						
-	Non-current assets		**31.7**	31.7	0.0	0.0
-	Commodities and energy	**A**	**365.6**	172.6	184.8	8.2
-	Services		**53.8**	21.5	32.3	0.0
-	Other		**2.0**	0.7	1.3	0.0
Total			**453.1**	**226.5**	**218.4**	**8.2**

A. Corresponds mainly to purchase commitments made for the building and rebuilding of furnaces.

B. Includes CO2 emission allowances futures qualifying for the “own use” exemption.

23.1.2 Other operating commitments given

Other operating commitments given consist primarily of guarantees relating to the environment.

23.1.3 Operating commitments received

Operating commitments received amount to €11.6 million at 31 December 2019 and to €14.2 million at 31 December 2018. They consist primarily of guaranteed receivables.

23.2 FINANCING COMMITMENTS

(in € million)	Notes	31 December	
		2019	**2018**
FINANCING COMMITMENTS GIVEN			
Assets held under finance leases*			1.4
Guaranteed current assets	**23.2.1**	2 047.2	2 178.3
Other financing commitments given	**23.2.2**	16.2	34.0
Total financing commitments given		**2 063.3**	**2 213.7**
FINANCING COMMITMENTS RECEIVED			
Commitments received	**23.2.3**	**805.5**	**568.2**

** Application of IFRS 16*

The Group's main borrowing commitments are indicated in **Note 17**.

23.2.1 Guaranteed current assets

Guaranteed current assets consist primarily of guarantees relating to the term loans and revolving credit facility:

On 7 October 2019, as part of the process of listing Verallia SA shares for trading on the regulated market of Euronext Paris, the Group refinanced the facilities made available to it under the facilities agreement signed on 7 August 2015 (as amended subsequently) (the "2015 Facilities Agreement"), primarily by drawing on the term loan made available to Verallia Packaging under the English-language facilities agreement of a maximum total principal amount of €2,000,000,000 signed on 17 July 2019 and governed by French law. As part of the 2019 Facilities Agreement, Verallia SA stands as joint and several guarantor ("Guarantor") for the payment and repayment obligations of Verallia Packaging and the Group's other companies that may also adhere to the 2019 Facilities Agreement as guarantors (i.e. Verallia France, Verallia Italia, Verallia Brasil, Verallia Spain, Verallia Portugal and Verallia Deutschland), for a maximum principal amount of €2,000,000,000 (plus interest, fees and commissions) and within the legal and contractual limits set out in Article 22.13 (Limitation of Liabilities of French Guarantors) of the 2019 Facilities Agreement.

23.2.2 Other financing commitments given

Other financing commitments given consist primarily of letters of comfort for local loan guarantees.

23.2.3 Financing commitments received

Financing commitments received consist primarily of credit facilities.

NOTE 24 – AUDIT FEES

in € million)	*PricewaterhouseCoopers*				*BMA*				*Other*				*Total*			
	Amount(before tax)		%		*Amount(before tax)*		%		*Amount(before tax)*		%		*Amount(before tax)*		%	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Audit, certification and review of parent company and consolidated financial statements	**1.2**	**1.2**	**49%**	**92%**	**0.3**	**-**	**71%**	**-**	**0.2**	**0.5**	**56%**	**97%**	**1.6**	**1.7**	**52%**	**95%**
Verallia SA	*0.3*	**-**	14%	-	0.2	-	42%	-	-	-	-	-	0.5	-	18%	
Fully-consolidated subsidiaries	*0.8*	*1.2*	*35%*	*92%*	*0.1*	-	*0%*	-	*0.2*	*0.5*	*56%*	*97%*	*1.1*	*1.7*	*35%*	*89%*
Services other than certification of financial statements	**1.2**	**0.1**	**51%**	**8%**	**0.1**	**-**	**29%**	**-**	**0.1**	**0.0**	**44**	**3%**	**1.4**	**0.1**	**48%**	**6%**
Verallia SA	**0.7**	**-**	31	-	0.1	-	29%	-	-	-	-	-	0.8	-	25%	
Fully-consolidated subsidiaries	*0.5*	*0.1*	*20%*	*8%*	-	-	*0%*	-	*0.1*	*0.0*	*44%*	*3%*	*0.6*	*0.1*	*25%*	*6%*
Total	**2.4**	**1.3**	**100%**	**100%**	**0.4**	**-**	**100%**	**-**	**0.3**	**0.5**	**100%**	**100%**	**3.0**	**2.2**	**100%**	**100%**

Services other than the certification of financial statements provided by the Statutory Auditors of Verallia SA, the consolidating entity, and of its subsidiaries correspond primarily to due diligence conducted for the Company's initial public offering.

NOTE 25 – EVENTS AFTER THE CLOSING DATE

No significant events occurred after the close on 31 December 2019.

18.1.2 Statutory Auditors' report for the year ended 31 December 2019

"This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Verallia SA

Tour Carpe Diem

31 Place des Corolles - Esplanade Nord

92400 Courbevoie

To the General annual meeting,

Opinion

In compliance with the engagement entrusted to us by your Articles of Association and by the decision of the sole shareholder, we have audited the accompanying consolidated financial statements of Verallia SA for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2.2 to the consolidated financial statements, which describes the impacts of the first-time application of IFRS 16 – Leases as from 1 January 2019.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the recoverable amount of goodwill

Description of risk

The carrying amount of goodwill at 31 December 2019 was €551 million and is recognised as indicated in Note "3.1 - Changes in scope" and Note "9 - Goodwill".

Management conducts impairment tests, as described in Note "12 - Impairment of goodwill and non-current assets" at least once a year and whenever there is an indication of impairment. Impairment indicators may correspond to events or situations related to material and adverse changes affecting the economic environment and the assumptions or objectives identified at the time of acquisition.

Goodwill is tested at the level of groups of cash-generating units (CGUs) corresponding to the operating segments as defined by the Group. An impairment loss is recognised when the carrying amount of a group of CGUs exceeds its recoverable amount.

We deemed the measurement of the recoverable amount of these assets to be a key audit matter due to the potentially significant nature of any impairment and the high level of judgement and estimation required by management for this assessment. Management's judgement is based on assumptions relating to future trends in sales, renewal investments and changes in working capital requirements linked to the operation of these assets, as well as the determination of an appropriate discount rate applied to future cash flows.

How our audit addressed this risk

We assessed the appropriateness and pertinence of the approach used by management to determine the groups of CGUs at the level of which goodwill impairment tests are performed.

We gained an understanding of and examined the procedure implemented by Group management to conduct impairment tests.

We also assessed the appropriateness of the model used to calculate the value in use based on the discounted cash flow method and reviewed, by sampling, the calculations made by management.

We verified the consistency of the cash flow projections by comparing them with:

- management's most recent estimates, as presented to the Board of Directors during the budget process,

– the cash flow projections used in the previous impairment tests for the years 2020 to 2023, and
– historical projections for 2019 and the performance for that year.

We met with management to analyse the main assumptions used in the impairment tests and to obtain explanations to enable us to corroborate these assumptions.

With the assistance of our valuation experts, we performed an independent analysis of certain key assumptions used by management in its tests and analyses, including the discount rate and the perpetual average annual growth rate of future cash flows, with reference to both external market data and analyses of comparable companies.

We also compared sensitivity analyses to certain key variables in the valuation model to assess the materiality of potential impacts on the assets' recoverable amount.

We also examined the appropriateness of the disclosures provided in note "12 - Impairment of goodwill and non-current assets" to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Verallia SA in the Articles of Association dated 18 June 2015 for PricewaterhouseCoopers Audit and by a decision of the sole shareholder of 24 July 2019 for BM&A.

At 31 December 2019, PricewaterhouseCoopers Audit and BM&A were in the fifth consecutive year and the first year of their engagement, respectively, and the first year since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 17 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	BM&A
Itto El Hariri	Gilles Rabier

18.2 Parent company annual financial statements for the year ended 31 December 2019 and Statutory Auditors' report

18.2.1 Parent company annual financial statements for the year ended 31 December 2019

1 BALANCE SHEET

(*In thousands of euros*)	Notes	31/12/2019 Gross	31/12/2019 Amort. & Dep	31/12/2019 Net	31/12/2018 Net
ASSETS					
Intangible assets		-	-	-	-
Property, plant and equipment		-	-	-	-
Financial assets		713,397.8	-	713,397.8	613,008.7
Equity interests	**3.1.2**	665,747.2	-	665,747.2	612,992.9
Loans	**3.1.3**	43,358.6	-	43,358.6	15.8
Other financial assets		4,292.0	-	4,292.0	-
Total Non-Current Assets	**3.1**	**713,397.8**	**-**	**713,397.8**	**613,008.7**
Trade receivables and related accounts		6.6	-	6.6	-
Other receivables		20,339.0	-	20,339.0	13,735.5
Marketable securities		-	-	-	-
Cash and equivalents		7,575.1	-	7,575.1	316.0
Total Current Assets	**3.2**	**27,920.7**	**-**	**27,920.7**	
Prepaid expenses		-	-	-	
Total Assets		**741,318.5**	**-**	**741,318.5**	**627,060.2**
LIABILITIES					
Share capital	**3.3.1**			400,171.5	137,513.5
Additional paid-in capital	**3.3.2**			78,462.6	-
Legal reserve				11,098.3	11,098.3
Retained earnings				204,604.7	206,093.4
Net profit (loss) for the period				35,984.8	(1,488.7)
Regulated provisions				-	-
Equity	**3.3**			**730,321.9**	**353,216.5**
Provisions for liabilities				-	-
Provisions for charges				1.9	-
Provisions for Liabilities and Charges	**3.4**			**1.9**	**-**
Borrowings and similar liabilities	**3.5.1**			-	273,670.0
Prepayments received on orders in progress					
Trade payables and related accounts	**3.5.2**			2,334.6	165.5
Tax and social security liabilities				3,814.4	8.1
Other liabilities				4,845.7	-
Liabilities	**3.5**			**10,994.7**	**273,843.7**
Deferred income				-	-
Total Liabilities				**741,318.5**	**627,060.2**

2 STATEMENT OF INCOME

(*In thousands of euros*)	Notes	Year ended 31 December	
		2019	**2018**
Net revenue	**4.1**	**2,509.5**	**-**
Other income		5.4	-
Total operating income		**2,514.9**	**-**
Other purchases and external charges		11,095.5	8.2
Taxes and similar duties		45.2	0.4
Wages and salaries		3,113.8	-
Payroll taxes		1,127.5	-
Depreciation, amortisation and provisions		1.9	-
Other expenses		286.9	200.0
Total operating expenses		**15,670.8**	**(208.6)**
Operating profit	**4.2**	**(13,155.9)**	**(208.6)**
Income from other securities and receivables		37,460.7	-
Other interest payable and similar income		1,108.8	35.5
Positive translation adjustment		-	0.5
Total financial income		**38,569.5**	**36.0**
Depreciation, amortisation and provisions for financial items		-	-
Other interest payable and similar income		15,220.9	20,560.1
Negative translation adjustment		3.4	1.0
Total financial expenses		**15,224.3**	**20,561.1**
Financial result	**4.3**	**23,345.2**	**(20,525.2)**
Recurring profit before tax		**10,189.3**	**(20,733.8)**
Total non-recurring income		**-**	**-**
Total non-recurring expenses		**-**	**-**
Non-recurring profit/loss		**-**	**-**
Corporate tax (tax consolidation gains)	**4.4**	25,795.5	19,245.1
Total income		**66,879.9**	**19,281.0**
Total expenses		**30,895.1**	**20,769.7**
Net profit (loss) for the period		**35,984.8**	**(1,488.7)**

NOTES TO THE 2019 INDIVIDUAL FINANCIAL STATEMENTS

At 31 December 2019, the Company's corporate name is "Verallia" (hereinafter the "Company") and has been since 20 June 2019. The Company operates a holding activity.

The Company is incorporated for a period of 99 years starting from its registration on 23 June 2015, unless it is dissolved early or extended on the joint decision of its shareholders in accordance with the law and articles of association.

The financial year begins on 1 January and ends on 31 December of each year.

The Company's 2019 annual financial statements were approved by the Board of Directors on 17 March 2020.

The notes below form an integral part of the annual financial statements.

1. HIGHLIGHTS OF THE FINANCIAL YEAR

The ordinary shares constituting the Company's capital were admitted to trading on the regulated market of Euronext in Paris (Euronext Paris) on 4 October 2019.

The reorganisation measures described below were carried out at the time of this initial public offering.

The following were decided:

- to change the Company's corporate name to Verallia on the decision of the Sole Partner taken on 20 June 2019. The Company was previously called Horizon Holdings;
- to transform the Company into a *société anonyme* (public limited company) on the decision of its Shareholders' Meeting held on 20 September 2019;
- to incorporate into the Company's capital the outstanding amount of the intragroup loan (principal and interest) that had been granted to it by its Sole Partner, Luxembourg company Horizon Intermediate Holdings S.C.A., via two increases in the Company's capital (€251,430.1 thousand) (see section 3.3.1). This intragroup loan was fully incorporated into the Company's capital via capital increases that were fully subscribed by Horizon Intermediate Holdings. These capital increases equalled the total amount of the receivable (principal and interest) held by Horizon Intermediate Holdings S.C.A. against the Company for the aforementioned loan and were fully subscribed by way of a set-off against the receivable. The capital increases were carried out during the Company's Shareholders' Meeting on 20 September 2019;
- to proceed with the merger-acquisition of Horizon Holdings I by the Company. The Company held indirect control over Verallia Packaging via two fully controlled holding companies (Horizon Holdings I and Horizon Holdings II). At the time of its initial public offering, the Company simplified its chain of ownership and proceeded with the merger-acquisition of Horizon Holdings II by Horizon Holdings I, followed by the merger-acquisition of Horizon Holdings I by the Company, with both transactions taking retroactive effect on 1 January 2019. These transactions were in the form of successive mergers during which the acquiring company was, in each case, the sole partner of the acquired company, so there was no need to determine merger ratios or for the acquiring companies (of which the Company) to issue new shares;
- to proceed with the Company's merger-acquisition of Horizon Intermediate Holdings S.C.A., mainly impacting on the shareholdings held by the Group's managers and executives. Luxembourg company Horizon Intermediate Holdings, the Company's parent company prior to

its initial public offering, chose to enable its shareholders to become direct shareholders in the Company. For this purpose, Horizon Intermediate Holdings and the Company merged. This reverse cross-border merger was submitted for the approval of the Shareholders' Meetings of each of the companies involved in this merger, with the Company's Shareholders' Meeting being held on 20 September 2019, and the merger took effect on the day of settlement/delivery;

- to proceed with the transfer by the Verallia FCPE (employee investment fund) to the Company of all the ordinary and preference shares it held in the capital of Verallia Packaging, in exchange for new ordinary shares in the Company (3,243,450 shares were issued amounting to a total of €87,573.2 thousand).

2. MAIN ACCOUNTING PRINCIPLES AND VALUATION METHODS

2.1. Accounting principles

The financial statements were prepared according to the General Chart of Accounts in compliance with Regulation ANC n°2014-03, the provisions set out in French law and generally accepted accounting principles applied in France.

General accounting conventions were applied, with the principle of prudence being observed based on the following core assumptions:

- that the business is a going concern,
- that accounting policies are consistent from one accounting period to the next,
- that there is a clear cut-off between accounting periods,

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method used to evaluate accounting items is the historical cost method.

2.2. Main methods used

2.2.1. Financial assets

Equity interests are initially recognised at their acquisition cost or transfer value, excluding ancillary expenses.

Periodically, such as at the end of each financial year, securities are valued at their value in use corresponding to what the entity would be prepared to pay out to obtain the equity interest if it were to acquire it at that time.

Estimates of value in use factor in various criteria including the share of company shareholders' equity and the share of consolidated net book value and future cash flows based on business plans (or projected long-term budgets), excluding financial expenses but after tax.

An impairment charge is recognised when the value in use of the securities is below their net book value. Unrealised capital gains are not recognised. However, any impairment charges recognised are adjusted.

2.2.2. Translation of receivables and liabilities denominated in foreign currencies

Liabilities and receivables not under any currency risk hedging arrangement appear in the balance sheet at their counter-value during the course of the financial year.

The Company applies Regulation ANC n° 2015-05 relating to futures and hedging operations applicable to financial years starting from 1 January 2017.

2.2.3. Cash and equivalents and bank loans and overdrafts

Cash and equivalents comprise securities immediately convertible into cash at their face value.

2.2.4. Provisions for liabilities and charges

- Provisions for liabilities and charges (excluding retirement benefits and long-service awards)

A provision is recognised when the Company has an obligation (legal or implicit) towards a third party resulting from past events that can be reliably estimated and that will probably lead to an outflow of resources.

- Retirement benefits and long-service awards

Retirement benefits are presented as off-balance sheet commitments.

Actuarial estimates of benefits granted are made using the projected unit credit method based on final salaries and pension rights established on the valuation date.

Long-term service awards are provisioned in the financial statements.

2.2.5. Tax consolidation

Since 1 July 2015, the Company has been the parent company of a tax group. At 1 January 2019, this group consisted of Verallia SA, Verallia Packaging, Verallia France, Everglass, Etablissements René Salomon, Saga Décor, Obale, Société Charentaise de Décor and VOA Verrerie d'Albi.

The consolidation convention applies the principle of tax neutrality for consolidated subsidiaries. In their relations with the consolidating parent company, subsidiaries pay their taxes as if they were taxed individually.

3. NOTES TO THE BALANCE SHEET

3.1. Fixed assets

3.1.1. Table of changes in fixed assets

In thousands of euros	01/01/2019	Increases	Decreases	31/12/2019
Intangible assets (I)	-	-	-	-
Property, plant and equipment (II)	-	-	-	-
Equity interests	612,992.9	665,747.2	612,992.9	665,747.2
Loans	15.8	43,358.6	15.8	43,358.6
Other financial assets		4,292.0		4,292.0
Financial assets (III)	**613,008.7**	**713,397.8**	**613,008.7**	**713,397.8**
NON-CURRENT ASSETS (I+II+III)	**613,008.7**	**713,397.8**	**613,008.7**	**713,397.8**

The Company's equity interests increased by €665,747.2 thousand and decreased by €612,992.9 thousand during the course of the year on account of the following transactions:

- On 7 October 2019, as part of the merger-acquisition of its subsidiary Horizon Holdings I, the Company recognised the transfer of Verallia Packaging shares of a total value of €578,174.1 thousand and cancelled the Horizon Holdings I shares it held of a total value of €612,992.9 thousand;
- On that same date, the Company recognised the transfer of Verallia Packaging shares by the Verallia FCPE (employee investment fund) of a total value of €87,573.1 thousand.

On completion of these transactions, the Company held all of the shares in Verallia Packaging.

At 31 December 2019, equity interests recognised consisted of shares in Verallia Packaging.

During the year, the Company's loans varied primarily on account of transactions carried out as part of the merger-acquisition of the Horizon Holdings I subsidiary on 7 October 2019:

- The cancellation of the tax consolidation loan to the Horizon Holdings I subsidiary of an amount of €15.8 thousand in principal and interest at origination;
- The provision of a tax consolidation loan for the Verallia Packaging subsidiary of a principal amount of €43,247.8 thousand.

At 31 December 2019, "Loans' corresponded to the total amount of the tax consolidation loan, principal and interest accrued (see section 3.1.3).

At 31 December 2019, no impairment provisions were recognised.

3.1.2. Table of subsidiaries and equity interests

Subsidiaries and equity interests	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Guarantees and endorsements given by the Company	Net revenue for the last financial year	Profit (loss) for the last financial year	Dividends received by the Company during the year
Detailed information on subsidiaries and equity interests (in thousands of euros)							
- Subsidiaries (capital ownership 50%)	665,747.2	665,747.2	43,358.6		57,711.5	7,381.5	
Verallia Packaging							
- Equity interests (capital ownership 10% to 50%)							

The Verallia Packaging subsidiary operates an active holding company activity for the Verallia Group.

3.1.3. Receivables on non-current assets

In thousands of euros	Gross amount	Maturing in < 1 year	Maturing in > 1 year
Loans	43,358.6	110.8	43,247.8
Loans granted over the year	-		
Loans recovered over the year	-		

At 31 December 2019, the Company's loans consisted of a tax consolidation loan in favour of the Verallia Packaging subsidiary of a principal amount of €43,247.8 thousand and accrued interest of €110.8 thousand (see section 3.1.1).

3.2. Current assets

In thousands of euros	31/12/2019			31/12/2018
Receivables on current assets	**Maturing in < 1 year**	**Maturing in > 1 year**	**Total**	**Total**
Trade receivables and related accounts	6.6	-	6.6	-
Other receivables	10,918.0	9,421.0	20,339.0	13,735.5
State – Corporate tax receivable	*3,968.3*	*9,421.0*	*13,389.3*	*12,075.9*
State – Other receivables	*2,298.4*	-	*2,298.4*	-
Group – Tax consolidation current account	*2,148.4*	-	*2,148.4*	*1,659.6*
Group – Other receivables	*2,502.9*	-	*2,502.9*	-
TOTAL	**10,924.6**	**9,421.0**	**27,920.7**	**13,735.5**

Corporate tax receivables consisted of refundable tax credits transferred by consolidated companies for tax consolidation purposes of a total amount of €13,389.3 thousand versus €12,075.9 thousand at 31 December 2018.

Other receivables (State) corresponded to VAT credits totalling €2,298.4 thousand versus an amount of zero at 31 December 2018 as the Company exercised its right to a tax deduction in financial year 2019.

The tax consolidation current account corresponded to the corporate tax liabilities of companies within the tax consolidation group of a total amount of €2,148.4 thousand versus €1,659.6 thousand at 31 December 2018.

Other receivables (Group) corresponded to intragroup reinvoicing of provisions relating to Company employees of a total of €2,502.9 thousand versus an amount of zero at 31 December 2018.

At 31 December 2019, no impairment provisions were recognised for receivables.

3.3. Equity

3.3.1. Composition of the share capital

(In €)	Number of shares	Face value	Share capital
At 31 December 2018	**229,189,201**	**0.60**	**137,513,521**
Increase in nominal value (20 September 2019)	-	1.69	249,816,229
Capital increase / Issue of ordinary shares (20 September 2019)	954,931	1.69	1,613,833
Increase in nominal value / Reverse stock split (20 September 2019)	(115,072,065)	3.38	-
Capital reduction / Cross-border merger (7 October 2019)	(115,072,065)	3.38	(388,943,580)
Capital increase / Issue of ordinary shares (7 October 2019)	118,393,942	3.38	400,171,524
Au 31 December 2019	**118,393,942**	**3.38**	**400,171,524**

At 31 December 2019, the share capital amounted to €400,171,523.96 and consisted of 118,393,942 ordinary shares with a face value of €3.38 each.

The following operations went ahead on 20 September 2019:

- a capital increase in cash of a nominal amount of €249,816,229.09 via an increase in the face value of the shares, by way of a set-off against a certain, liquid and due receivable, resulting in the Company's share capital increasing to €387,329,749.69;
- immediately followed by a capital increase in cash of a nominal amount of €1,613,833.39 via the issue of 954,931 new shares, by way of a set-off against a certain, liquid and due receivable, resulting in the Company's share capital increasing to €388,943,583.08;
- immediately followed by a reverse split of all the Company's outstanding shares so that the Company's share capital was now divided into 115,072,066 ordinary shares with a face value of €3.38 each.

The following operations went ahead on 7 October 2019:

- The Company's merger-acquisition of Horizon Intermediate Holdings S.C.A, which resulted in:
    - o an increase in the Company's capital, following completion of the reverse cross-border merger with Horizon Intermediate Holdings S.C.A, of a total amount of €389,208,659.58 via the issue of 115,150,491 new ordinary shares with a face value of €3.38 each;
    - o immediately followed by the cancellation of all 115,072,065 ordinary shares in the Company transferred to it under the reverse cross-border merger (which thus then counted as treasury shares), resulting in a capital reduction of a total of €388,943,579.70;
- The transfer by the Verallia FCPE (employee investment fund) to the Company of all the ordinary and preference shares it held in the capital of Verallia Packaging, in exchange for new ordinary shares in the Company. And an increase in the Company's capital, subsequent to the

transfer of shares by the Verallia FCPE, of a total of €87,573,151.95 (nominal value and contribution premium) via the issue of 3,243,450 new ordinary shares in Verallia.

3.3.2. Change in equity

(In thousands of €)	Share capital	Premiums	Profit (loss) & Other	Equity
At 31 December 2018	**137,513.5**		**215,703.0**	**353,216.5**
Capital increase / Increase in nominal value (20 September 2019)	249,816.2			249,816.2
Capital increase / Issue of ordinary shares (20 September 2019)	1,613.8			1,613.8
Capital reduction / Cancellation of treasury shares / Cross-border merger (7 October 2019)	(388,943.6)			(388,943.6)
Capital increase / Issue of ordinary shares / Cross-border merger (7 October 2019)	389,208.7	1,852.3		391,061.0
Capital increase / Issue of ordinary shares / FCPE transfer (7 October 2019)	10,962.9	76,610.3		87,573.2
Net profit (loss) for the period			35,984.8	35,984.8
At 31 December 2019	**400,171.5**	**78,462.6**	**251,687.8**	**730,321.9**

Details of changes in the share capital appear in section 3.3.1. Below we set out changes in the share premium account:

At 7 October 2019:

- During the Company's merger-acquisition of Horizon Intermediate Holdings S.C.A., the difference between the value of the net assets transferred to the Company and the nominal amount of the capital increase resulting from the merger was transferred to a merger premium account in a total amount of €1,852.3 thousand.
- During the transfer of Verallia Packaging shares by the FCPE (employee investment fund), a contribution premium was recognised of a total amount of €76,610.3 thousand.

3.3.3. Liquidity agreement

On 20 December 2019, the Company signed an AMAFI liquidity agreement with Rothschild Martin Maurel for market-making purposes with respect to its own shares on the regulated market of Euronext Paris. This liquidity agreement took effect on 6 January 2020 for an initial term of 12 months, renewable by tacit agreement for successive 12-month periods. Implementation of the agreement involved €2,500,000 being credited to the liquidity account.

3.4. Provisions for liabilities and charges

Provisions for liabilities and charges at 31 December 2019 amounted to €1.9 thousand and consisted of provisions for long-service awards.

3.5. Liabilities

In thousands of euros		31.12.2019				31.12.2019
Liabilities	**Notes**	**Maturity 0 to 1 year**	**Maturity 1 to 5 years**	**Maturity > 5 years**	**Total**	**Total**
Borrowings and similar liabilities	**A**	-	-	-	-	273,670.0
Trade payables and related accounts	**B**	2,334.6	-	-	2,334.6	165.5
Tax and social security liabilities	**C**	3,814.4	-	-	3,714.4	8.1
Other liabilities	**D**	4,845.7	-	-	4,845.7	-
TOTAL		**10,994.7**	**-**	**-**	**10,994.7**	**273,843.7**
Borrowings taken out over the year		-				
Borrowings reimbursed over the year	**A**	**269,834.2**				

A. During the year, the Company reimbursed in several instalments the total amount of the loan (principal and interest) previously granted to it by its Sole Partner, Luxembourg company Horizon Intermediate Holdings S.C.A:

- On 25 March 2019, the Company made a partial prepayment of a principal amount of €12,555.1 thousand;
- On 25 July 2019, the Company made a partial prepayment of a principal amount of €8,931.1 thousand;
- On 20 September 2019, the Company reimbursed the outstanding balance of the shareholder loan, of a principal amount of €248,348 thousand, by incorporating the outstanding balance of the loan into its capital (see section 3.3.1).

In 2019, the Company thus fully reimbursed the loan of a principal amount of €269,834.2 thousand.

B. At 31 December 2019, trade payables and related accounts, totalling €2,334.6 thousand, included liabilities relating to the costs incurred by the Company during its initial public offering of €1,075.6 thousand.

C. At 31 December 2019, tax and social security liabilities, totalling €3,814.4 thousand, mainly included liabilities relating to Company employees and corporate officer of €3,695.4 thousand.

D. At 31 December 2019, other liabilities, totalling €4,845.7 thousand, consisted of intragroup liabilities, of which tax liabilities towards consolidated subsidiaries of €3,599.8 thousand (see section 2.2.5).

4. NOTES TO THE STATEMENT OF INCOME

4.1. Revenue

Revenue came to €2,509.5 thousand in 2019 versus an amount of zero in 2018.

It corresponded to intragroup reinvoicing of expenses relating to the Company's workforce.

4.2. Operating profit

Operating profit came out negative at €(13,155.9) thousand in 2019 versus €(208.6) thousand in 2018, having fallen steeply on account of higher operating expenses.

It consisted mainly of the following:

- External expenses of €11,095.5 thousand in 2019, of which €9,869 thousand in expenses incurred during the preparation of the Company's initial public offering; this is a much higher figure than in 2018 (€8.2 thousand);
- Wages and salaries of €3,113.8 thousand in 2019 versus an amount of zero in 2018.

4.3. Financial result

The financial result came to €23,345.2 thousand in 2019 versus €(20,525.2) thousand in 2018.

It consisted of:

- Financial income of €38,569.5 thousand in 2019, of which €37,460.7 thousand of exceptional dividends of share premium received from the Verallia Packaging subsidiary and €1,108.8 thousand of interest income relating to the loans contracted on behalf of the Verallia Packaging subsidiary; this is a much higher figure than in 2018 (€36 thousand);
- Financial expenses of €15,224,3 thousand in 2019, of which €15,220.9 thousand of interest expenses relating to the loan contracted as part of the acquisition of Verallia investees; this is a lower figure than in 2018 (€20,561.1 thousand).

4.4. Taxes

At 31 December 2019, Verallia SA recognised a net corporate tax gain of €25,854.5 thousand under the French tax consolidation regime, of which a research tax credit of €910 thousand.

In the absence of any tax consolidation, the Company would have recognised corporate tax of zero.

5. OFF-BALANCE SHEET COMMITMENTS

5.1. Pensions

The Company's commitments relating to retirement benefits are not provisioned.

At 31 December 2019, these commitments totalled €336.8 thousand.

5.2. Other commitments

On 7 October 2019, as part of the process of listing Verallia SA shares for trading on the regulated market of Euronext Paris, the Group refinanced the facilities that had been made available to it under the facilities agreement signed on 7 August 2015 (as amended subsequently) (the "2015 Facilities Agreement"), primarily by drawing on the term loan made available to Verallia Packaging under the English-language facilities agreement of a maximum total amount of €2,000,000,000 in principal, governed by French law and signed on 17 July 2019 by Verallia SA in its capacity as the parent company (Parent), Verallia Packaging in its capacity as the borrower (Borrower) and guarantor (Guarantor), Banco Santander S.A., BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse International, Deutsche Bank Luxembourg S.A., Société Générale, Allied Irish Banks, p.l.c, Banco de Sabadell, S.A., Commerzbank Aktiengesellschaft, Filiale Luxembourg, Cooperatieve Rabobank U.A., Crédit Industriel et Commercial, La Banque Postale, Mediobanca – Banca di Credito Finanziario S.p.A. and Raiffeisen Bank International AG in their capacity as arrangers (Arrangers), the financial institutions involved in their capacity as lenders (Lenders), and Crédit Agricole Corporate and Investment Bank in its capacity as the agent (Agent) (as each of these terms is defined in English in said agreement) (the "2019 Facilities Agreement").

Under the 2019 Facilities Agreement, Verallia SA stands as joint and several guarantor ("Guarantor") for the payment and repayment obligations of Verallia Packaging and other Group companies that may also adhere to the 2019 Facilities Agreement as guarantors (i.e. Verallia France, Verallia Italia, Verallia Brasil, Verallia Spain, Verallia Portugal and Verallia Deutschland), for a maximum amount of €2,000,000,000 in principal (plus interest, fees and commissions) and within the legal and contractual limits set out in Article 22.13 (Limitation of Liabilities of French Guarantors) of the 2019 Facilities Agreement.

6. OTHER INFORMATION

6.1. Workforce

The Company comprises two employees and one corporate officer at 31 December 2019.

6.2. Compensation of board members

The compensation of members of the Board of Directors (attendance fees) corresponds to the amounts recorded in the statement of income over the period.

Attendance fees allocated to non-executive officers in respect of their mandates at Verallia SA amounted to €267.9 thousand versus €200 thousand in 2018.

7. EVENTS AFTER THE CLOSING DATE

N/A.

18.2.2 Statutory Auditors' report on the parent company financial statements for the year ended 31 December 2019

"This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Verallia SA

Tour Carpe Diem

31 Place des Corolles - Esplanade Nord

92400 Courbevoie

To the General annual meeting,

Opinion

In compliance with the engagement entrusted to us by your Articles of Association and by the decision of the sole shareholder, we have audited the accompanying financial statements of Verallia SA for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Valuation of equity securities

Description of risk

Equity securities are initially recognised at cost or at their transfer value.

A provision for impairment is recognised when the value in use of the securities is less than their net carrying amount. The estimate of value in use takes into account various criteria, including the Company's share of equity, consolidated net assets and discounted future cash flows on the basis of business plans (or long-term forecast budgets) excluding interest and after tax, as described in note 2.2.1. "Financial assets" to the financial statements.

At 31 December 2019, they comprise shares in Verallia Packaging SAS, which are recorded in the balance sheet for an amount of €666 million, i.e. 90% of total assets, the other assets being mainly receivables related to this investment.

The valuation of these equity securities, which requires management to exercise its judgement in selecting the items to be considered and the assumptions used, is sensitive to the economic environment and the uncertainty inherent in evaluating future prospects and is a determining factor in assessing Verallia SA's financial position, assets and liabilities.

We therefore deemed the measurement of equity securities to be a key audit matter.

How our audit addressed this risk

On the basis of the information provided to us, we verified that the estimated value of these equity securities determined by management were based on an appropriate measurement method and underlying data.

Our work consisted mainly in verifying that management's estimate of value in use was based on (i) enterprise values determined on the basis of the same assumptions as those used for the impairment tests carried out by the Group within the scope of the operations of the subsidiary Verallia Packaging SAS and the subsidiaries that it holds directly or indirectly, and (ii) consolidated net debt within this scope.

We have assessed the appropriateness of the approach used by management to assess the value in use of Verallia Packaging SAS shares.

We also ensured that the value in use was consistent with the Group's stock market capitalisation.

Lastly, we examined the appropriateness of the disclosures in the notes to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information about payment terms referred to in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.225-37-5 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Verallia SA in the Articles of Association dated 18 June 2015 for PricewaterhouseCoopers Audit and by a decision of the sole shareholder of 24 July 2019 for BM&A.

At 31 December 2019, PricewaterhouseCoopers Audit and BM&A were in the fifth consecutive year and the first year of their engagement, respectively, and the first year since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 17 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Itto El Hariri

BM&A

Gilles Rabier

18.3 Date of the last financial information

31 December 2019

18.4 Dividend distribution policy

The Company made no dividend payments for the years ended 31 December 2017 and 2018.

For the year ended 31 December 2019, a proposal will be made at the Company's General Shareholders' Meeting for the distribution of a dividend of €0.85 per share, with a payment scheduled for 9 July 2020. The shareholders will have an option between the payment of the dividend in cash or new shares of the Company.

The Group's dividend policy is described in Section 10.2 of this Universal Registration Document.

18.5 Judicial and arbitration proceedings

In the normal course of its business, the Group may be involved in legal, arbitration, administrative or regulatory proceedings, which may notably include disputes with its customers, suppliers, competitors or employees, as well as tax or other authorities. At the date of this Universal Registration Document, the Group is not aware of any government, legal or arbitration proceedings (including any proceedings that to the Group's knowledge are under way or imminent), other than those mentioned below, that could have or have had, during the last 12 months, a material impact on the financial position or profitability of the Company or the Group.

A provision is recorded by the Group if there is a sufficient likelihood that such proceeding will give rise to costs for the Company or one of its subsidiaries and if the amount of such costs can be reasonably estimated. As of 31 December 2019, the Group's total provisions for litigation amounted to €8.1 million (see Note 18 to the Group's consolidated financial statements for the financial year ended 31 December 2019, contained in Section 18.1.1 of this Universal Registration Document).

Arbitration proceedings against Verallia Brasil, the Group's Brazilian subsidiary, concerning the joint venture Industria Vidreira do Nordeste LTDA (IVN)

In 2013, Verallia Brasil, a subsidiary of the Company, formed a joint venture with a local partner, Ipiaram Empreendimentos e Participações Ltda. (Ipiaram) for the purpose of constructing and operating a glass production facility in the State of Sergipe in Brazil. The plant was commissioned in 2015.

In January 2017, Ipiaram initiated an arbitration proceeding with the International Chamber of Commerce (ICC) against Verallia Brazil concerning the interpretation of certain provisions of the shareholders' agreement; Ipiaram believes that it had the right to exercise the purchase commitments given under the partnership agreements and that it no longer had to participate in the governance of IVN.

The arbitration proceedings were still ongoing at the date of this Universal Registration Document. As of 31 December 2019, Ipiaram's loss is estimated at R$104 million Brazilian reals in principal and interest (equivalent to about €23 million at the closing rate on 31 December 2019). The Group considers the claim unfounded. No provision has therefore been recorded in this respect.

On 26 October 2018, Ipiaram and the Group sold their respective interests in the IVN joint venture to a Brazilian glass manufacturer.

Proceedings brought against Verallia Deutschland AG and Horizon Holdings Germany GmbH in relation to the Domination and Profit & Loss Transfer Agreement

At the date of this Universal Registration Document, the Group, through Horizon Holdings Germany GmbH and Verallia France, held 96.73% of the capital and voting rights of Verallia Deutschland AG, a German subsidiary listed on the Frankfurt, Munich and Stuttgart stock exchanges.

In December 2016, Verallia Deutschland AG, as the controlled entity, and Horizon Holdings Germany GmbH, as the controlling entity, entered into a Domination and Profit & Loss Transfer Agreement approved by the local authorities. Following the execution of this agreement and in accordance with applicable German law, Horizon Holdings Germany GmbH offered to buy all the Verallia Deutschland AG shares that it did not already hold at the price of

€433.02 per share. This offer was still pending at the date of this Universal Registration Document. Certain minority shareholders of Verallia Deutschland AG are disputing the valuation used to calculate the price per share offered. A liability relating to the obligation to buy out the minority shareholders was recorded by the Company for a total present value of €12.9 million as of 31 December 2019 (€12.3 million at 31 December 2018). The amount is based on the assumption that 100% of the minority shareholders will tender their shares to the offer made by Horizon Holdings Germany GmbH to purchase their shares for a price of €433.02 per share as proposed in 2016.

In addition, the Domination and Profit & Loss Transfer Agreement provides for annual flat-rate remuneration (in the form of an annual dividend per share) during the term of the majority ownership and profit transfer agreement for the minority shareholders of Verallia Deutschland AG, representing, over a five-year period, a total of €2.1 million (discounted to present value) as of 31 December 2019. The minority shareholders also demanded an increase in the annual flat-rate remuneration provided for in the agreement.

On 24 September 2018, the Stuttgart District Court rejected the requests made by the minority shareholders, who have appealed. The minority shareholders appealed the decision and the case was referred to the Stuttgart Regional High Court where it is still pending.

Dispute between Verallia Italia and Nelson Servizi

In December 2014, the companies Verallia Italia, as supplier, and Nelson Servizi, as distributor, renewed their existing distribution agreement and defined their mutual commitments to sell and buy standard and customised bottles for the Cuban market for the years 2015, 2016 and 2017.

Towards the latter part of 2015, the Group decided that it wanted to cease all commercial activity destined for Cuba at the second half of 2016. Verallia Italia therefore proposed an amicable procedure to Nelson Servizi with a view to ending their agreement. In response, Nelson Servizi suspended all payments to Verallia Italia.

In February 2016, Verallia Italia notified Nelson Servizi that the distribution agreement would be terminated if Nelson Servizi failed to settle its debts. In the same month, Verallia Italia received a summons from Nelson Servizi, which was seeking a court injunction so that Verallia Italia would be forced to (i) fulfil its obligations under the distribution contract renewed in December 2014, (ii) compensate Nelson Servizi for the loss resulting from the termination of the distribution agreement and Verallia Italia's actions, and (iii) compensate Nelson Servizi for the loss incurred as a result of its economic dependence on Verallia Italia. Nelson Servizi requested that Verallia Italia be ordered to pay damages in the amount of €11 million.

At the date of this Universal Registration Document, the litigation proceedings initiated by Nelson Servizi were still ongoing.

Accordingly, a provision was recognised for the amount of €4.3 million as of 31 December 2019.

Litigation relating to asbestos

At the date of this Universal Registration Document, the Group was involved in proceedings and litigation relating to alleged exposure to asbestos-containing materials at some of the Group's facilities in France.

Inexcusable misconduct

In France, since the late 1990s, several of the Group's former employees and employees or beneficiaries have sued Verallia France, the Group's French subsidiary, for "inexcusable misconduct", seeking damages for occupational illnesses caused by alleged exposure to asbestos-containing materials, in addition to compensation they would have received from social security agencies. In recent years, some of their claims have been granted by the French courts. As at 31 December 2019, the amount provisioned for these claims amounted to €1.1 million.

Classification of the Cognac site as an asbestos site

For several years, the Group's staff representatives have been lobbying the French Ministry of Labour, Health and Employment to include the Cognac site in France on the list of establishments involved in asbestos manufacturing, flocking and insulation activities. This would potentially entitle workers exposed to asbestos to qualify for an early retirement benefit. After a survey carried out at the Cognac site, in January 2007 the Ministry declined to grant the application for classification of the site. Following this refusal, a complaint was lodged with the administrative courts.

In 2013, the Council of State upheld the Ministry's position and refused to include the Cognac site on the list for the 1976-1996 period.

Another investigation was then conducted for the 1964-1975 period, but the Ministry once again rejected the request to place the Cognac facility on the above-mentioned list. Following this decision, a new complaint was lodged with the administrative courts. On 4 February 2019, the Bordeaux Administrative Court of Appeal upheld the decision of the Poitiers Administrative Court not to place the Cognac facility on the list for the 1964-1975 period. As the statute of limitation has run off, the case is closed. The Cognac site was therefore not listed on the list of asbestos manufacturing, flocking and insulation establishments.

If the Cognac site had been included on the list of asbestos manufacturing, flocking and insulation establishments, Group employees present on the site between 1964 and 1975 would have been eligible for early retirement. In addition, the Group's employees and former employees allegedly exposed to asbestos-containing materials at the site could have potentially obtained damages for emotional distress linked to the alleged exposure by benefiting from a no-evidence required waiver, which exempts them from the need to prove their exposure to asbestos due to the employer's fault. This risk has been extinguished. However, a new case law of the French courts on the harm of anxiety has led to an increase in the scope of these damages and possible claims (see below).

Claims for emotional distress damages

As of 31 December 2019, 87 lawsuits had been brought by employees or former employees of the Group seeking compensation for emotional distress suffered as a result of their alleged exposure to asbestos-containing materials at the Group's French sites.

An amount of €1,479,000 has been recorded as provisions for this purpose.

As of the date of this Universal Registration Document, none of the complainants have declared a disease related to exposure to asbestos-containing materials.

Since the end of 2019, a judgement of the Social Chamber of the French Court of Cassation has led to an expansion of the scope of anxiety prejudice. In fact, employees who now no longer need to prove their employment by a listed asbestos manufacturing, flocking and insulation facility, but exposure to a harmful or toxic substance that creates a high risk of developing serious pathology and anxiety prejudice resulting from such exposure, can now seek remedy on the basis of statutory law and the employer's failure to fulfil its safety obligation. New legal actions could therefore be taken on the basis of exposure to substances other than asbestos.

18.6 Significant change in the issuer's financial position

On 28 April 2020, the Company has published the following press release relating to its results for the first quarter 2020 and provided an update on the Group's activity in the current context of health crisis:

"2020 first quarter results

Good start of the year with limited impact from the COVID-19 epidemic:
1.9% growth in reported revenue
Organic revenue growth of 4.0%
23.5% adjusted EBITDA margin, up 103 basis points

Paris, April 28, 2020

Highlights

- **1.9% growth in reported revenue amounting to €645m** compared to Q1 2019
- **Sustained organic revenue growth of 4.0%** compared to Q1 2019
- **Adjusted EBITDA growth reaching €151m,** up 6.5% compared to Q1 2019 (+9.6% at constant exchange rates and scope)
- **Improvement in adjusted EBITDA margin at 23.5%**, up 103 basis points compared to Q1 2019
- **Reduction in net debt leverage to 2.5x** adjusted EBITDA for the last 12 months, compared to 2.6x as of December 31, 2019
- **Withdrawal of the 2020 guidance** due to the limited visibility linked to the COVID-19 epidemic
- **Proposal to pay a dividend per share of €0.85**, **with payment in cash or in new shares**[(1)]

(1) At shareholder's option, subject to the June 10, 2020 Annual General Meeting's approval.

"Verallia reports good results for the first quarter of 2020 with an increase in sales and an improvement in profitability, despite the impact of the COVID-19 epidemic on March sales. From the onset of the current health crisis, we were very prompt in our response to ensure the safety of our employees and guarantee business continuity for our customers by keeping all our production sites up and running. I wish to acknowledge and warmly thank all of our employees for their commitment and their spontaneous acts of solidarity. Even though it is now inevitable that this crisis will have a significant impact on the results for the next quarter and the year 2020, our financial strength and our resilient profile will enable us to address the situation with equanimity." commented **Michel Giannuzzi**, Chairman and CEO Verallia.

Adaptation plans to address the COVID-19 epidemic

Verallia reiterates that, from the outset of the COVID-19 crisis, all necessary measures have been undertaken to guarantee the safety and health of its employees worldwide and to ensure business continuity. Adaptation plans have been implemented at Group and country level to ensure the following priorities are met:

- **Employee safety**
  Verallia immediately put in place all required health precautionary measures to prevent the spread of the virus at its production sites. In addition, remote work has been swiftly rolled out in all possible cases.

- **Business continuity and production**
  As a key supplier to the food industry, the Group has managed to maintain all of its production sites running, adapting its production volumes, and thus to serve its customers to the fullest extent possible. In Northern Europe, Italy and Iberia, the plants continued to operate at a sustained level. France and Latin America have been more affected.

2020 first quarter results

In the first quarter of the year, Verallia recorded a **revenue** of **€645m**, compared to €633m in the first quarter of 2019, an **increase of 1.9% on a reported basis**.
The impact of the **exchange rates variation** was -2.1% over the first quarter (-€13m), primarily linked to the currency depreciation in Latin America, which was considerably more pronounced during the month of March.

At **constant exchange rates and scope**, revenue increased by **4.0%** during the first quarter of the year (and by 2.0% excluding Argentina), with a deceleration in March: organic growth at the end of February amounted to +5.9% while it decreased to +0.4% in March, the initial impacts of the COVID-19 crisis only being felt at the end of the quarter. The activity evolution has been slightly negative (-€2.7m) on the quarter despite volumes sold showing a small increase. This can be explained by the higher decline in French sales, where the selling prices and the sales mix are higher than the Group's average.
The Group estimates that close to two-thirds of its consolidated sales are exposed to the off-trade channel, while one-third to the on-trade channel. This percentage varies quite significantly depending on the country and product family.

By segment:

- In Southern and Western Europe, demand levels remained dynamic, particularly for food jars and beer bottles. Italy and Iberia posted positive growth over the quarter. At the beginning of the quarter, activities in France were affected by the national strikes related to the pension reform and by a decline in demand from customers exporting to China. This decline became more pronounced from mid-March onwards due to COVID-19 impact.
- The Northern and Eastern Europe region was driven by the food jars and mineral water markets. Germany, Ukraine and Russia showed positive organic growth in Q1.
- In Latin America, all countries reported positive growth for the quarter. The situation took a downturn from mid-March onwards, particularly in Brazil which is going through a challenging political and health context.

In terms of pricing policy at Group level, sales price increases were more moderate at the start of the year than the previous year and in line with expectations. The weight of Argentina, that is in hyperinflation, is noticeable as the price / mix impact amounted to €11m over the quarter.

Adjusted EBITDA grew by **6.5%** (+9.6% at constant exchange rates and scope) in the first quarter amounting to **€151m**. Despite a slightly negative activity impact, the adjusted EBITDA improved thanks to a positive *spread*[69] and a net reduction in cash production costs (Performance Action Plan, PAP) of €8m in the first quarter of 2020. The first operational impacts related to COVID-19 remain insignificant at the end of March. The **adjusted EBITDA margin** increased by 103 basis points to **23.5%**.

During the first quarter of the year, Verallia continued its **deleveraging**. Net debt thus reached **€1,574m** at the end of March 2020, i.e. **2.5x adjusted EBITDA for the last 12 months**, compared to 2.6x as of December 31, 2019. This leverage ratio remains well below the maximum leverage ratio set out in Verallia's Group financing documentation, which is at 5.0x adjusted EBITDA. On March 20, 2020, the Group drew €200m from its €500m Revolving Credit Facility ahead of the upcoming maturities of its "Neu Commercial Papers", the market of which is currently closed for non-investment grade companies in France. In addition, Verallia continues to benefit from strong liquidity[70] of €528m as of March 31, 2020.

In order to reinforce its liquidity, **Verallia successfully set up an additional €250m Revolving Credit line** with a one-year maturity, extendable by six months at the Group's discretion, on April 24, 2020. The syndicate of banks that participated to this new source of financing includes Banco Santander, BNP Paribas, CACIB, CIC, Commerzbank, La Banque Postale, Rabobank and Société Générale.

Verallia: united and responsible

Given its financial strength and its resilience, Verallia does not intend to apply for the financial support offered by the French government (public loans or guarantees, deferrals of tax or social charges payments,…) in order to allow businesses that need them the most to benefit from those financial measures. Only after having used employees' holidays, banked hours or *RTT* (reduction of working hours) to the highest extent possible did Verallia implement partial unemployment measures, in the most responsible and restricted manner possible.

The management recognizes the remarkable commitment and responsiveness of all the Group's employees, as well as the teams' spontaneous movements of solidarity towards the local communities where the production sites are located, such as donations of hospital equipment, hydroalcoholic gels, protective clothing or masks.

In addition, Michel Giannuzzi, Verallia's CEO, has decided to contribute to the Group's collective effort by foregoing his 2020 variable compensation, which represents 50% of his total annual compensation. All other Executive Committee members also participate in this joint effort by renouncing 15% of their total annual compensation. This amount will be dedicated to additional donations at local level.

69 The spread represents the difference between (i) the increase in sales prices and mix applied by the Group after passing on to these prices the increase in its production costs and (ii) the increase in its production costs. The spread is positive when the increase in sales prices applied by the Group is greater than the increase in its production costs. The increase in production costs is recorded by the Group at constant production volumes and before production gap and the impact of the Performance Action Plan (PAP).

70 Calculated as the Cash + Undrawn Revolving Credit Facility - Outstanding Commercial Papers.

Outlook

In this critical context associated with the COVID-19 epidemic, and as announced in the press release of April 7, the Group considers that its financial guidance for 2020 is no longer valid, given the uncertainty resulting from the depth of the crisis.

Verallia expects a significant impact of the COVID-19 crisis on its activities in the second quarter of 2020, resulting in a significant drop in sales volumes. However, the scale and complexity of this unprecedented health crisis together with the uncertainties concerning the end of such crisis do not, to date, enable the Group to precisely quantify the impact on customers and its activities for the year 2020.

In order to address this situation, Verallia is implementing measures to variabilize costs, to follow very accurately cash and supply chain, and proactively manage all investments. Recurring investments will be maintained at around 8% of annual consolidated revenue, which will be lower than expected, thus leading to an absolute amount of recurring investments lower than forecast. The building of the two strategic investments (construction of a new furnace with two production lines at the Villa Poma site in Italy and at the Azuqueca site in Spain) will be completed by the end of the year and their start-up will take place depending on market needs.

2020 Annual General Shareholders' Meeting and 2019 dividend

Verallia's Board of Directors met on Tuesday, April 28, 2020 and has taken a decision regarding the organization of the 2020 Annual General Shareholders' Meeting, which was confirmed for Wednesday, June 10, 2020.

In the context of an exceptional health crisis, and in accordance with the provisions set out in ordinance 2020-321 of March 25, 2020, it was decided to hold this Annual General Shareholders' Meeting in **closed session**, with the meeting being webcast on Verallia's website: www.verallia.com.

Shareholders are thereby invited to cast their vote remotely (via the secure Voteaccess website or using a paper form), and to submit their questions in writing in accordance with the procedures which will be detailed in the notice of meeting.

The Board of Directors will submit for shareholder approval at the Annual General Shareholders' Meeting the payment of a dividend of **€0.85 per share**, with an option, for each shareholder, between the payment in cash or new shares, to be paid out on July 9, 2020."

On 7 April 2020, the Company has published the following press release, providing an update on the Group's activity in the current context of health crisis:

"COVID-19: Group activity update

Paris, 7 April 2020

Within the current context of the COVID-19 pandemic, Verallia today provides an update on its business activities and reviews the measures implemented by the Group to address the situation. From the outset of the crisis, Verallia has immediately undertaken all necessary measures to guarantee the safety and health of its employees worldwide and ensure business continuity. Adaptation plans have been implemented at Group and country levels to ensure the following priorities are met:

- **Employee safety**
  Verallia immediately put in place all required health precautionary initiatives to prevent the spread of the virus at its production sites. In addition, remote work has been swiftly rolled out in all possible cases.

- **Business continuity and production**

  As a key supplier to the food industry, the Group has managed to maintain all of its production sites running, adapting its production volumes, and thus serve its customers to the fullest extent possible. In Northern Europe, Italy and Iberia, the plants continue to operate at a sustained level. France and Latin America are impacted the most due to the number of workforce available on-site and the decline in demand from certain customers.

- **Strong financial structure**

  Verallia benefits from a very solid balance sheet structure: the leverage ratio at December 31, 2019 was 2.6x adjusted EBITDA, a level far below the requirements of the bank covenants, which amount to 5x adjusted EBITDA. The Group has no significant debt maturities before 2024 and enjoys strong liquidity.
  The Group has drawn down 200 million euros of its 500 million euros Revolving Credit Facility on the 20th of March 2020. As of Friday April 3rd, Verallia had 535 million euros in liquidity[71]

Verallia: united and responsible

Given its financial strength and resilience, Verallia does not intend to apply for the financial support offered by the French government (public loans or guarantees, deferrals of tax or social charges payments,…) in order to allow businesses that need them the most to benefit from those financial measures. Only after having used employees' holidays, banked hours or *RTT* (*Réduction du Temps de Travail*, i.e. reduction of working hours) to the highest extent possible did Verallia apply for partial unemployment, in the most responsible and restricted manner.

The management recognizes the remarkable commitment and responsiveness of all the Group's employees, as well as the teams' spontaneous movements of solidarity towards the local communities where the production sites are located, such as donations of hospital equipment, hydroalcoholic gels, protective clothing or masks.

In addition, Michel Giannuzzi, Verallia's CEO, has decided to contribute to the Group's collective effort by foregoing his 2020 variable compensation, which represents 50% of his total annual compensation. All other Executive Committee members also participate in this joint effort by renouncing 15% of their annual compensation. This amount will be dedicated to additional donations at local level.

Outlook

Given the unprecedented nature of the situation caused by the COVID-19 pandemic and the corresponding lack of visibility, the Group withdraws its 2020 annual guidance announced on February 20, 2020. Verallia will provide further information at the time of its first quarter results announcement on April 28, 2020."

[71] Calculated as the Cash + Undrawn Revolving Credit Facility – Outstanding Commercial Papers.

18.7 Other information

18.7.1 Information on payment times for suppliers and customers

In accordance with Articles L.441-6-1 and D.441-1 and D.441-4 of the French Commercial Code, information on payment times for suppliers and customers is presented below:

(in € million)	**Article D.441 I. -1°: Invoices received not paid**						**Article D.0.I.-2°: Issued invoices not paid**					
	0 day (area code)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Beyond 90 days**	**Total (1 day and more)**	**0 day (area code)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Beyond 90 days**	**Total (1 day and more)**
(A) Late payment instalments												
Number of invoices concerned	2	2	0	0	0	2	0	0	0	0	0	0
Total amount of invoices concerned (including VAT)	149.5	3.5	0.0	0.0	0.0	3.5	0	0	0	0	0	0
Percentage of the total amount of the invoices concerned (including VAT)	1.48%	0.03%	0.00%	0.00%	0.00%	0.03%	-	-	-	-	-	-
Percentage of revenue for the year (including VAT)	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(B) Invoices excluded from (A) relating to debts or receivables that are contentious or not recorded in the accounts												
Total number of invoices excluded	0	0	0	0	0	0	0	0	0	0	0	0
Total amount of excluded invoices (including VAT)	0	0	0	0	0	0	0	0	0	0	0	0
(C) Reference terms of payment used (contractual or legal period – Article L.41-6 or Article L.43-1 of the French Commercial Code												
Payment terms used to calculate late payments	Contractual periods: cash, 30 days end of month on the 1st / 15th						Contractual terms: not applicable					
	Legal terms: 45 days						Legal terms: not applicable					

18.7.2 Table of results for the last five years

(in € million)	**31 December 2015**	**31 December 2016**	**31 December 2017**	**31 December 2018**	**31 December 2019**
I. Financial position at year-end					
Share capital (in euros)	231,189,201	137,513,521	137,513,521	137,513,521	400,171,524
Number of issued shares	231,189,201	229,189,201	229,189,201	229,189,201	118,393,942
Number of bonds convertible into shares	0	0	0	0	0

II. Comprehensive income from effective transactions (in thousands of euros)					
Revenue excluding VAT	0	0	0	0	0
Earnings before taxes, depreciation and provisions	-4,965	211,217	-19,181	-20,734	10,191
Tax (negative – Tax consolidation revenue)	0	15,723	14,407	19,245	25,796
Earnings after tax, but before depreciation and provisions	-4,965	226,940	-4,775	-1,489	35,987
Earnings after tax, depreciation and provisions	-4,965	226,940	-4,775	-1,489	35,985
Amount of distributed profits	0	0	0	0	0
III. Results of transactions reduced to one share (in euros)					
Earnings after tax, but before depreciation	-0.02	0.99	-0.02	-0.01	0.30
Earnings after tax, depreciation and provisions	-0.02	0.99	-0.02	-0.01	0.30
Dividend paid to each share	0	0	0	0	0.85*
IV. Staff (in thousands of euros)					
Number of employees	0	0	0	0	2
Payroll amount	0	0	0	0	252
Amount of benefits paid	0	0	0	0	93

* *Subject to approval by the shareholders' general meeting to be held on 10 June 2020.*

19. ADDITIONAL INFORMATION

19.1 Share capital

19.1.1 Subscribed share capital and authorised but unissued share capital

At the date of this Universal Registration Document, the Company's share capital stood at €400,171,523.96, divided into 118,393,942 ordinary shares, with a par value of three euros thirty-eight euro cents (€3.38), fully paid-up and all of the same class.

The Company's General Shareholders' Meeting, which met on 20 September 2019, adopted the following financial delegations:

Type of delegated authority	Maximum duration	Maximum nominal amount
Authorisation to trade in the Company's shares	18 months	Capped at 10% of the total number of shares constituting the share capital or 5% of the total number of shares with a view to their retention and subsequent delivery in payment or exchange in connection with any external growth transactions, merger, demerger or contribution.
Authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares	26 months	Capped at 10% of the share capital in any 24-month period
Delegation of authority to the Board of Directors to increase the share capital by capitalisation of reserves, profits or premiums or any other amount for which capitalisation is allowed	26 months	€77.5 million
Delegation of authority to the Board of Directors to resolve to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, with application of pre-emption rights	26 months	€195 million(1) €750 million for debt securities(2)
Delegation of authority to the Board of Directors to resolve to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offerings with waiver of pre-emption rights(4)	26 months	€77.5 million(1) €750 million for debt securities(2)
Delegation of authority to the Board of Directors to resolve to issue, with waiver of pre-emption rights, shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, by way of the private placement provided for in Article L. 411-2 II of the French Monetary and Financial Code	26 months	€77.5 million(1) per 12 months €750 million for debt securities(2)
Authorisation for the Board of Directors, in the case of issuance with waiver of pre-emption rights, by way of a public offering or by way of the private placement provided for in Article L. 411-2 II of the French Monetary and Financial Code, to set the issue price in the manner decided by the General Meeting	26 months	10% of the capital per 12 months €750 million for debt securities(2)
Authorisation for the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without pre-emption rights	26 months	Regulatory limit (currently 15% of the original issue)(1) (2)
Delegation of authority to the Board of Directors to issue shares or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, without pre-emption rights, in return for contributions in kind	26 months	10% of the capital(1) €750 million for debt securities(2)

Type of delegated authority	Maximum duration	Maximum nominal amount
Delegation of authority to the Board of Directors to resolve to issue shares reserved for members of an employee savings plan with waiver of pre-emption rights in favour of those members	26 months	€19.5 million(1)
Delegation of authority to the Board of Directors to increase the share capital by issuing shares with waiver of pre-emption rights in favour of a specific category of beneficiaries (particularly employees and corporate officers of the Company and its affiliated entities)	18 months	€19.5 million (1)
Authorisation for the Board of Directors to grant new or existing shares free of charge, with waiver of pre-emption rights, to some employees and corporate officers of the Company and its affiliated entities	38 months	3% of the capital(1) (3)
Authorisation for the Board of Directors to grant stock options to eligible employees and corporate officers of the Group	38 months	3% of the capital(1) (3)

(1) The aggregate maximum nominal amount of capital increases that may be made pursuant to this delegation of authority shall count towards the overall limit of €195 million for immediate and/or future capital increases.

(2) The aggregate maximum nominal amount of debt securities that may be issued pursuant to this delegation of authority shall count towards the overall limit of €750 million applicable to the issuance of debt securities.

(3) The maximum nominal amount of capital increases that may be made pursuant to this delegation of authority shall count towards the general limit for grants of free shares and stock options, set at 3% of the Company's capital.

(4) Including as part of a public exchange offer initiated by the Company (Article L. 225-148 of the French Commercial Code).

19.1.2 Non-equity securities

At the date of this Universal Registration Document, the Company had not issued any non-equity securities.

19.1.3 Shares held in treasury by the Company or for its account

On 20 December 2019, the Company signed an AMAFI liquidity contract with Rothschild Martin Maurel to trade in its own shares on the Euronext Paris regulated market. This liquidity contract became effective on 6 January 2020, for an initial period of 12 months renewable by tacit agreement for successive 12-month periods. As part of the implementation of this liquidity contract, an amount of €2.5 million has been credited to the liquidity account.

The Company's General Shareholders' Meeting of 20 September 2019 authorised the Board of Directors, for a period of 18 months, with the right of delegation permitted by the law and regulations, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, to purchase, in one or more instalments and at such times as it shall determine, a number of shares of the Company not exceeding 10% of the total number of shares constituting the share capital at any given time, or 5% of the total number of shares constituting the share capital if they are shares acquired by the Company with a view to their retention and subsequent delivery in payment or exchange as part of a merger, demerger or contribution. However, under no circumstances may the number of shares held by the Company result in the Company holding more than 10% of the shares constituting its share capital at any time.

The Board of Directors may decide to acquire shares in order:

– to ensure the liquidity and stimulate the market for the Company's securities through an investment service provider acting independently under a liquidity contract in accordance with the market practice accepted by the AMF on 2 July 2018;

– to allocate shares to corporate members and members of staff of the Company, and other Group entities, and particularly in the context of (i) profit-sharing, (ii) any Company stock option plan under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, or (iii) any savings plan in accordance with Articles L. 3331-1 et seq. of the French Labour Code or (iv) of any grant of free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, and to carry out any hedging in relation to such transactions, under the conditions laid down by the market authorities and at such times as the Board of Directors or the person acting on behalf of the Board of Directors may determine;

– to deliver the Company's shares when exercising rights attached to transferable securities conferring entitlement, directly or indirectly, by way of redemption, conversion, exchange, presentation of a warrant or any other means to the allotment of the Company's shares under applicable regulations, and to carry out any hedging in relation to such transactions, under the conditions laid down by the market authorities and at such times as the Board of Directors or the person acting on behalf of the Board of Directors may determine;

– to hold the Company's shares and subsequently deliver them in payment or exchange in connection with any external growth transactions, merger, demerger or contribution;

– to cancel any or all of the Company's shares owned by the Company itself in order to reduce the share capital;

– to implement any market practice accepted by the AMF and in general carry out any transaction in compliance with applicable regulations.

The maximum unit purchase price may not be greater than €54, excluding costs.

However, the Board of Directors may, in the event of a corporate action, and in particular a change in the par value of shares, a capital increase by the capitalisation of reserves followed by the creation and allocation of free shares, a stock split or a reverse stock split, adjust the above-mentioned maximum purchase price to take into account the impact of such transactions on the value of the Company's shares.

The purchase, sale or transfer of such shares may be effected and paid for by any means permitted under applicable regulations, on a regulated market, on a multilateral trading facility, with a systematic internaliser or over the counter, in particular through block purchases or sales, through the use of options or other financial derivatives, warrants or, more generally, transferable securities granting entitlement to shares in the Company, at such times as the Board of Directors may determine, except during a public offering for the Company's securities.

The Board of Directors is fully authorised, with the right of delegation permitted by law, to proceed, in compliance with the relevant statutory and regulatory provisions, with allocations and, as applicable, permitted reallocations of shares repurchased for one of the programme's objectives to one or more of its other objectives, or to sell them on or off the market.

In accordance with the legal requirements, the Board of Directors shall inform the Company's General Shareholders' Meeting of the transactions carried out.

19.1.4 Other securities providing access to share capital

At the date of this Universal Registration Document, the Company had not issued any equity securities other than the ordinary shares described in Section 16.1 of this Universal Registration Document.

19.1.5 Conditions governing any acquisition rights and/or any obligations attached to capital subscribed but not paid up

None.

19.1.6 Share capital of any Group company under option or agreed to be put under option

None.

19.1.7 Changes in the Company's capital over the past three years

Date	Type of transaction	Capital before transaction	Number of shares before transaction	Number of shares after transaction	Par value	Capital after transaction
20/09/2019	Capital increase	137,513,520.60	229,189,201	230,144,132	€1.69	388,943,583.08
20/09/2019	Combination of shares	388,943,583.08	230,144,132	115,072,066	€3.38	388,943,583.08
07/10/2019	Capital increase and reduction	388,943,583.08	115,072,066	118,393,942	€3.38	400,171,523.96

19.2 Memorandum and Articles of Association

19.2.1 Corporate purpose

The Company's corporate purpose, in France and other countries, is as follows:

- the purchase, subscription, holding, management, transfer or contribution of shares or other transferable securities in all French and foreign companies;
- any provision of services and consulting in the fields of human resources, information technology, management, communication, finance, law, marketing and purchasing for its subsidiaries and holdings;
- the ownership, management and disposition of the Company's trademarks, patents and intellectual property rights and those of its subsidiaries and holdings;
- the provision of any type of financial assistance as Group finance company to companies belonging to the same corporate group as the Company;
- the granting of any surety bonds or guarantees for the benefit of any company in its group or within the normal course of business of any company in its group;
- and in general, any transaction, whether financial, commercial, industrial, civil, of real estate or other, directly or indirectly related to the above-mentioned corporate purpose and to any similar or connected purpose, and able to facilitate, directly or indirectly, the object pursued by the Company, its expansion, development and corporate assets.

19.2.2 Provisions of the Articles of Association relating to administrative and management bodies – Internal Rules of the Board of Directors

The description below summarises the main provisions of the Articles of Association and internal rules relating to the Board of Directors, in particular its mode of operation and powers.

In addition to the provisions relating to the Board of Directors mentioned below, the Internal Rules set out how the Board's committees are organised and run, as well as define their powers and responsibilities (see Section 14.3 of this Universal Registration Document).

(a) Board of Directors (Articles 15, 16 and 17 of the Articles of Association and Articles 1, 2 and 5 of the Internal Rules)

Composition

The Company shall be managed by a Board of Directors with at least three members and no more than eighteen members, subject to the exceptions permitted by law.

The Board of Directors shall ensure that at least one third of its members are independent. It shall further ensure that at least two thirds of the members of the Audit Committee and more than half of the members of the Appointments and Compensation Committee are independent.

Directors representing employees do not count when determining the percentage of independent members.

Upon each re-election or appointment of a member of the Board of Directors, and at least once a year before the Board prepares its report on corporate governance, the Board of Directors shall assess the independence of each of its members (or candidates). During this assessment, the Board of Directors, after consulting the Appointments and Compensation Committee, shall examine on a case-by-case basis the qualifications of each of its members (or candidates) in light of the criteria referred to below, the specific circumstances and the position of the person concerned in relation to the Company. The findings shall be disclosed to shareholders in the report on corporate governance and, where appropriate, at the General Shareholders' Meeting when members of the Board of Directors are elected.

The Board of Directors may appoint one or more non-voting members; however, it may not have more than two non-voting members. Non-voting members may be natural or legal persons, but need not be shareholders. The term of office of non-voting members shall be four years, unless they resign or the Board decides to terminate the appointment early. The duties of non-voting members, including any remuneration, shall be decided by the Board of Directors. Non-voting members shall be eligible for re-election. They shall be invited to meetings of the Board of Directors and shall participate in discussions in an advisory capacity.

Appointment

During the Company's existence, directors shall be appointed, re-elected or removed from office under the conditions laid down by applicable laws and regulations and by the Articles of Association.

Each member of the Board of Directors shall hold at least one hundred (100) shares throughout his or her term of office and in any event within six (6) months of his or her appointment. This requirement does not apply to directors representing employees of the Group or, following a decision of the Board of Directors, to directors representing shareholders whose internal procedures prohibit the direct holding of shares by their representatives. Loans of shares by the Company to members of the Board of Directors shall not be permitted. Upon assuming office, members of the Board of Directors shall register the securities they hold. The same shall apply for any securities subsequently acquired.

Duties

Directors shall serve a four-year term of office.

Directors shall be eligible for re-election. They may be removed at any time by the Ordinary General Meeting.

Directors shall not be more than 75 years of age (it being specified that the number of directors who are over the age of 70 may not exceed one third of the directors in office) and shall be subject to applicable laws and regulations on multiple appointments.

Identity of directors

Directors may be natural persons or legal persons. Upon being appointed, legal persons shall appoint a permanent representative who shall be subject to the same conditions and requirements and have the same responsibilities as if he or she were a director in his or her own right, without prejudice to the joint and several liability of the legal person he or she represents.

The term of office of the permanent representative shall be the same as that of the legal person he or she represents.

If the legal person revokes the mandate of its permanent representative, it shall be required to inform the Company of such revocation immediately by registered letter, together with the name of its new permanent representative. The same shall apply in the event of the death, resignation or prolonged incapacity of the permanent representative.

Directors representing employees

In accordance with the provisions of Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall include a director representing employees. This director shall be elected from among the employees of the Company and its direct or indirect subsidiaries whose registered office is in France, subject to the conditions laid down in Article L. 225-28 of the French Commercial Code.

If the number of members of the Board of Directors exceeds the number of directors mentioned in the first paragraph of Article L. 225-27-1-II of the French Commercial Code, and provided that this criterion is still met on the date of the appointment, a second director representing employees shall be appointed by the European Works Committee.

Directors representing employees shall be appointed for a four-year term expiring at the end of the General Shareholders' Meeting approving the financial statements for the previous financial year, held in the year in which their term of office expires. The term of office of directors representing employees shall be renewable.

Chairman of the Board of Directors

The Board of Directors shall elect one of its members as chairman, provided that member is a natural person.

The chairman shall be appointed for the duration of his or her term of office as director. He or she shall be eligible for re-election.

Deliberations of the Board of Directors

The Board of Directors shall perform the duties and exercise the powers conferred on it by law, by the Company's Articles of Association and by the Internal Rules of the Board of Directors. The Board of Directors shall determine and monitor the implementation of the Company's overall business strategy. It shall examine any and all matters pertaining to the efficient operation of the Company and make decisions about any and all issues concerning the Company, within the limits of the Company's corporate purpose and except for those issues that, by law, can only be decided upon by shareholders at a General Meeting. The Board of Directors shall perform any inspections and audits it deems necessary.

The Board of Directors shall be convened by the chairman or by one of its members as often as the interests of the Company so require; the frequency and duration of meetings of the Board of Directors shall be such as to permit a thorough examination and discussion of the matters within the Board's remit. The Board of Directors shall meet at least four times a year.

The Board of Directors may legitimately conduct business, even without being formally convened, if all members are present or represented.

At least half of the Board members must be present for decisions taken at Board meetings to be valid. Decisions shall be taken by a simple majority of directors present or represented. In the event of a tie, the chairman of the meeting shall have the deciding vote.

The following shall be subject to prior authorisation by the Board of Directors acting by a simple majority of members present or represented:

– approval and/or amendment of the Group's medium-term business plan and annual budget (including the Group's hedging policy);

– any investment (excluding acquisitions) exceeding the Group's annual budget, for a total amount in excess of €10 million;

– any transaction involving the acquisition or disposal of assets or securities totalling more than €10 million and the formation, modification or termination of joint ventures or partnerships representing more than €10 million in revenue or investments;

– any decision to participate in an operation outside the usual scope of the Group's operations and any decision to discontinue or significantly reduce the Group's principal operations;

– the creation of security interests for the benefit of a third party (i.e., a company outside the Group), except for security interests granted to authorities or public bodies in the normal course of business;

– any decision to participate in a project or to enter into any contract with a term of more than five years (including contracts with guaranteed income) for a total amount in excess of €50 million;

– any decision to settle or initiate litigation with more than €5 million at stake or litigation that has a material impact on the Group's reputation;

– any additional debt transaction exceeding €50 million;

– any amendments to the Articles of Association of the Company or of Significant Subsidiaries (except amendments of an administrative nature); the term "**Significant Subsidiaries**" means any subsidiary of the Company whose consolidated revenue represented, in the previous financial year, more than 5% of the Company's consolidated annual revenue;

– any merger/demerger/liquidation of a Significant Subsidiary, except for intra-group restructuring;

– any issuance of shares or transferable securities giving immediate or deferred access to the Company's capital, as well as any issuance of shares or securities giving immediate or deferred access to the capital of a Significant Subsidiary, in each case for the benefit of a third party to the Group;

– any purchase or sale of real estate assets for an amount in excess of €10 million;

– any distributions, excluding distributions between wholly owned subsidiaries;

– any recruitment, suspension or removal of members of the Group's Executive Committee, any significant change in their compensation (including with regard to retirement plans, incentive plans or specific severance terms) and the conclusion, amendment or termination of an agreement with any of them;

– the introduction or amendment of stock option plans or free share plans for the Company or any Group company (or any other similar instrument) for the benefit of the Group's executives and/or employees or certain categories of them;

– the conclusion or amendment of any pension plan or any restructuring of the workforce resulting in a total cost to the Group of more than €10 million;

– any material change in the accounting policies applied by Group companies when preparing their financial statements, except for changes required by law or under applicable accounting standards;

– the appointment, re-appointment or dismissal of the Company's statutory auditors;

– the acquisition of treasury shares by the Company;

– the delisting of the Company and the listing of a Group company;

– the implementation of any insolvency, winding-up or liquidation proceedings (or similar proceedings in each applicable jurisdiction) in respect of the Company or its Significant Subsidiaries.

Unless otherwise stated, the decisions referred to above relate to the Company and its controlled subsidiaries within the meaning of Article L.233-3 of the French Commercial Code.

Compensation of members of the Board of Directors

On the recommendation of the Appointments and Compensation Committee, the Board of Directors:

– shall freely distribute among its members the remunerations allocated to the Board of Directors by the General Shareholders' Meeting, taking into account the actual participation of directors at Board and committee meetings;

– shall determine the amount of the Chairman's compensation;

– may, in addition, allocate special compensation to some of its members for specific duties or assignments entrusted to them.

The Board of Directors shall examine whether the level of allocated remunerations is appropriate in view of the duties and responsibilities of each director.

(b) Executive management (Article 18 of the Articles of Association)

Management model

The Company's executive management shall be the responsibility either of the Chairman of the Board of Directors or of another individual appointed by the Board of Directors (from among its members), who shall have the title of Chief Executive Officer.

The Board of Directors may choose between these two executive management models at any time, and at least upon the expiration of the term of office of the Chief Executive Officer or the term of office of the Chairman of the Board of Directors, if the Chairman is also responsible for executive management of the Company.

Shareholders and third parties shall be informed of this choice in accordance with regulatory conditions.

If responsibility for the Company's executive management is assumed by the Chairman of the Board of Directors, the provisions that follow regarding the Chief Executive Officer shall also apply to the Chairman. He or she will then have the title of Chairman and Chief Executive Officer.

Executive management

Following a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, who shall have the title of Deputy Chief Executive Officer.

There may not be more than two Deputy Chief Executive Officers.

Age limit – Term of office – Compensation

The Chief Executive Officer and the Deputy Chief Executive Officers may not be more than 65 years of age.

The term of office of the Chief Executive Officer or Deputy Chief Executive Officers shall be determined upon their appointment, but may not exceed their term of office as director, where applicable.

Removal from office

The Chief Executive Officer may be removed from office by the Board of Directors at any time. The same shall apply, following a proposal from the Chief Executive Officer, to the Deputy Chief Executive Officers.

If the Chief Executive Officer ceases or becomes unable to perform his or her duties, the Deputy Chief Executive Officers shall retain their duties and powers until the new Chief Executive Officer is appointed, unless otherwise decided by the Board.

The Board of Directors shall determine the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers of the Chief Executive Officer and Deputy Chief Executive Officers

The Chief Executive Officer shall be fully empowered to act on behalf of the Company in any and all circumstances. The Chief Executive Officer shall exercise those powers within the scope of the corporate purpose and subject to the powers expressly reserved by law for shareholder meetings and for the Board of Directors.

He or she represents the Company in its dealings with third parties. The Company shall be bound by the actions of the Chief Executive Officer even if such actions are beyond the scope of the corporate purpose, unless the Company can prove that a third party knew that the action concerned was beyond the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances. The publication of the Articles of Association alone may not be deemed to constitute evidence of such knowledge.

Decisions of the Board of Directors limiting the powers of the Chief Executive Officer shall not be binding on third parties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to Deputy Chief Executive Officers. The Deputy Chief Executive Officers shall have the same powers with respect to third parties as the Chief Executive Officer.

The Chief Executive Officer or the Deputy Chief Executive Officers may, within the limits set by applicable legislation, delegate such powers as they deem appropriate, for one or more specified purposes, to any representatives, even outside the Company, individually or meeting as a committee or commission, with or without the possibility of substitution, subject to the limitations provided by law. Such powers may be permanent or temporary, and may or may not include the possibility of substitution. Any authority thus delegated shall remain in full effect notwithstanding the expiration of the term of office of the person granting them.

19.2.3 Rights, privileges and restrictions attached to shares (Articles 10, 11, 12 and 13 of the Articles of Association)

Fully paid-up shares shall be in registered or bearer form, at the shareholder’s option, under the conditions laid down by applicable regulations.

Each share confers the right to a share of the Company’s profits and net assets in proportion to the percentage of the share capital it represents. In addition, each share carries the right to vote and the right to representation at General Shareholders’ Meetings, according to the statutory conditions and the Articles of Association.

A double voting right shall be established for fully paid-up registered shares that have been continuously held by the same shareholder for a minimum period of two (2) years. For the purpose of calculating this period, any period during which the Company's shares were held prior to the date on which the Company's shares are admitted to trading on the regulated market of Euronext Paris shall not count.

In accordance with the provisions of the second paragraph of Article L. 225-123 of the French Commercial Code, in the event of a capital increase by capitalisation of reserves, profits or issue premiums, a double voting right shall be granted upon their issuance to new shares allocated free of charge to a shareholder on the basis of his or her existing shares with a double voting right.

This double voting right may be exercised at any General Meeting.

The double voting right shall automatically lapse when the share is converted to bearer form or ownership is transferred.

Shareholders shall only bear losses to the extent of their contributions.

The rights and obligations attaching to the share shall be transferred to the new owner in the event of a change of ownership. Ownership of a share is deemed to imply acceptance of the Articles of Association and of the decisions of General Shareholders' Meetings.

Whenever it is necessary to hold several shares in order to exercise a particular right, holders of single shares or of fewer shares than the required number shall have no rights in respect of the Company, the shareholders being responsible in this case for arranging to group together the necessary number of shares.

The Company regards its shares as indivisible.

Co-owners of shares shall be represented at General Shareholders' Meetings by one of the co-owners or by a sole representative. In the event of disagreement, the representative shall be appointed by a court of law at the request of the co-owner who first takes action.

If the shares are subject to usufruct, their book entry shall mention the existence of the usufruct. Unless otherwise agreed and notified to the Company by registered letter with acknowledgement of receipt, the voting right shall belong to the usufructuary at Ordinary General Meetings and to the bare owner at Extraordinary General Meetings.

Registered and bearer shares shall be freely negotiable, unless otherwise provided by laws or regulations. Shares shall be recorded in book-entry form. The sale of shares involving the Company or third parties shall take place by account transfer, in accordance with the terms defined by the applicable laws and regulations.

19.2.4 Changes in share capital and rights attached to shares

Unless otherwise stipulated in the Articles of Association, changes to the rights attached to shares shall be subject to statutory provisions.

19.2.5 General Shareholders' Meetings (Article 19 of the Articles of Association)

Notice of meeting and venue

General Shareholders' Meetings shall be convened in accordance with the statutory conditions, forms and time frames.

They shall be held at the registered office or at any other venue indicated in the notice of meeting.

Agenda

The General Meeting agenda shall be set out in the notice of meeting and shall be set by the person calling the meeting.

The General Meeting may only deliberate upon matters included on the agenda; nevertheless, it may, in all circumstances, remove one or more directors from office and replace them.

One or more shareholders, representing at least the percentage of the share capital required by law, and acting in accordance with the statutory conditions and time frames, may request the inclusion of draft resolutions on the agenda.

Access to General Meetings

All shareholders shall have the right to attend General Meetings and to participate in deliberations, either in person or by proxy.

All shareholders may participate in General Meetings, in person or by proxy, in accordance with the regulatory conditions, subject to proof of their identity and ownership of their securities in book-entry form under the conditions laid down in the applicable laws and regulations.

If the Board of Directors authorises the use of means of telecommunication, as published in the notice of meeting, shareholders who participate in the General Meeting by video-conference or by means of telecommunication or remote transmission, including the internet, enabling them to be identified under the conditions laid down by applicable regulations, shall be deemed present for the purpose of calculating the quorum and majority.

Any shareholder may vote by post or by proxy in accordance with applicable regulations using a form issued by the Company and sent to the Company under the conditions laid down in applicable regulations, including by electronic means or by means of remote transmission, if authorised by the Board of Directors. Said form must be received by the Company in accordance with the regulatory conditions in order to be taken into account.

The minutes of General Meetings shall be drawn up and copies shall be certified and issued in accordance with applicable regulations.

The legal representatives of shareholders without legal capacity and natural persons representing corporate shareholders may take part in meetings, irrespective of whether or not they personally are shareholders.

Attendance register, officers, minutes

An attendance register shall be kept at each General Meeting containing the information required by law.

General Meetings shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by a director specially appointed for this purpose by the Board. Failing this, the meeting shall elect its own chairman.

The role of scrutineer shall be performed by the two members of the General Meeting, present and accepting this role, who have the most votes either personally or as proxies.

The meeting officers shall appoint a secretary, who need not be a shareholder.

The meeting officers shall have the task of verifying, certifying and signing the attendance register, ensuring that the meeting takes place in an orderly fashion, resolving matters that arise during the meeting, monitoring the voting process, ensuring that it is properly applied, and overseeing the drafting of the minutes.

Minutes of Board meetings and copies or extracts of said minutes are prepared, and certified copies are made in accordance with the applicable regulations.

Ordinary General Meeting

The Ordinary General Meeting is required to take all decisions that do not have the effect of amending the Articles of Association. The Ordinary General Meeting shall be held at least once a year, within six months of each financial year-end, to approve the financial statements for that financial year and the consolidated financial statements.

It shall only be deemed to be quorate when first called if the shareholders present or represented, or having voted by post, possess at least one fifth of the shares with voting rights. No quorum is required when a meeting is convened for a second time.

The meeting shall act by a majority of the votes of the shareholders present or represented or who voted by post.

Extraordinary General Meeting

The Extraordinary General Meeting alone is authorised to amend the provisions of the Articles of Association. However, it may not increase the commitments of shareholders, except in the context of transactions resulting from a reverse stock split lawfully carried out.

It shall only be quorate if the shareholders present, represented or having voted by post possess at least one quarter of voting shares at first call and one fifth of voting shares at second call. In the absence of this second quorum, the second meeting may be postponed until a later date, which may be no more than two months after the date on which it was originally convened.

It shall act by a two-thirds majority of the votes of the shareholders present, represented or having voted by post.

However, the Extraordinary General Meeting may not under any circumstances, except by unanimous agreement of the shareholders, increase the commitments of shareholders, nor interfere with the equality of their rights.

19.2.6 Provisions that delay, postpone or prevent a change of control of the Company

The Articles of Association contain no provisions that delay, postpone or prevent a change of control of the Company.

19.2.7 Ownership threshold disclosures and identification of shareholders (Article 14 of the Articles of Association)

While the Company's shares are admitted to trading on a regulated market, in addition to the ownership threshold disclosures expressly provided for by applicable laws and regulations, any natural or legal person who directly or indirectly holds, alone or in concert, a percentage of the capital or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the AMF General Regulation) equal to or greater than 1% of the capital or voting rights, or any multiple thereof, even if above the thresholds stipulated in the statutory and regulatory provisions, shall notify the Company of the total number (i) of shares and voting rights that he or she holds, directly or indirectly, alone or in concert, (ii) of securities giving access in future to the Company's capital that he or she owns, directly or indirectly, alone or in concert, and the voting rights potentially attaching thereto, and (iii) of existing shares in issue that such person may acquire by virtue of an agreement or financial instrument mentioned in Article L. 211-1 of the French Monetary and Financial Code. Said notification shall be made by registered letter with acknowledgement of receipt within four trading days of breaching the relevant threshold.

The requirement to inform the Company shall also apply, within the same time frame and under the same conditions, if the shareholder's interest in the capital or voting rights falls below one of the above-mentioned thresholds.

In the event of non-compliance with the threshold disclosure requirement referred to above and at the request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders representing at least 3% of the Company's capital or voting rights, shares exceeding the percentage that should have been disclosed shall be deprived of voting rights for a period of two years following the date of disclosure.

The Company reserves the right to inform the public and shareholders either of the information disclosed to it or of the failure of the person concerned to comply with the above-mentioned requirement.

19.2.8 Identification of securities holders (Article 10 of the Articles of Association)

While the Company's shares are admitted to trading on a regulated market, the Company is entitled to require the identification of holders of securities conferring the right to vote immediately or in the future at its shareholders' meetings, as well as the quantities of securities held, under the conditions provided for by the laws and regulations in force.

In accordance with the provisions of Article L. 228-3-3 of the French Commercial Code, where the person who is the subject of a request referred to above has not sent the information within the time provided for by the legislative and regulatory provisions in force or has sent incomplete or erroneous information relating either to his or her capacity, or to the owners of the securities, or to the quantity of securities held by each of them, the shares or securities giving immediate or deferred access to the share capital and for which this person has been registered shall be deprived of voting rights for any shareholders' meeting held until the date of regularisation of the identification, and the payment of the corresponding dividend shall be deferred until that date.

19.2.9 Special clauses governing changes in share capital

Regarding changes in share capital, the Company’s Articles of Association contain no specific provisions that are more stringent than the statutory provisions.

20. IMPORTANT CONTRACTS

See Section 8.2.2 "*Financial liabilities*" of this Universal Registration Document.

21. DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's Articles of Association, minutes of General Shareholders' Meetings and other statutory documents, as well as any valuation or statement made by an independent expert at the Company's request that must be made available to shareholders in accordance with applicable regulations, may be consulted at the Company's registered office.

GLOSSARY

Latin America	Includes production plants located in Brazil, Argentina and Chile.
Bag-in-box	Means a supple pouch equipped with a tap and enclosed in a 3 to10 litter box , used for selling and conserving wine.
Cullet	Means the crushed glass added to the raw materials used in the production of glass.
Capex	Short for "capital expenditure", represents purchases of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demand or to environmental and health and safety constraints, or to increase the Group's capacity. It excludes the purchase of securities. Capex corresponds to the item "Purchases of property, plant and equipment and intangible assets" in the consolidated statement of cash flows.
Operational cash flows	Defined as cash flows plus the change in operational working capital requirement.
Cash flows	Defined as (i) operating profit restated for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, effects of hyperinflation, costs related to management share plans, impacts of disposals and subsidiary risks, site closure and carve-out costs, and other items (i.e., adjusted EBITDA) less (ii) Capex.
Deposit	Is an additional sum of money paid by the consumer for the packaging and refunded upon return of the packaging to the store.
Organic growth	Corresponds to revenue growth at constant exchange rates and scope.
Cash conversion	Defined as the ratio between cash flows and adjusted EBITDA.
Carbon leakage	A situation where a company, in order to avoid the costs of climate policies, moves its production to another country with less stringent emissions rules.
Adjusted EBITDA	Corresponds to operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal-related effects and subsidiary contingencies, closing and carve-out expenses, and other items.
EHS	Refers to the "Environment, Hygiene and Safety" policy.
Northern and Eastern Europe	Includes production plants located in Germany, Russia, Ukraine and Poland.
Southern and Western Europe	Includes production plants located in France, Italy, Spain and Portugal.
Feeders	Fireproof distribution channels that take glass from a furnace to forming machines. Feeders allow conditioning of glass at the right temperature corresponding to the viscosity level necessary to work with the glass.

Forming	Means the technique through which a compact mass of molten glass (gob) is transformed into a hollow shape using a metal plunger or blown air.
Melting	Means the first step in the melting of glass in production furnaces.
kT	Kilotonnes.
Adjusted EBITDA margin	The adjusted EBITDA margin corresponds to the amount of adjusted EBITDA in relation to revenue.
IS machine	An industry-standard hollow glass forming machine made up of "sections" that work in parallel. An IS machine normally consists of between 6 and 16 sections and can form 1, 2, 3 or 4 items simultaneously in each section – these are referred to as "single, double, triple or quadruple gob". A machine with 10 forming sections that produces two gobs each is abbreviated as an IS 10 DG, and has 10 x 2 = 20 finishing moulds.
Blank mould	Refers to the mould used in the production of hollow glass, which is used to transform the material into a hollow partially formed container.
Finishing mould	Refers to the mould used in the hollow glass manufacturing process to give the final shape to the product.
New products	Products that have been produced and marketed for a period of less than five years at the date of this Universal Registration Document.
Finishing	Means the decoration of glass using various techniques.
Gob	Means a compact mass of molten glass.
PET	Refers to polyethylene terephthalate, a rigid, transparent plastic used in packaging.
Net financial debt/Adjusted EBITDA ratio	Refers to the relationship between (i) net financial indebtedness as included in note 17.1 of the Group's consolidated financial statements for the year ended 31 December 2019 and (ii) adjusted EBITDA.
Net external financial debt/Adjusted EBITDA ratio	Refers to the relationship between (i) net financial indebtedness as included in note 17.1 of the Group's consolidated accounts for the year ended 31 December 2019, taking into account only debt incurred with third parties and (ii) adjusted EBITDA.
Satin-finishing	Means a decoration technique that consists of making glass opaque via a chemical treatment (acid bath) or an electrostatic and thermal treatment (sand blasting).
Screen-printing	Refers to a decoration technique that uses ceramic enamels to vary the thickness, colour and substance of the glass.
Spread	Represents the difference between (i) the increase in selling prices applied by the Group after, passing on any increases in its production costs, and (ii) the increase in its production costs. The spread is positive when the increase in selling prices applied by the Group is greater than the increase in its production costs.
CAGR	Stands for "compound annual growth rate".

ANNEXES

ANNEX I

Report of the Board of Directors on corporate governance (Articles L. 225-37 and following of the French Commercial Code)

Verallia
A French joint-stock company (*société anonyme*) with capital of €400,171,523.96
Registered Office: 31 Place des Corolles, Carpe Diem Tower, North Esplanade, 92400 Courbevoie
Trade and Companies Register Nanterre 812 163 913
(The **"Company**")

Board of Directors' Report on Corporate Governance
(Articles L. 225-37 et seq. of the French Commercial Code)

This report has been prepared in accordance with the provisions of Articles L. 225-37 et seq. of the French Commercial Code, to supplement the management report. In addition, this report has been communicated to the Company's statutory auditors for the preparation of their report on this report in accordance with the provisions of Article L.225-235 of the French Commercial Code.

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1. CORPORATE GOVERNANCE

1.1 Corporate Governance Code

Since the Company's shares were admitted to trading on the Euronext regulated market in Paris ("**Euronext Paris"**) in October 2019, the Company refers to and, subject to the following, complies with the Corporate Governance Code of listed companies developed by the *Association française des entreprises privées* (**the "AFEP**") and the *Mouvement des Enterprises de France* (the "**MEDEF**") in its version updated in June 2018 (the **"AFEP-MEDEF Code**").

The AFEP-MEDEF Code to which the Company refers is available online at http://www.medef.com. The Company keeps copies of this Code at the permanent disposal of the members of its corporate bodies.

The Company applies the AFEP-MEDEF Code (as revised in June 2018) with the exception of the following recommendation:

Recommendation of the AFEP-MEDEF Code	Comment from the Company
Recommendation 13.2 of the AFEP-MEDEF Code **"The timing of terms of office shall be organised in such a way as to avoid block renewal and to promote a harmonious renewal of directors."**	With the exception of the terms of office of directors representing employees, the terms of office of other Company directors will all expire at the General Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2022. Therefore, the terms of office will not be staggered in accordance with Recommendation 13.2 of the AFEP-MEDEF Code, which recommends avoiding a block renewal of directors, as all directors were appointed simultaneously at the time of the initial public offering. While considering that the absence of phased renewal does not impede the proper functioning of the Board of Directors, the Company expects the Board to review the term of the next bulk renewals by possibly providing shorter term periods for some directors.

The Board of Directors will meet during the financial year 2020 to review any adaptations that may be required within the company following the update of the AFEP-MEDEF Code in January 2020.

1.2 Board of Directors

1.2.1 Rules for the composition of the Board of Directors

The Articles of Association provide that the Company's Board of Directors (the "**Board**" or the "**Board of Directors**") shall consist of between three and eighteen members, subject to the exceptions permitted by law. As of 31 December 2019, the Board was composed of 10 members.

In accordance with Article 15 of the Articles of Association, the term of office of director shall be four years renewable. This duration complies with the recommendations of the AFEP-MEDEF Code. Directors shall not be older than 75 years of age (it being specified that the number of directors over the age of 70 may not exceed one third of the directors in office) and shall be subject to applicable laws and regulations on multiple appointments.

Directors are appointed by the General Shareholders' Meeting on the proposal of the Board of Directors, which itself receives proposals from the Appointments and Compensation Committee. They may be removed from office at any time by the Ordinary General Shareholders' Meeting. The term of office of each director shall expire at the end of the Ordinary General Shareholders' Meeting, called to approve the financial statements for the past financial year and held in the year in which the term of office expires.

1.2.2 Internal Rules of the Board of Directors

The Board of Directors has Internal Rules to set out the operating procedures of the Board of Directors, in addition to the applicable legal and regulatory provisions and the Company's Articles of Association. The provisions of the Internal Rules entered into force on 7 October 2019, the date on which the Company's shares were admitted to trading on the Euronext Paris regulated market. The Internal Rules of the Audit Committee, the Internal Rules of the Appointments and Compensation Committee and the Internal Rules of the Sustainable Development Committee are also provided for in the annex to the Internal Rules of the Board of Directors.

The Internal Rules of the Board of Directors are in line with marketplace recommendations aimed at ensuring compliance with the fundamental principles of corporate governance, and in particular those referred to in the AFEP-MEDEF Code. These Internal Rules describe the manner of operation, powers and duties of the Board of Directors and specify the rules of ethics applicable to its members. It includes rules for the holding of meetings of the Board of Directors, as well as provisions relating to the frequency of meetings, the attendance of directors and their disclosure obligations with regard to the rules governing multiple appointments and conflict of interest.

The Company's Articles of Association and Internal Rules are available on the Company's website (www.verallia.com).

1.2.3 Duties of the Board of Directors

The Board of Directors shall determine and monitor the implementation of the Company's overall business strategy, in accordance with its corporate interest. It examines and decides on important operations. Board members are informed of market developments, the competitive environment and key issues, including the Company's social and environmental responsibility.

The Board of Directors shall perform the duties and exercise the powers conferred on it by law, the Company's Articles of Association and the Internal Rules of the Board of Directors. The Board of Directors shall determine and monitor the implementation of the Company's orientations, objectives and performances. It shall examine any and all matters pertaining to the efficient operation of the Company and make decisions about any and all issues concerning the Company, within the limits of the Company's corporate purpose and except for those issues which, by law, can only be decided upon by shareholders at a General Meeting.

The Board of Directors shall also carry out the controls and checks that it deems appropriate and may be provided with the documents it considers useful for the performance of its duties.

The Board of Directors shall set the limitation of the powers of the Chairman and Chief Executive Officer, where appropriate, under its Internal Rules, with regard to operations for which the prior authorisation of the Board of Directors is required (for further details, See paragraph 1.4.2 "*Branch Mode of Practice – Power Limitations*" of this report).

The Board of Directors shall ensure the good corporate governance of the Company and the Group as well as the quality of the information given to shareholders and investors.

The Internal Rules define information procedures for directors. In particular, it states that the Chairman of the Board of Directors shall provide to the members of the Board of Directors, within a sufficient period of time and except in emergencies, with the information or documents in his or her possession to enable them to carry out their duties effectively. Any member of the Board of Directors who has not been able to knowingly deliberate on an issue has a duty to inform the Board of Directors and to demand the information necessary for the performance of his or her duties.

1.2.4 Meetings and deliberations of the Board of Directors

The Internal Rules of the Board of Directors provide for the terms and conditions of the Board of Directors' meetings. Thus, the Board of Directors is called by its Chairman or one of its members, by any means, even orally. The person who convenes the meeting shall set the agenda for the meeting.

The Board of Directors meets at least four (4) times a year and, at any other time, as often as the interests of the Company require. The frequency and duration of the meetings should be such that they allow for a thorough review and discussion of matters within the competence of the Board of Directors.

The Board of Directors' meetings shall be chaired by the Chairman. In the event of the absence of the Chairman, the meetings shall be chaired by a member of the Board of Directors appointed by the Board of Directors.

At least half of the Board members must be present for decisions taken at Board meetings to be valid. Members participating in meetings shall be deemed to be present, for the purposes of quorum and majority calculations, by means of video conferencing or telecommunications, enabling their identification and ensuring their effective participation, under the conditions laid down in the applicable laws and regulations.

Each meeting of the Board of Directors and of the Committees set up by the Board of Directors must be long enough to allow productive and thorough discussion of the agenda. Decisions shall be taken by a majority of directors present or represented. In the event of a tie, the chairman of the meeting shall have the deciding vote.

The Internal Rules of the Board of Directors also recall the obligations of the members of the Board of Directors, as described in the AFEP-MEDEF Code. The Internal Rules provide, in particular, that the members of the Board of Directors, upon appointment, may benefit from additional training on the specific characteristics of the Company and the companies it controls, their business lines and their business sector, and that they may occasionally receive reports from the Company's principal executives, who may be called upon to attend Board meetings.

Finally, the Board of Directors is required to be regularly informed of the financial situation of the Company and the Group and the Chairman-CEO shall communicate on a permanent basis to the directors any information concerning the Company that he/she is aware of and deems useful or relevant. The Board of Directors and the Committees also have the opportunity to hear experts in their respective areas of competence.

Under the Internal Rules, each member of the Board of Directors is required to inform the Board of any conflict of interest situation, even potential, and must refrain from attending the debate and taking part in the vote on the corresponding deliberation.

1.2.5 Independence of directors

In accordance with the AFEP-MEDEF Code to which the Company refers, the Board of Directors examines the situation of each of its members (or candidate) with regard to the independence criteria adopted by the Company at the time of each renewal or appointment of a member of the Board of Directors and at least once a year before the publication of the Company's corporate governance report. During this assessment, the Board of Directors, after consulting the Appointments and Compensation Committee, shall examine on a case-by-case basis the qualifications of each of its members (or candidates) with respect to the criteria of the AFEP-MEDEF Code, the specific circumstances and the position of the person concerned in relation to the Company. The findings shall be disclosed to shareholders in the annual report and where applicable, to the General Shareholders' Meeting when members of the Board of Directors are elected.

As of 31 December 2019, the Board of Directors had five (5) independent members: Cécile Tandeau de Marsac, Marie-José Donsion, Virginia Hélias, José Arozamena and Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles, representing more than one-third of the directors, in line with the recommendation of the AFEP-MEDEF Code, which provides that the number of independent directors must be at least one third in controlled companies.

At its meeting on 3 October 2019, the Board of Directors assessed the independence of the members of the Board of Directors against all the criteria set out in the AFEP-MEDEF Code. As per this analysis, the Board of Directors concluded that five directors (Cécile Tandeau de Marsac, Marie-José Donsion, Virginie Hélias, José Arozamena and Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles) were independent.

1.2.6 Shares held by directors

As required by Article 2 of the Board of Directors' Internal Rules, each member of the Board of Directors shall hold at least 100 shares of the Company throughout his or her term of office and in any event within six months of his or her appointment. This requirement does not apply to directors representing employees of the Group or, following a decision of the Board of Directors, to directors representing shareholders whose internal procedures prohibit the direct holding of shares by their representatives (which is the case in particular for directors appointed at the proposal of Apollo and BpiFrance Participations). Loans of shares by the Company to members of the Board of Directors are not be permitted in order to fulfil this obligation. Upon assuming office, members of the Board of Directors shall register the securities they hold. The same shall apply for any securities subsequently acquired.

1.2.7 Operation of Board committees

(a) Composition: members of the Board of Directors as of 31 December 2019

The table below reflects the composition of the Board of Directors of the Company as of 31 December 2019:

Name	**Age**	**Gender**	**Nationality**	**Date of first appointment**	**Date of the Shareholders' Meeting deciding on the last appointment**	**Date term expires**	**Appointments and Compensation Committee**	**Audit Committee**	**Sustainable Development Committee**	**Number of shares held at 29 February 2020**	**Current main position within the Company**
Michel Giannuzzi	55	M	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	No	Yes	2,565,522	Chairman and Chief Executive Officer
Robert Seminara(1)	47	M	American	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	No	No	-	Director
Claudia Scarico(1)	32	F	Italian	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	Yes	No	-	Director
Pierre Vareille(1)	62	M	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Yes	No	No	184,271	Director

Name	Age	Gender	Nationality	Date of first appointment	Date of the Shareholders' Meeting deciding on the last appointment	Date term expires	Appointments and Compensation Committee	Audit Committee	Sustainable Development Committee	Number of shares held at 29 February 2020	Current main position within the Company
Bpifrance Investissements, represented by Sébastien Moynot	N/A	M	French	General Shareholders' Meeting of 3 October 2019	General Shareholders' Meeting of 3 October 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	No	Yes	-	Director
Cécile Tandeau de Marsac	56	F	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Yes (Chairperson)	No	No	100	Independent director(2)
Marie-José Donsion	48	F	French	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	Yes (Chairperson)	No	100	Independent director(2)
Virginie Hélias	54	F	French and Switzerland	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	No	No	Yes (Chairperson)	100	Independent director(2)
José Arozamena	59	M	American and Spanish	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting of 20 September 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Yes	Yes	No	150(4)	Independent director(2)
Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles	N/A	M	Brazilian	General Shareholders' Meeting of 3 October 2019	General Shareholders' Meeting of 3 October 2019	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022	Yes	No	No	10,195,513(3)	Independent director(2)

(1) *Directors appointed on the proposal of Apollo.*

(2) *Within the meaning of the AFEP-MEDEF Code.*

(3) *Acting through Lepton Fund Ltd., a fund managed by BW Gestão de Investimentos Ltda., a wholly-owned subsidiary of Brasil Warrant Administração de Bens e Empresas S.A.*

(4) *In addition, Cambium USA Inc., an investment company of which M. Arozamena is the Chief Executive Officer, holds 97,416 shares of the Company at 31 December 2019.*

The list of other terms of office as well as personal information concerning members of the Board of Directors whose terms of office are in progress at the date of this report are set out in section 12.1(a) of the Company's Universal Registration Document for the financial year ended 31 December 2019 (the "**Universal Registration Document**").

The composition of the Board is also consistent with the recommendation of the AFEP-MEDEF Code, which recommends that the number of independent directors be at least one third of the Board. The composition of the Board of Directors is also in line with the recommendation of the French Financial Markets Authority on the diversification of directors in terms of international experience; thus, half of the directors are foreign nationals (American, Italian, Swiss, Spanish, German and Brazilian), as of the date of the Universal Registration Document.

In accordance with Article L. 225-27-1 of the French Commercial Code, and to the extent that the Board of Directors comprises more than eight directors, the Board of Directors must include at least two directors representing employees, one of whom is designated by an election by the employees of the Company and its direct or indirect subsidiaries, with a registered office located in the French territory under the conditions laid down in Article L.225-28 of the French Commercial Code and the other shall be designated by the Group's European Works Council. Mr Dieter Müller was appointed director representing the employees on 23 January 2020 by the Group's European Works Council, which was duly acknowledged by the Board of Directors at its meeting on 20 February 2020. In addition, Mr Sylvain Artigau was appointed director representing the employees by election of the employees of the Group's French companies, which was duly acknowledged by the Board of Directors at its meeting on 20 February 2020. Directors representing employees shall be appointed for a period of four years, which shall expire at the General Shareholders' Meeting that convenes to approve the financial statements for the financial year ended 31 December 2023.

(b) Activities of the Board of Directors during the year ended 31 December 2019

Following the Company's initial public offering on the Euronext Paris regulated market on 7 October 2019, the Board of Directors met three times in 2019. The attendance rate for all directors was 90.1%.

The following table presents the attendance rate per director at Board meetings:

Director	**Presence at session**	**Total number of sessions**	**Individual attendance rate**
Michel Giannuzzi	3	3	100%
Robert Seminara	2	3	67%
Claudia Scarico	2	3	67%
Pierre Vareille	3	3	100%
Bpifrance Investissements, represented by Sébastien Moynot	3	3	100%
Cécile Tandeau de Marsac	3	3	100%
Marie-José Donsion	3	3	100%
Virginie Hélias	2	3	67%
José Arozamena	3	3	100%
Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles	3	3	100%

- On **3 December 2019**, a Board of Directors' meeting was held and attended by nine members. The Board mainly discussed the following points:
  - Group Budget;
  - Proposal for an offering reserved for employees for the 2020 financial year;
  - Draft liquidity agreement.
- On **7 November 2019**, a Board of Directors' meeting was held and attended by eight members. The Board mainly reviewed the Group's quarterly results, compensation to be allocated to directors, and the proposed employee offering for the 2020 financial year.
- On **24 October 2019**, a Board of Directors' meeting was held and attended by 10 members. The Board mainly discussed the following points:
  - Review and order of the Company's management records;
  - Adoption of the Director's Charter and the Principles and Rules of Market Conduct;

- Miscellaneous issues (2020 corporate calendar).

(c) Description of the diversity policy within the Board of Directors as defined in Article L. 225-37-4 6° of the French Commercial Code

The directors of the Company come from different backgrounds and have varied experience and expertise reflecting the objectives of the Board of Directors. The presentation of each director made in section 12.1(a) of the Company's Universal Registration Document provides a better understanding of this diversity and complementarity of experience.

The Board shall ensure the balance of its composition and that of its ad hoc Committees, in particular in terms of diversity (international experiences, expertise, etc.). Based on recommendations made by the Appointments and Compensation Committee, directors shall be appointed on the basis of their qualifications, professional skills and independence of mind at Shareholders' meetings or by co-optation.

(d) Information on the balanced representation of women and men within the Board of Directors.

As of 31 December 2019, the Board of Directors had four women: Claudia Scarico, Marie-José Donsion, Virginia Helias and Cécile Tandeau de Marsac representing 40% of the directors.

The Company thus complies with the provisions of law no. 2011-103 of 27 January 2011 on the balanced representation of women and men on boards of directors and supervisory board and on professional equality, and the proportion of female directors is at least equal to 40%, in accordance with the provisions of Article L. 225-18-1 of the French Commercial Code.

(e) Annual assessment of the Board of Directors

The Internal Rules of the Board of Directors provide for the terms and conditions by which the Board of Directors must assess its ability to meet shareholder expectations by periodically analysing its composition, organisation and operation. To this end, once a year, the Board of Directors shall, on the report of the Appointments and Compensation Committee, devote an item on its agenda to the assessment of its operating procedures, to ensure that important issues are properly prepared and discussed within the Board of Directors, as well as to the extent of each member's effective contribution to the work of the Board of Directors with regard to their competence and involvement in the deliberations. This assessment is carried out on the basis of replies to an individual and anonymous questionnaire sent to each member of the Board of Directors once a year.

The Board of Directors will conduct an assessment of the composition, organisation and operation of the Board and its Committees through discussion within the Appointments and Compensation Committee and at a meeting of the Board of Directors, for the first time at the end of financial year 2020, to the extent that the Company's initial public offering on the Euronext Paris regulated market occurred on 7 October 2019.

1.2.8 Compensation of directors

Pursuant to Article 6 of its Internal Rules, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, shall allocate an annual fixed amount to the Board of Directors by the General Shareholders' Meeting, on the basis of their effective participation in the Board of Directors and in the specialised Committees. A share fixed by the Board of Directors and levied on the amount of this amount allocated to the Board of Directors shall be paid to the members of the specialised Committees, also taking into account the effective participation of those committees in the meetings of the specialised Committees. The criteria for the allocation of directors' compensation are presented in paragraph 2.1.3 "*Elements of Directors' Compensation*" of this report.

The table below shows the compensation for the term of office of directors and other compensation received by the non-executive members of the Board of Directors for the 2018 and 2019 financial years:

Table 3 AMF nomenclature

Table of compensations received by non-executive officers		
Non-executive officer	**Amounts paid in 2018**	**Amounts paid in 2019**
José Diego Arozamena		
Compensation for term of office as director	€80,000	€85,068
Other compensation*	€29,528	€43,004
Bpifrance Investissements, represented by Sébastien Moynot		
Compensation for term of office as director	0	0
Other compensation	0	0

Table of compensations received by non-executive officers		
Non-executive officer	**Amounts paid in 2018**	**Amounts paid in 2019**
Brasil Warrant Administração de Bens e Empresas S.A.	0	€22,068
Compensation for term of office as director	0	0
Other compensation	0	0
Marie-José Donsion		
Compensation for term of office as director	0	€25,603
Other compensation	0	0
Virginie Hélias		
Compensation for term of office as director	0	€19,603
Other compensation	0	0
Claudia Scarico		
Compensation for term of office as director	0	0
Other compensation	0	0
Robert Seminara		
Compensation for term of office as director	0	0
Other compensation	0	0
Cécile Tandeau de Marsac		
Compensation for term of office as director	0	€25,603
Other compensation	0	0
Pierre Vareille		
Compensation for term of office as director	€80,000	€60,000
Other compensation*	€2,480	€3,054

** The amounts paid represent the reimbursement of expenses.*

The components of the Chairman's compensation for his term of office as Chairman and Chief Executive Officer are described in Chapter 2 of this report.

1.2.9 Non-voting Board members

Pursuant to Article 15 of the Articles of Association, the Board of Directors may appoint one or more non-voting members, up to a maximum number of two. Non-voting members may be natural or legal persons, but need not be shareholders. The term of office of non-voting members shall be four years, unless they resign or the Board decides to terminate the appointment early. The duties of non-voting members, including any compensation, shall be decided by the Board of Directors. Non-voting members shall be eligible for re-election. They shall be invited to meetings of the Board of Directors and shall participate in discussions in an advisory capacity. The procedures relating to conflicts of interests implemented by the Company in respect of directors are also applicable to non-voting members.

By decision of the Board of Directors dated 3 October 2019, Mr. Fabrice Nottin and Mr. Guilherme Bottura were appointed as non-voting members for a term of four years, expiring at the end of the ordinary General Shareholders' Meeting called to approve the financial statements for the financial year ended 31 December 2022.

Mr. Fabrice Nottin and Mr. Guilherme Bottura will not receive any compensation for their terms of office as non-voting Board members. Personal information about non-voting members is presented in section 12.1(a) of the Company's Universal Registration Document.

1.3 Specialised Board committees

At its meeting on 7 October 2019, the Board of Directors decided to set up three Board committees: an Audit Committee, an Appointments and Compensation Committee and a Sustainable Development Committee, to assist it in some of its missions and to contribute effectively to the preparation of specific matters submitted to it for approval. Each of these Committees has Internal Rules (appended to the Internal Rules of the Board of Directors).

The meetings of the specialised Committees of the Board of Directors are regularly reported to the Board of Directors. The composition of these specialised Committees, detailed below, is in line with the recommendations of the AFEP-MEDEF Code.

1.3.1 Audit Committee

(a) Composition of the Audit Committee as of 31 December 2019

Under Article 2 of its Internal Rules, the Audit Committee shall consist of three members, two of whom shall be appointed from among the independent members of the Board of Directors, on the proposal of the Appointments and Compensation Committee. The Board of Directors may alter the composition of the Audit Committee, which in any event must be altered in the event of a change in the overall composition of the Board. In accordance with the applicable legal provisions, members of the Committee shall have special financial and/or accounting skills. The term of office of Audit Committee members is the same as their term of office on the Board of Directors. It may be renewed at the same time as their re-election to the Board.

The Chairman of the Audit Committee is appointed from among the independent members after a specific examination by the Board of Directors, acting on a proposal from the Appointments and Compensation Committee. No executive corporate officer may serve on the Audit Committee. The Audit Committee is chaired by an independent director.

As of 31 December 2019, the Audit Committee had three members: Marie-José Donsion (Chairperson and Independent Director), José Arozamena (Independent Director) and Claudia Scarico (Director).

(b) Duties of the Audit Committee

Pursuant to Article 1 of the Audit Committee's Internal Rules, the Committee is tasked with overseeing matters pertaining to the preparation and control of accounting and financial information and the effectiveness of the operational risk monitoring and internal control system, in order to enable the Board of Directors to carry out the relevant monitoring and investigations.

In this respect, the principal duties of the Audit Committee are as follows:

- Monitoring the process used to prepare financial information;
- Monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and non-financial accounting information;
- Monitoring the statutory audit of the Company financial statementsand consolidated financial statements by the Company's Statutory Auditors;
- Monitoring the independence of the Statutory Auditors; and
- Monitoring of compliance procedures in place.

Pursuant to the Internal Rules, the Audit Committee shall regularly report to the Board of Directors on its work and immediately informs it of any difficulties encountered.

(c) Meetings and work of the Audit Committee during the financial year ended 31 December 2019

Under the Internal Rules of the Audit Committee, the Audit Committee shall meet at least twice a year to prepare the annual, semi-annual and if necessary, quarterly financial statements.

During 2019, the Audit Committee met once, on 7 November 2019, to review the quarterly results.

All members of the Audit Committee were present at this meeting.

The following table shows the attendance rate per member at the Audit Committee meeting:

Director	Presence at session	Total number of sessions	Individual attendance rate
Marie-José Donsion	1	1	100%
José Arozamena	1	1	100%
Claudia Scarico	1	1	100%

1.3.2 Appointments and Compensation Committee

(a) Composition of the Appointments and Compensation Committee as of 31 December 2019

Under Article 2 of its Internal Rules, the Appointments and Compensation Committee shall consist of four members, including three independent members of the Board of Directors. The Board of Directors appoints them from among its members in view of their independence and expertise in the selection or compensation of the executive officers of listed companies. The Appointments and Compensation Committee may not include any executive chief executive officer. The Board of Directors may alter the composition of the Committee, which in any event must be altered in the event of a change in the overall composition of the Board of Directors. The term of office of members of the Appointments and Compensation Committee is the same as their term of office on the Board of Directors. It may be renewed at the same time as their re-election to the Board.

As of 31 December 2019, the Appointments and Compensation Committee had four members, three of whom were independent: Cécile Tandeau de Marsac (President and Independent Director), José Arozamena (Independent Director), Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles (Independent Director) and Pierre Vareille (Director).

(b) Duties of the Appointments and Compensation Committee

Pursuant to Article 1 of its Internal Rules, the Appointments and Compensation Committee is a specialised Board committee whose main duties are to assist the Board in (i) appointing members of the governing bodies of the Company and Group, and (ii) calculating and regularly reviewing the compensation and benefits of the Company's executive officers, including any deferred benefits and/or benefits arising upon voluntary or involuntary departure from the Group.

With regard to appointments, the Committee primarily has the following duties:

- Proposals for the appointment of members of the Board of Directors, Executive Management and Board committees; and
- Annual review of the independence of Board members.

With regard to compensation, its duties are essentially as follows:

- Review and proposal to the Board of Directors concerning all the elements and conditions of compensation of the Group's main corporate executives:
- Review and proposal to the Board of Directors on the method for allocating directors’ compensation; and
- Consultation for recommendation to the Board of Directors on any exceptional compensation for any special assignments that the Board may be entrusted, where applicable, to some of its individual members.

(c) Meetings and work of the Appointments and Compensation Committee during the financial year ended 31 December 2019

As required by the Internal Rules of the Appointments and Compensation Committee, the Committee shall meet as often as required and, in any event, at least twice a year, prior to the meeting of the Board of Directors reviewing the position of Board members in the light of the independence criteria adopted by the Company, and prior to any Board meeting setting the compensation of executive corporate officers or allocation of compensation for directors.

During 2019, the Appointments and Compensations Committee met on 7 November 2019, in order to set the terms and conditions for allocating the compensation allocated to the directors for financial year 2019.

All members of the Appointments and Compensation Committee were present at this meeting.

The following table shows the attendance rate per member at the Appointments and Compensation Committee meeting:

Director	Presence at session	Total number of sessions	Individual attendance rate
Cécile Tandeau de Marsac	1	1	100%
José Arozamena	1	1	100%
Brasil Warrant Administração de Bens e Empresas S.A., represented by João Salles	1	1	100%
Pierre Vareille	1	1	100%

1.3.3 Sustainable Development Committee

(a) Composition of the Sustainable Development Committee as of 31 December 2019

Pursuant to Article 2 of its Internal Rules, the Sustainable Development Committee is to be composed of five members, including the Chairman of the Board of Directors, the two employee representatives sitting on the Board of Directors, and one member appointed from among the independent members of the Board of Directors. The Board of Directors may alter the composition of the Committee, which in any event must be altered in the event of a change in the overall composition of the Board of Directors. The term of office of Sustainable Development Committee members is the same as their term of office on the Board of Directors. It may be renewed at the same time as their re-election to the Board.

As of 31 December 2019, the Sustainable Development Committee had three members, including one independent: Virginie Hélias (Chairperson and Independent Director), Michel Giannuzzi (Chairman of the Board of Directors) and Bpifrance Investissements, represented by Sébastien Moynot (Director).

(b) Duties of the Sustainable Development Committee

Under Article 1 of its Internal Rules, the Sustainable Development Committee is a specialised committee of the Board of Directors whose main tasks are (i) to ensure that social and environmental responsibility issues are taken into account in the Group's strategy and in its implementation, (ii) consider the report provided for in Article L. 225-102-1 of the French Commercial Code on sustainable development and (iii) review the Group's commitments on sustainable development, with regard to the issues specific to its activities and objectives.

(c) Meetings and work of the Sustainable Development Committee during the financial year ended 31 December 2019

Pursuant to the Internal Rules of the Sustainable Development Committee, the Committee meets as often as required, and in any event at least once a year.

During 2019, the Sustainable Development Committee did not meet, as the Company's initial public offering on the Euronext Paris regulated market occurred on 7 October 2019. The Sustainable Development Committee will meet in 2020 to review the Company's 2019 non-financial performance statement (NFPS).

1.4 Procedures and operation of supervisory and management bodies

1.4.1 Mode of exercise of the Executive Management – Chairmanship of the Board of Directors

The positions of Chairman of the Board of Directors and Chief Executive Officer of the Company are combined.

At its meeting on 20 September 2019, the Board of Directors appointed Mr Michel Giannuzzi as Chairman of the Board of Directors and Chief Executive Officer of the Company for a period equivalent to the duration of his term of office as director, until the end of the meeting of the Company's ordinary General Shareholders' Meeting, which will be called upon to decide on the financial statements for the financial year ended 31 December 2022, to be held in 2023.

1.4.2 Powers of the Chairman and Chief Executive Officer

The positions of Chairman of the Board of Directors and Chief Executive Officer of the Company are combined since the initial public offering of the Company. In accordance with the law, the Company's Articles of Association and the Internal Rules of the Board of Directors, the Chairman and CEO of the Company shall preside over the meetings of the Board of Directors and ensure the proper functioning of the Company's bodies, in particular, ensuring that directors are able to fulfil their mission.

The Chairman and Chief Executive Officer shall be fully empowered to act on behalf of the Company in any and all circumstances. He or she shall exercise those powers within the scope of the corporate purpose and subject to the powers expressly reserved by law for shareholder meetings and for the Board of Directors.

He or she represents the Company in its dealings with third parties. The Company shall be bound by the actions of the Chairman and Chief Executive Officer even if such actions are beyond the scope of the corporate purpose, unless the Company can prove that a third party knew that the action concerned was beyond the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances. The publication of the Articles of Association alone may not be deemed to constitute evidence of such knowledge.

Decisions of the Board of Directors limiting the powers of the Chairman and Chief Executive Officer shall not be binding on third parties.

The Chairman and Chief Executive Officer may, within the limits set by applicable legislation, delegate such powers as he or she deems appropriate, for one or more specified purposes, to any representatives, even outside the Company, individually or meeting as a committee or commission, with or without the possibility of substitution, subject to the limitations provided by law. Such powers may be permanent or temporary, and may or may not include the possibility of substitution. Any authority thus delegated shall remain in full effect notwithstanding the expiration of the term of office of the person granting them.

Under Article 3.2 of its Internal Rules, the Board of Directors shall give its prior approval, acting by a simple majority of its members present or represented, for any act or decision of the Chairman and Chief Executive Officer concerning:

- Approval and/or amendment of the Group's medium-term business plan and annual budget (including the Group's hedging policy);
- Any investment (excluding acquisitions) exceeding the Group's annual budget, for a total amount in excess of €10 million;
- Any transaction involving the acquisition or disposal of assets or securities totalling more than €10 million and the formation, modification or termination of joint ventures or partnerships representing more than €10 million in revenue or investments;
- Any decision to participate in an operation outside the usual scope of the Group's operations and any decision to discontinue or significantly reduce the Group's principal operations;
- The creation of security interests for the benefit of a third party (i.e. a company outside the Group), except for security interests granted to public administrations or public entitites in the normal course of business;
- Any decision to participate in a project or to enter into any contract with a term of more than five years (including contracts with guaranteed income) for a total amount in excess of €50 million;
- Any decision to settle or engage in litigation with more than €5 million at stake or litigation that has a material impact on the Group's reputation;
- Any additional debt transaction exceeding €50 million;
- Any amendments to the Articles of Association of the Company or of Significant Subsidiaries (except amendments of an administrative nature); the term "**Significant Subsidiaries**" means any subsidiary of the Company whose consolidated revenue represents, during the last financial year, more than 5% of the Company's consolidated annual revenue;
- Any merger/demerger/liquidation of a Significant Subsidiary, except for intra-group restructuring;
- Any issuance of shares or transferable securities giving immediate or deferred access to the Company's share capital, as well as any issuance of shares or securities giving immediate or deferred access to the capital of a Significant Subsidiary, in each case for the benefit of a third party to the Group;
- Any purchase or sale of real estate assets for an amount in excess of €10 million;
- Any distributions, excluding distributions between wholly owned subsidiaries;
- Any recruitment, suspension or removal of members of the Group's Executive Committee, any significant change in their compensation (including with regard to retirement plans, incentive plans or specific severance terms) and the conclusion, amendment or termination of an agreement with any of them;
- The implementation or amendment of stock option plans or free share plans for the Company or any Group company (or any other similar instrument) for the benefit of the Group's executives and/or employees or certain categories of them;
- The conclusion or amendment of any pension plan or any restructuring of the workforce resulting in a total cost to the Group of more than €10 million;
- Any material change in the accounting policies applied by Group companies when preparing their financial statements, except for changes required by law or under applicable accounting standards;
- The appointment, re-appointment or dismissal of the Company's statutory auditors;
- The acquisition of treasury shares by the Company;
- The delisting of the Company and the listing of a Group company;
- The implementation of any insolvency, winding-up or liquidation proceedings (or similar proceedings in each applicable jurisdiction) in respect of the Company or its Significant Subsidiaries.

2. COMPENSATION AND BENEFITS TO EXECUTIVE OFFICERS

2.1 Compensation policy for executive officers

The following developments constitute the compensation policy for the Company's executive officers, notably for 2020. They describe the components of fixed and variable compensation and explain the decision-making process used to determine, review and implement it.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the compensation policy presented below is subject to approval by the Combined General Shareholders' Meeting of 10 June 2020. It is recalled that the last annual approval of the compensation policy for the Chairman and Chief Executive Officer was by decision of the Company's sole shareholder (in its form of a simplified share company) dated 27 August 2019.

It is reminded that, in a press release dated 7 April 2020, the Company has indicated that given the current health crisis, the Chairman and Chief Executive Officer has decided to contribute to the Group's collective effort by foregoing his variable compensation for the financial year ending 31 December 2020. All others Executive Committee members also contribute to this collective effort by waiving 15% of their total annual compensation. This sum are donated at local level.

2.1.1 Principles and decision-making processes followed to identify, review and implement the Group's compensation policy

The Group's compensation policy, including the compensation of its corporate executive officer, is intended, in accordance with the Company's social interest, and in accordance with market and industry practices, to ensure competitive compensation levels while maintaining a strong link to company performance and maintaining the balance between short-term and medium/long-term performance in support of the Group's business strategy and the sustainability of the Group.

The Group has thus implemented a compensation policy consisting of (i) a base salary, to compensate the position held, that is attractive for recruiting and retaining talent, and for the relevant executives, and (ii) a variable annual portion, which compensates individual and collective performance based on the achievement of ambitious objectives while being limited by a maximum level avoiding excessive risk-taking. This variable annual share, a source of motivation for teams, is based on annual criteria, including safety, the environment, financial and operational performance, and personal goals.

In addition to this variable annual compensation, the Group intends to fully associate its employees with its development by associating them with the capital; the employee share ownership policy is thus a strategic pillar to support the Group's profitable and sustainable growth, which the Group intends to pursue actively (as of 31 December 2019, the FCPE Verallia, which brings together employee ownership in the Company, thus holds 2.6% of the Company's share capital). In particular, the Company intends to offer, during the first half of 2020, the Group employees the possibility of subscribing to a capital increase that would be reserved for them, via the FCPE Verallia, under the conditions of discount and employer matching contribution approved by the Board of Directors.

For its chief executive officer and senior managers, the Group has also implemented a long-term incentive plan, which involves them in the creation of value over a period of three years and whose final vesting is subject to ambitious performance conditions, in accordance with the principles of good governance and the recommendations of the AFEP-MEDEF code to which the Group refers.

Within the Group, the compensation policy for the Chief Executive Officer shall be set by the Board of Directors on the proposal of the Appointments and Compensation Committee. The Appointments and Compensation Committee is chaired by an independent director and is composed mainly of independent directors within the meaning of the AFEP-MEDEF Code. In the context of its considerations, it relies in particular on benchmarking carried out on companies of similar size and industry, where appropriate with the assistance of one or more external consultants. The members of the Appointments and Compensation Committee were selected for their technical skills, as well as for their understanding of current standards and emerging trends. The Committee shall ensure at the beginning of the year the level of achievement of the performance criteria set for the previous year, which conditions the granting of variable compensation. The Board of Directors and the Appointments and Compensation Committee shall ensure that the compensation of corporate officers is consistent with the recommendations of the AFEP-MEDEF Code.

Finally, as part of the so-called 'say on pay' arrangement, the compensation policy of the Company's executive corporate officer, as well as the compensation elements and benefits that were allocated to them during the past financial year, described in this Chapter 2, are submitted annually, in accordance with the provisions of Articles L.225-37-2 and L.225-100 of the French Commercial Code, to the approval of the Company's General Shareholders' Meeting.

2.1.2 Elements that comprise the compensation of the Chairman and Chief Executive Officer

By a decision of the sole shareholder dated 27 August 2019, the compensation and benefits of the Chairman and Chief Executive Officer for his duties as of the Company's Initial Public Offering, were set for the next three financial years, i.e. until December 2022.

In this context, the elements of the compensation of the Chairman and Chief Executive Officer for 2020 were confirmed by the Board of Directors on 20 February 2020 as follows:

(a) A fixed compensation

The Board of Directors, on the proposal of the Appointments and Compensation Committee, shall determine the fixed annual compensation of the Chairman and Chief Executive Officer, in particular with regard to a detailed study of the fixed and variable compensation of executives of comparable listed companies carried out by an external firm.

On this basis, the gross annual fixed share of the compensation of the Chairman and Chief Executive Officer for 2020 was fixed by the Board of Directors at an amount of €1,100,000, unchanged from the decision of the Company's single shareholder on 27 August 2019.

(b) Variable compensation

The Board of Directors, on the proposal of the Appointments and Compensation Committee, shall determine the variable annual compensation of the Chairman and Chief Executive Officer on the basis of quantitative and qualitative criteria. For the 2020 financial year, the Board of Directors of 20 February 2020 set the annual variable share at an amount equal to 100% of the fixed annual compensation, i.e. €1,100,000, in the event of the achievement of the 100% targets, and, in the event that the targets set are exceeded, at a maximum amount equal to 140% of the annual fixed compensation, i.e. €1,540,000.

The variable portion of the compensation is calculated for 80% of its amount from quantitative elements, each weighted, and for 20% from qualitative elements.

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, the payment of this variable compensation shall be subject to the favourable vote of the ordinary General Shareholders' Meeting convened in 2021 to approve the financial statements for the financial year ended 31 December 2020.

– Quantitative criteria:

They are based on indicators that the Board of Directors, on the proposal of the Appointments and Compensation Committee, demmed most relevant for assessing the Group's financial performance. For 2020, the quantitative criteria represent 80% of variable compensation, of which 55% are linked to the achievement of an adjusted EBITDA threshold[1] and 45% are linked to the achievement of an operational cash flow threshold[2] for the financial year ended 31 December 2020.

If the stipulated quantitative criteria are exceeded, this annual variable compensation (i.e. €880,000 gross) will be increased on a linear basis up to a maximum amount corresponding to 120% of the annual fixed compensation (i.e. €1,320,000 gross).

– Qualitative criteria:

They are based on indicators that the Board of Directors, on the proposal of the Appointments and Compensation Committee, deemed most relevant for assessing the Group's social and environmental performance. For 2020, qualitative criteria are linked to safety and sustainable development objectives, including (i) up to 50%, a safety criterion, linked to the maintenance of a workplace accident frequency rate with or without a lost days (known as AF2) below a pre-defined threshold and (ii) at 50%, a sustainable development criterion, namely the reduction of the Group's carbon dioxide emissions[3].

However, given the current health crisis, the Chairman and Chief Executive Officer has decided to contribute to the Group's collective effort by foregoing his annual variable compensation, which represents 50% of its total annual compensation, for the financial year ending 31 December 2020. This sum will be donated at local level[4].

(c) Allocation of performance shares

The Group conducts a compensation policy aimed at retaining and motivating the Group's talent and associating managers with its performance, including through a long-term incentive plan in the form of free share grants subject to performance criteria related to the Group's long-term strategy.

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1 Adjusted EBITDA corresponds to operating profit adjusted for certain expenses and/or income of a non-recurring nature such as depreciation and amortisation, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal effects, closing expenses, and other non-recurring items.

2 *Operational cash flows* represent increased cash flows from the change in operating working capital requirement (see section 8.5.1.4 of the Universal Registration Document).

3 By 2020, the target is to reduce CO_2 emissions per ton of packaged glass (scope 1 and 2) from glassmakers worldwide by 2%. Scope 1 is direct emissions, i.e. CO_2 emissions at the plant's physical perimeter, related to carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion). Scope 2 corresponds to indirect emissions, linked to the electricity consumption necessary to run the plant.

4 See the Company's press release dated 7 April 2020.

To this end, the Company, during its Initial Public Offering on the Euronext Paris regulated market in October 2019, implemented a performance share allocation plan over a three-year period from 2019 to 2021 (the "**Plan 2019-2021**"), representing a maximum of 0.99% of the Company's share capital, granted in three instalments.

The executives and employees of the Company and its affiliates (within the meaning of Article L. 225-197-2 of the French Commercial Code) will be eligible for the plan, including in particular the Chairman and Chief Executive Officer of the Company.

The definitive award of the shares granted each year under the 2019-2021 Plan will be (a) subject to the continued employment of the employee or executive concerned and (b) subject to performance criteria linked (i) for 70%, to adjusted EBITDA and net debt targets before dividend payments or share buybacks, measured over the last two previous years combined, and (ii) for 30%, to a target share price, after the Initial Public Offering, relative to the share performance of companies in the SBF 120 index on Euronext Paris.

A first allocation of shares up to a maximum amount of €8,700,000, including a number of shares attributable to the Chairman and Chief Executive Officer representing a maximum amount of €1,750,000, was carried out in July 2019, subject in particular to the achievement of the above-mentioned performance conditions. The number of shares granted on their final grant date (i.e. after a two-year vesting period) will be determined (subject to the achievement of the aforesaid performance conditions) by dividing the above amounts by the average stock market price of the Company's shares on the Euronext Paris regulated market at the close of the 20 days preceding and following the publication of the annual financial statements during the final award year, in view of the fact that the total definitive number of shares allocated may not exceed 390,700, of which 78,140 shares may be awarded to the Chairman and Chief Executive Officer. For information, on the basis of the above formula and the initial public offering price of €27, the total number of shares attributable to the first tranche of Plan 2019-2021 would be 322,222, of which a maximum of 64,814 to the Chairman and CEO within the limit of 20% of the attributable shares (i.e. up to 20% of 0.33% of the Company's share capital), subject in particular to the attainment of the above-mentioned performance conditions.

The Board of Directors, acting pursuant to the authorisation conferred by the 17th resolution of the Company's Extraordinary General Shareholders' Meeting of 20 September 2019, proceeded at its meeting of 20 February 2020, under the second tranche of Plan 2019-2021, to the allocation of shares up to a maximum amount of €6,264,000 for the benefit of the corporate officer and employees of the Company and its subsidiaries, including a number of shares attributable to the Chairman and Chief Executive Officer representing a maximum amount of €1,650,000, subject in particular to the achievement of the above performance conditions and on the understanding that the total definitive number of shares allocated may not exceed 390,700, of which 78,140 shares to the Chairman and Chief Executive Officer. For information, on the basis of the formula referred to in the above paragraph and a closing price for the Verallia share of €34.40 as of 20 February 2020, the total maximum number of shares attributable under the second tranche of Plan 2019-2021 would be 182,093, of which a maximum of 47,965 to the Chairman and Chief Executive Officer within the limit of 20% of the attributable shares (within the limit of 20% of 0.33% of the share capital of the Company) and subject in particular to the attainment of the above performance conditions.

It is contemplated that the third tranche of performance shares will be allocated under Plan 2019-2021, by decision of the Board of Directors, during the first quarter of 2021.

Shares granted under Plan 2019-2021 are subject to a two-year vesting period, without a retention period, except for the Chairman and Chief Executive Officer, subject to a 30% retention obligation of shares vested, for the duration of his term of office, and for the members of the Executive Committee of the Group, subject to an obligation to retain 20% of the vested shares, as long as they are members of the Executive Committee.

If the maximum thresholds for the above-mentioned performance criteria are reached, the shares granted under Plan 2019-2021 may not represent more than 0.99% of the share capital after the Company's Initial Public Offering, i.e. 1,172,100 shares with a maximum of 20% for the free shares granted to Company officers.

(d) Benefits in kind

The Chairman and Chief Executive Officer benefits from a company car, an executive unemployment insurance scheme (GSC) and a complementary health plan.

(e) Pension plan

The Company has not implemented a supplementary pension plan, preferring to give preference to the allocation of performance shares. Therefore, the Chairman and CEO does not benefit from a supplementary pension plan.

(f) Severance and non-compete benefits

<u>Severance pay</u>

The Chairman and Chief Executive Officer shall receive a gross termination benefit of up to 150% of the amount of fixed and variable compensation for the 12 months preceding the effective termination of his appointment. This would be due in the event of his removal from office, unless he resigns or is dismissed for gross negligence or gross misconduct. No benefit will be due if the average amount of variable compensation as referred to in section 2.1.2(b) during the two years preceding the termination of the Chief Executive Officer's appointment is less than 30% of the target amount. If the average variable compensation paid is equal to 30% or more of the target amount, the termination benefit will be paid in full.

Non-compete indemnity

The Chairman and Chief Executive Officer would be subject to a 12-month non-compete obligation and as such would receive a fixed monthly benefit equal to 1/12th of 70% of the amount of his fixed and variable compensation for the last 12 months preceding the effective termination of his appointment. In the event of the combined application of the termination benefit described above and the non-compete benefit, the aggregate amount of the two benefits will be capped at an amount corresponding to the sum of the fixed and variable compensation received by the Chairman and Chief Executive Officer during the two years preceding the effective termination of his appointment.

Summary table of fixed and variable items comprising the compensation of the Chairman and Chief Executive Officer

Compensation Items	Principle	Criteria for determination
Fixed compensation	The Chairman and Chief Executive Officer shall receive a fixed compensation in 12 monthly instalments.	For the 2020 financial year, the gross annual amount is set at €1,100,000.
Annual variable compensation	The Chairman and Chief Executive Officer shall receive a variable compensation determined in view of the Group's performance. This compensation shall be paid during the corporate financial year following that in which performance has been observed. In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of variable compensation is conditional on the approval by an ordinary General Shareholders' Meeting of the compensation items of the Chairman and Chief Executive Officer under the conditions laid down in Article L. 225-100 of the French Commercial Code.	The annual variable share of the compensation of the Chairman and Chief Executive Officer shall be €1,100,000 in the event of the achievement of the 100% objectives and, in the event that the targets set are exceeded, a maximum amount equal to 140% of the annual fixed compensation, i.e. €1,540,000. The variable share of the compensation is calculated for 80% of its amount from quantitative items (55% related to the attainment of an adjusted EBITDA threshold and 45% related to the achievement of an operational cash flow threshold) and 20% of its amount from qualitative items related to safety and sustainable development objectives and strategy (i.e. (i) up to 50%, a safety criterion, linked to maintaining a workplace accident frequency rate below a pre-set threshold and (ii) at 50%, on a sustainable development criterion, i.e. the reduction of the Group's carbon dioxide emissions.[5]
Long-term compensation (performance shares)	The Chairman and Chief Executive Officer is entitled to the Company' free shares, subject to the achievement of performance criteria.	The number of shares granted free of charge transferred to each beneficiary at the end of the vesting period varies according to the level of achievement of the objectives detailed in section 2.1.2 (c) above.
Long-term compensation (stock options or purchase shares)	N/A	N/A
Pension plan	The Company has not implemented a supplementary pension plan, preferring to give preference to the allocation of performance shares.	The Chairman and Chief Executive Officer does not benefit from any additional pension scheme.
Severance and no-compete benefit	The Chairman and Chief Executive Officer shall be entitled to a severance pay in the event of the termination of his duties.	The Chairman and Chief Executive Officer will also receive a gross termination benefit of up to 150% of the amount of fixed and variable compensation for the twelve months preceding the effective termination of his appointment. This would be due in the event of his removal from office, unless he resigns or is dismissed for gross negligence or gross misconduct. No benefit will be due if the average amount of variable compensation as referred to above during the two years preceding the termination of the Chief Executive Officer's appointment is less than 30% of the target amount. If the average variable compensation paid is equal to 30% or more of the target amount, the termination benefit will be paid in full. In addition, the Chairman

[5] Given the current health crisis, the Chairman and Chief Executive Officer has decided to contribute to the Group's collective effort by foregoing his annual variable compensation, which represents 50% of its total annual compensation, for the financial year ending 31 December 2020. This sum will be donated at local level (see press release of the Company dated 7 April 2020).

Compensation Items	Principle	Criteria for determination
		and Chief Executive Officer would be subject to a twelve-month non-compete obligation and as such would receive a fixed monthly benefit equal to 1/12th of 70% of the amount of his fixed and variable compensation for the twelve months preceding the effective termination of his appointment. In the event of the combined application of the termination benefit described above and the non-compete benefit, the aggregate amount of the two benefits will be capped at an amount corresponding to the sum of the fixed and variable compensation received by the Chairman and Chief Executive Officer during the two years preceding the effective termination of his appointment.
Benefits in kind	The Chairman and Chief Executive Officer benefits from a company car, an executive unemployment insurance scheme ('**GSC**') and a complementary health plan.	N/A

Draft resolution prepared by the Board of Directors pursuant to Article L.225-100 of the French Commercial Code submitted to the Combined General Shareholders' Meeting of 10 June 2020

"**SEVENTH RESOLUTION**

(Approval of the compensation policy of the Chairman and Chief Executive Officer)

The General Shareholders' Meeting, voting under the conditions of quorum and majority required for ordinary General Shareholders' Meetings, after reviewing the corporate governance report referred to in Article L.225-37 of the French Commercial Code, set out in Annex I of the Company's 2019 Universal Registration Document, approves the compensation policy of Mr Michel Giannuzzi, the Chairman and CEO of the Company, as presented in the aforementioned report."

2.1.3 Items that make up the compensation of directors

The Company's General Shareholders' Meeting of 20 September 2019, in its 5th resolution, decided to set the total amount of compensation allocated to the Board of Directors at €600,000 for the financial year 2019 as well as for subsequent financial years, until further decision of the General Shareholders' Meeting.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors freely distributes among its members the compensation allocated to the Board by the General Shareholders' Meeting taking into account the effective participation of directors in Board and Committee meetings. A share fixed by the Board and deducted from the amount of compensation allocated to the Board shall be paid to the members of the Committees, also taking into account their effective participation in Committee meetings.

The basic compensation for 2019 and 2020 was fixed at €30,000 per year, calculated on a *prorata temporis* basis for the terms of office that have ended or that became effective during the year. In addition, a fixed compensation of €15,000 per year shall be allocated to the Chairman of each Committee, in compensation for his or her position.

In addition to these basic compensation, a variable amount of €3,000 is due for each Board and Committee meeting attended by the director concerned.

Draft resolution prepared by the Board of Directors pursuant to Article L.225-100 of the French Commercial Code submitted to the Combined General Shareholders' Meeting of 10 June 2020

"**NINTH RESOLUTION**

(Approval of directors compensation policy)

The General Assembly, voting under the conditions of quorum and majority required for ordinary general meetings, after reviewing the corporate governance report referred to in Article L.225-37 of the French Commercial Code, set out in Annex I of the Company's 2019 Universal Registration Document, approves the directors' compensation policy, as presented in the aforementioned report."

2.2 Compensation and benefits to executive officers during the year ended 31 December 2019

In accordance with Article L. 225-100, II of the French Commercial Code, the Annual General Shareholders' Meeting shall decide on a draft resolution on the information referred to in Article L. 225-37-3 I of the French Commercial Code, to be included in the corporate governance report, including compensation items paid for the term of office during the past financial year or allocated for the term of office for the same financial year, that is, the financial year ended 31 December 2019. These items are presented in sections 2.2.1 and 2.2.2 below for the Chairman and Chief Executive Officer and directors.

In addition, in accordance with Article L. 225-100, III of the French Commercial Code, the Annual General Shareholders' Meeting shall decide on the fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during the past financial year or allocated for the same financial year, in a separate resolution for each executive officer. As regards the Company Chairman and Chief Executive Officer, these elements are presented in section 2.2.1 below.

It will therefore be proposed to the Combined General Shareholders' Meeting of 10 June 2020 to decide, in separate resolutions, on the one hand on the information referred to in Article L. 225-37-3 I of the French Commercial Code, including in particular the items presented in sections 2.2.1 and 2.2.2 below, and on the other hand, on the compensation paid or allocated for the financial year ended 31 December 2019 to the Chairman and Chief Executive Officer, as set out in paragraph 2.2.1 below.

2.2.1 Chairman and Chief Executive Officer

(a) Fixed compensation

The fixed compensation paid to the Chairman and Chief Executive Officer during the 2019 financial year amounts to €875,000.

(b) Annual variable compensation

The Board of Directors of 20 February 2020, on the proposal of the Appointments and Compensation Committee which met on 19 February 2020, after having reviewed the results of the Company and the qualitative results of the Chairman and CEO during the year ended 31 December 2019, has fixed the quantitative portion of the variable compensation due to the Chairman and Chief Executive Officer for the financial year ended 31 December 2019 at €1,162,615, i.e. 132.1% of the quantitative share target[6], and the qualitative share of this compensation to 40% of the target of the qualitative share[7], i.e. €87,500 (a total of €1,250,115, or 113.6% of the target).

With regard to the quantitative portion, representing 80% of the variable compensation, the Board of Directors therefore noted that entitlement to variable compensation rights follow the grid below:

Objective	Weighting	Achievement of the target (in % of the objective) during the year ended 31 December 2019	Amount of variable compensation (in % of target amount)
Adjusted EBITDA	55%	102.2%	110.4%
Operating cash flows	45%	112.5%	158.7%

The quantitative portion was thus reached at 106.8% of the objectives, giving entitlement to variable compensation of 132.1% of the amount of the quantitative portion of the target, i.e. €1,162,615.

Regarding the qualitative portion, representing 20% of the variable compensation, the following qualitative objectives were reviewed by the Committee on Appointments and Compensation, which estimated that they were met and gave entitlement toa bonus of 40% of the qualitative share, i.e. €87,500: (i) for 50%, a safety criterion, relating to the accident rate being maintained below a predefined threshold, and (ii) for 50%, sustainability criterion, such as the reduction of the Group's carbon dioxide emissions.

The payment of the variable compensation shall be conditional upon the approval by the Company's General Shareholders' Meeting to be held on 10 June 2020 of the compensation items of the Chairman and Chief Executive Officer under the conditions laid down in Article L. 225-100.

[6] I.e. €880,000 (see section 13.1.4 of the Company's Universal Registration Document dated 4 September 2019).

[7] I.e. €220,000 (see section 13.1.4 of the Company's Universal Registration Document dated 4 September 2019).

(c) Exceptional bonus

None.

(d) Compensation for term of office as director

None.

(e) Allocation of performance shares

Pursuant to an authorisation from the Company's single shareholder (in the form of a French simplified joint stock company) dated 24 July 2019, a number of shares attributable to a maximum amount of €1,750,000, i.e. for information purposes only, a maximum of 64,814 shares on the basis of the €27 initial public offering stock price, were allocated to the Chairman and Chief Executive Officer, under the first tranche of Plan 2019-2021 described in section 2.1.2.1(c) above. The shares shall be fully vested after a period of two years, i.e. on 24 July 2021 and subject to (a) the continued employment of the Chairman and Chief Executive Officer and (b) subject to performance criteria linked (i) for 70%, to adjusted EBITDA and net debt targets before dividend payments or share buybacks, measured over the last two previous years combined, and (ii) for 30%, to a target share price, after the initial public offering, relative to the share performance of companies in the SBF 120 index on Euronext Paris.

The Chairman and Chief Executive Officer is subject to a 30% retention obligation for vested shares, for a period expiring at the end of his term of office.

(f) Severance and non-compete benefits

See subsection 2.1.2.1(f) above.

(g) Interest and employer matching contribution

For the year ended 31 December 2019, Michel Giannuzzi received a profit-sharing bonus of €4,667 and a matching contribution of 2,000, for a total of €6,667.

(h) Benefits in kind

In financial year 2019, the Chairman and Chief Executive Officer received a company car, an executive unemployment insurance scheme (GSC) and a complementary health plan.

(i) Summary tables of fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during the year ended 31 December 2019 or allocated for the same year to the Chairman and Chief Executive Officer

Fixed compensation	€875,000
Variable compensation	€1,160,240
Exceptional bonus	N/A
Compensation for term of office as director	N/A
Free shares	Maximum amount of €1,750,000, i.e. for information purposes only, a a maximum number of 64,814 shares based on the initial public offering price of €27 (first tranche of Plan 2019-2021) (see section 2.2.1(e) above).
Pension plan	N/A
Severance pay	Compensation in the event of departure, of a gross amount equal to the maximum of 150% of the sum of the gross annual fixed compensation over the last 12 months preceding the end of his term of office and the variable compensation paid in respect of the year preceding the end of his executive duties. No benefit will be due if the average amount of variable compensation as referred to above during the two years preceding the termination of the Chief Executive Officer's appointment is less than 30% of the target amount. If the average variable compensation paid is equal to 30% or more of the target amount, the termination benefit will be paid in full.
Non-compete benefit	A one-year non-compete obligation, compensated by a fixed monthly benefit equal to 1/12th of 70% of the amount of his fixed and variable compensation for the 12 months preceding the effective termination of his appointment. In the event of the combined application of the termination benefit described above and the non-compete benefit, the aggregate amount of the two benefits will be capped at an amount corresponding to the sum of the fixed and variable compensation received by Mr Giannuzzi during the two years preceding the effective termination of his appointment.
Interest and employer matching contribution	€4,667 gross for the incentive and €2,000 gross of matching contribution, i.e. a total gross amount of €6,667.
Benefits in kind	Company car Benefit of an executive unemployment insurance scheme ("**GSC**") and a complementary health plan.

Furthermore, the following tables set out the compensation paid to Michel Giannuzzi, the Chairman and Chief Executive Officer, by the Company and by any Group company during the years ended 31 December 2018 and 2019:

Table 1 (AMF nomenclature)

Summary of compensation and options granted to each executive officer		
(amounts paid in euros)	**Financial year 2018**	**Financial year 2019**
Michel Giannuzzi		
Compensation for the year (*see Table 2 for details*)	€1,982,111	€2,142,873
Value of multi-year variable compensation paid during the year	N/A	N/A
Value of stock options granted during the year (*see Table 4 for details*)	N/A	N/A
Value of free shares granted (*see Table 6 for details*)	N/A	€1,560,125
Total	**€1,982,111**	**€3,702,998**

Table 2 (AMF nomenclature)

Summary of compensation paid to each executive officer				
(amounts paid in euros)	**Financial year 2018**		**Financial year 2019**	
	Amounts owed	**Amounts paid**	**Amounts owed**	**Amounts paid**
Michel Giannuzzi				

Summary of compensation paid to each executive officer				
Fixed compensation	€800,000	€800,000	€875,000	€875,000
Annual variable compensation(1) Multi-year variable compensation	€1,160,240 -	€1,000,000 -	€1,250,115 -	€1,160,240 -
Exceptional bonus Benefits in kind(2)	- €21,871	- €21,871	- €17,758	- €17,758
Total	**€1,982,111**	**€1,821,871**	**€2,142,873**	**€2,052,998**

(1) Annual variable compensation is subject to performance conditions linked to the achievement of adjusted EBITDA and operational cash flow thresholds, as well as a safety objective (workplace accident rate).
(2) Benefits in kind consist of a company car and the executive unemployment insurance scheme (GSC).

In addition, during the financial year ended 31 December 2019, Michel Giannuzzi received a gross profit-sharing bonus of €4,667 and a matching contribution of €2,000, for a total of €6,667.

Table 11 (AMF nomenclature)

Executive officers	Employment contract		Supplementary pension plan		Termination benefits[1]		Non-compete indemnity[1]	
	Yes	No	Yes	No	Yes	No	Yes	No
Michel Giannuzzi		X		X	X		X	

(1) The conditions for payment of the severance pay of Mr Michel Giannuzzi and the compensation due under his non-compete commitment are described in section 2.1.2(f) of this report.

Stock option grants

Table 4 (AMF nomenclature)

Stock options granted during the year to each executive officer by the issuer and by any Group company						
Name of executive officer	**Plan no. and date**	**Type of options (purchase or subscription)**	**Value of the options according to the method used for the consolidated financial statements**	**Number of options granted during the year**	**Exercise price**	**Exercise period**
Michel Giannuzzi	N/A	N/A	N/A	N/A	N/A	N/A

Table 5 (AMF nomenclature)

Stock options exercised during the year by each executive officer			
Name of executive officer	**Plan no. and date**	**Number of options exercised during the year**	**Exercise price**
Michel Giannuzzi	N/A	N/A	N/A

Table 8 (AMF nomenclature)

Historical information about stock option grants				
Information about stock options				
Date of General Shareholders' Meeting	Plan no. 1	Plan no. 2	Plan no. 3	etc.
Date of Board meeting	N/A			

Historical information about stock option grants	
Total number of shares under option, including the number that may be subscribed for or purchased by:	
Starting date of exercise period	
Expiry date of exercise period	
Exercise price	
Exercise procedures (if the plan includes several tranches)	
Number of shares subscribed for at […] (most recent date)	
Cumulative number of cancelled or forfeited options	
Options outstanding at year-end	

Table 9 (AMF nomenclature)

Stock options granted to the top ten employees who are not corporate officers and options exercised by them	Total number of options granted/shares subscribed for or purchased	Weighted average price	Plan no. 1	Plan no. 2
Options granted during the year by the issuer and any companies included in the stock option plan to the ten employees of the issuer or of those companies who received the most options (aggregate)	N/A			
Options held in the issuer and in the above-mentioned companies that were exercised during the year by the ten employees of the issuer or of those companies who exercised the most options (aggregate)				

Free share grants

Table 6 (AMF nomenclature)

Free shares granted to each corporate officer						
Free shares granted during the financial year to each corporate officer by the general shareholders' meeting of the issuer and of any Group company (list of names)	**Plan no. and date**	**Number of shares granted during the financial year**	**Value of the shares according to the method used for the consolidated financial statements**	**Vesting date**	**End of lock-up period**	**Performance conditions**
Michel Giannuzzi	Plan 2019-2021 (first tranche) 24/07/2019	64,814(2)	€1,560,125	24/07/2021	24/07/2021	Performance conditions related to adjusted EBITDA objectives and net financial debt before payment of dividends or redemption of shares (for 70%) and a target for stock market price changes

						(for 30%)

[(1)] Performance Share Allocation Plan for a period of three years from 2019 to 2021, representing a maximum of 1.00% of the Company's share capital, allocated in three instalments (see subsection 2.1.2(c) of this report).
[(2)] For information purposes only, for a maximum share amount of €1,750,000 and on the basis of the initial public offering price of €27 (see section 2.1.2(c) of this report).

Table 7 (AMF nomenclature)

Free shares that have vested for each corporate officer	Plan no. and date	Number of shares released from lock-up during the year	Vesting conditions
Michel Giannuzzi	N/A		

Table 10 (AMF nomenclature)

History of free share grants	
Information on free shares	
Free grant plan	Plan 2019-2021[(1)]
Decision date of the single shareholder	24/07/2019
Total number of free shares granted, of which the number granted to:	322,222 shares[(2)]
Michel Giannuzzi (maximum number of shares)	64,814 shares[(3)]
Share vesting date	24/07/2021
End of lock-up period	None[(4)]
Number of shares acquired as of 31/12/2019	0
Cumulative number of cancelled or expired shares	0
Outstanding free shares awarded at year-end (maximum number of shares)	322,222 shares[(2)]

[(1)] The first tranche of the performance share allocation plan over a period of three years from 2019 to 2021, representing a maximum of 0.99% of the Company's share capital, allocated in three instalments (see section 2.1.2(c) of this report).
[(2)] For information purposes only, for a maximum share amount of €8,700,000 and on the basis of the initial public offering price of €27 (see section 2.1.2(c) of this report).
[(3)] For information purposes only, for a maximum share amount of €1,750,000 and on the basis of the initial public offering price of €27 (see section 2.1.2(c) of this report).
[(4)] Subject to the obligation of the Chairman and Chief Executive Officer to retain 30% of the vested shares for a period expiring at the end of his term of office and the obligation of the members of the Group' Executive Committee to retain 20% of the vested shares as long as they are Members of the Executive Committee.

(j) Draft resolution prepared by the Board of Directors pursuant to Article L.225-100 III. of the French Commercial Code submitted to the Combined General Shareholders' Meeting of 10 June 2020

"SIXTH RESOLUTION

(Approval of fixed, variable and exceptional items that comprise the total compensation and benefits of any kind paid during the year ended 31 December 2019 or allocated for the same year to the Chairman and CEO of the Company, for the current period following the admission of the Company's shares for trading on the Euronext Paris regulated market)

The General Shareholders' Meeting, voting under the conditions of quorum and majority required for the Ordinary General Shareholders' Meetings, after reviewing the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, set out in Annex I of the Company's 2019 Universal Registration Document, approves the fixed, variable and exceptional items that make up the total compensation and benefits of any kind paid in the previous financial year or allocated in the same financial year to Mr Michel Giannuzzi, Chairman and CEO of the Company, for the current period following the admission of the Company's shares for trading on the Euronext Paris regulated market, as presented in the aforementioned report."

2.2.2 Directors

The table below shows the compensation and other compensation paid to directors for their term of office during the financial year ended 31 December 2019 or awarded for their term of office for the same year:

Director	**Amounts paid in financial year 2019 or allocated in financial year 2019**
José Diego Arozamena	
Compensation for term of office as director	€85,068
Other compensation*	€43,004
Bpifrance Investissements, represented by Sébastien Moynot	
Compensation for term of office as director	0
Other compensation	0
Brasil Warrant Administração de Bens e Empresas S.A.	
Compensation for term of office as director	
Other compensation	€22,068
	0
Marie-José Donsion	
Compensation for term of office as director	€25,603
Other compensation	0
Virginie Hélias	
Compensation for term of office as director	€19,603
Other compensation	0
Claudia Scarico	
Compensation for term of office as director	0
Other compensation	0
Robert Seminara	
Compensation for term of office as director	0
Other compensation	0
Cécile Tandeau de Marsac	
Compensation for term of office as director	€25,603
Other compensation	0
Pierre Vareille	
Compensation for term of office as director	€60,000
Other compensation*	€3,054

** The amounts paid represent the reimbursement of expenses.*

2.3 Ratio of the Chairman and Chief Executive Officer's level of compensation to the average and median compensation of the Group's employees

For the calculation of the ratios presented below in accordance with Article L. 225-37-3 I 6° of the French Commercial Code, the Company referred to the AFEP-MEDEF Guidelines dated 28 January 2020.

In particular:

- The ratios below were calculated on the basis of the fixed and variable compensation paid during the financial years mentioned and performance shares allocated during the same periods and valued at their book value at the time of grant and proratised on the financial year based on the plan duration. Performance shares grants are subject to presence conditions (at least two years) and performance conditions. The valuation at the time of granting does not necessarily reflects the value of the shares at the end of the vesting period, in particular if the performance conditions are not met. The compensation described below are taken into account including social and employers contributions charged on this compensation;

- For employees, the compensation taken into account is full-time equivalent compensation;

- Have been included in the ratios calculation: the Company, its direct French subsidiary Verallia Packaging, as well as all its indirect glass-making subsidiaries, i.e. Verallia France and VOA Verrerie d'Albi, such perimeter covering 96% of the total payroll in France (headcounts at 31 December 2019 are set out in section 15.1.1 of the Universal registration document of the Company);

- The consolidated adjusted EBITDA is a performance indicator used by the Group for analysing and evaluating its operations and trends, measure its performance, prepare results forecasts and make strategic decisions.

Comparison of executive officers' compensation with Group employees' compensation

	Financial year 2019	**Financial year 2018**
Ratio of average compensation	41	30
Ratio of median compensation	46	33

Annual evolution of executive officers' and employees' compensation regarding the performance of the Company

	Financial year 2019	**Financial year 2018**
Compensation of the Chairman and Chief Executive Officer (in thousands of euros, including social and employers contributions charged on this compensation)(1)	3,189	2,291
Consolidated adjusted EBITDA (in thousands of euros)	615,200	543,300
Average compensation of employees on a full-time equivalent basis (in thousands of euros, including social and employers contributions charged on this compensation)	78	76

(1) *In the context of its initial public offering on the regulated market of Euronext Paris in October 2019, the Company has implemented a long term incentive policy of its main executives, in particular its Chairman and Chief Executive Officer, aimed at retaining and motivating the Group's talent and associating managers with its performance, with a performance share allocation plan over a three-year period from 2019 to 2021, the first tranche of which was granted in 2019 and valued pro rata in the compensation of the Chairman and Chief Executive*

Officer set out above. During the 2018 financial year, no similar plan was in place, which principally explains the evolution of the compensation of the Chairman and Chief Executive Officer and the ratios set out above between 2018 and 2019.

2.4 Draft resolution prepared by the Board of Directors pursuant to Article L.225-100 II. of the French Commercial Code submitted to the Combined General Shareholders' Meeting of 10 June 2020

"EIGHTH RESOLUTION

(Approval of information referred to in Article L. 225-37-3 I. of the French Commercial Code)

The General Shareholders' Meeting, voting under the conditions of quorum and majority required for the Ordinary General Shareholders' Meetings, after reviewing the corporate governance report referred to in Article L. 225-37 of the French Commercial Code, set out in Annex I of the Company's 2019 Universal Registration Document, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the information referred to in Article L. 225-37-3 I. of the French Commercial Code as presented in the aforementioned report."

3. OTHER INFORMATION

3.1 Related party transactions

The Group's related parties mainly include the Company's shareholders, unconsolidated subsidiaries, associated companies (companies accounted for by the equity method), and entities over which the various Group corporate executives exercise at least significant influence.

The figures specifying the relationships with these related parties are set out in Note 22 to the consolidated financial statements for the year ended 31 December 2019, contained in Section 18.1.1 of the Universal Registration Document.

In financial year 2020, the Board of Directors will meet in accordance with the provisions of the second sub-paragraph of Article L. 225-39 of the French Commercial Code, in order to establish a procedure for the annual assessment of agreements on transactions which are deemed usual and carried out at arm's length. As part of this assessment, the Board of Directors' meeting held during the review of the annual financial statements will review the criteria for determining usual agreements carried out at arm's length to ensure that they are always appropriate and in accordance with market practices and analyses, more specifically the normal character of the financial conditions of the agreements it evaluates. Agreements that no longer meet such criteria, and are therefore reclassified as regulated agreements, will then be subject to the authorisation by the Board of Directors.

3.1.1 Agreements and commitments authorised and concluded in the past financial year

As part of the Company's initial public offering, a guarantee contract was concluded on 3 October 2019 between in particular Horizon Parent Holdings S.à.r.l.[8] as a transferor shareholder, and a group of financial institutions (the "**guarantors**"), covering all the transferred shares (the "**Guarantee Agreement**").

Under the Guarantee Agreement, guarantors undertook, jointly and without solidarity between themselves, to cause investors to buy or, otherwise, to buy themselves, the number of guaranteed shares covered by their respective warranty commitment, all on the settlement date and at the initial public offering price. In addition, under the Guarantee Agreement, the Company and Horizon Parent Holdings S.à.r.l. have given the guarantors the various customary representations and warranties, the breach of which is subject to an indemnification undertaking on their part.

3.1.2 Agreements and commitments approved in previous years, which continued to be implemented in the past year

On 11 December 2018, Verallia Packaging, a subsidiary of the Company, signed a €10 million amortisable loan agreement with Bpifrance Financement, an affiliate of the Company's indirect shareholder Bpifrance Participations (see Chapter 16 of the Universal Registration Document), to finance and refinance the cash flow requirements of Verallia Packaging and its subsidiaries. The loan bears annual interest at a rate of 0.70%. The loan is repayable on 31 December 2021.

3.2 Procedures for participation in General Meetings

3.2.1 Meeting notice and participation in General Meetings

Shareholder decisions are taken at General Meetings. The Ordinary General Meeting is required to take all decisions that do not amend the Articles of Association. The Ordinary General Meeting shall be held at least once a year, within six months of the end of each financial year, to approve the financial statements for that financial year and the consolidated financial statements.

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8 On the signing date of the Guarantee Agreement, Horizon Parent Holdings S.à.r.l. was the indirect shareholder of the Company, holding 96.71% of the capital of Horizon Intermediate Holdings S.C.A., which held 100% of the Company's share capital and voting rights on the signing date of the Guarantee Agreement.

The Extraordinary General Meeting alone is authorised to amend all provisions of the Articles of Association.

General meetings shall be convened by the Board of Directors under the conditions and time limits provided for by law. General Meetings shall be held at the registered office or at any other venue indicated in the notice of meeting.

All shareholders may attend General Meetings, in person or by proxy, upon proof of their identity and ownership of their securities in book-entry form under the conditions provided for in the applicable laws and regulations. Any shareholder may vote remotely or give a proxy in accordance with the applicable regulations.

General Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a director specially appointed for this purpose by the Board of Directors. Failing this, the meeting shall elect its own chairman.

The role of scrutineers shall be performed by the two members of the General Shareholders' Meeting, present and accepting this duties, who have the greatest number of votes either by themselves or as proxy holders.

The bureau shall appoint a secretary, who need not be a member of the General Meetings.

3.2.2 Exercise of voting rights, double voting rights, voting rights limitations

Each ordinary share entitles the holder to a share in the Company's profits and net assets in proportion to the percentage of the share capital it represents. In addition, each share gives the right to vote and the right to be represented at General Shareholders' Meetings, according to the statutory conditions and the Articles of Association.

A double voting right is granted to fully paid-up registered ordinary shares that have been continuously held by the same shareholder for a minimum period of two (2) years. For the purpose of calculating this holding period, any period during which the Company's ordinary shares were held prior to the date on which the Company's ordinary shares were admitted to trading on the Euronext Paris regulated market, i.e. 7 October 2019, shall not count.

In accordance with the second sub-paragraph of Article L. 225-123 of the French Commercial Code, in the event of a capital increase by capitalisation of reserves, profits or issue premiums, a double voting right shall be granted upon their issuance to new ordinary shares allocated free of charge to a shareholder on the basis of his or her existing shares with a double voting right.

This double voting right may be exercised at any General Meeting.

The double voting right shall automatically lapse when the ordinary share is converted to bearer form or ownership is transferred.

3.3 Delegations and authorisations granted by the General Shareholders' Meetings in respect of capital increase

The Company's General Shareholders' Meetings, which met on 20 September 2019, adopted the following financial delegations:

Type of delegated authority	Maximum duration	Maximum nominal amount
Authorisation to trade in the Company's shares	18 months	Capped at 10% of the total number of shares constituting the share capital or 5% of the total number of shares for the purpose of holding them and subsequently delivering them as payment or exchange in connection with any external growth transactions
Authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares	26 months	Capped at 10% of the share capital in any 24-months period
Delegation of authority to the Board of Directors to increase the share capital by capitalisation of reserves, profits or premiums or any other amount for which capitalisation is allowed	26 months	€77.5 million
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, with application of pre-emption rights	26 months	€195 million(1) €750 million for debt securities(2)
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities	26 months	€77.5 million(1) €750 million for debt securities(2)

Type of delegated authority	Maximum duration	Maximum nominal amount
giving access to equity securities to be issued, in the context of public offerings with waiver of pre-emption rights(4)		
Delegation of authority to the Board of Directors to decide to issue, with waiver of pre-emption rights, shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, by way of the private placements provided for in Article L. 411-2 II of the French Monetary and Financial Code	26 months	€77.5 million(1) per 12 months €750 million for debt securities(2)
Authorisation to the Board of Directors, in the event of an issuance with waiver of pre-emption rights, by public offerings or private placements provided for in Article L. 411-2 II of the French Monetary and Financial Code, to fix the issue price in accordance with the terms and conditions set by the General Shareholders' Meeting	26 months	10% of the capital per year €750 million for debt securities(2)
Authorisation to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without pre-emption rights	26 months	Regulatory limit (currently 15% of the original issue)(1)(2)
Delegation of authority to the Board of Directors to issue shares or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, without pre-emption rights, in return for contributions in kind	26 months	10% of the capital(1) €750 million for debt securities(2)
Delegation of authority to the Board of Directors to decide to issue shares reserved for members of an employee savings plan with waiver of pre-emption rights in favour of those members	26 months	€19.5 million(1)
Delegation of authority to the Board of Directors to increase the share capital by issuing shares with waiver of pre-emption rights in favour of a specific category of beneficiaries (employees and corporate officers of the Company and its affiliated entities)	18 months	€19.5 million(1)
Authorisation to the Board of Directors to grant new or existing shares free of charge, with waiver of pre-emption rights, to employees and corporate officers of the Company and its affiliated entities	38 months	3% of the capital(1) (3)
Authorisation to the Board of Directors to grant stock options to eligible employees and corporate officers of the Group	38 months	3% of the capital(1) (3)

(1) The aggregate maximum nominal amount of capital increases that may be carried out pursuant to this delegation shall be deducted from the overall limit of €195 million of the capital for immediate and/or future capital increases.

(2) The aggregate maximum nominal amount of debt securities that may be carried out pursuant to this delegation shall be deducted from the overall limit of €750 million applicable to the issuance of debt securities.

(3) The maximum nominal amount of capital increases that may be carried out pursuant to this delegation shall count towards the general limit for grants of free shares and stock options, set at 3% of the Company's share capital.

(4) Including as part of a public exchange offer initiated by the Company (Article L. 225-148 of the French Commercial Code).

At its meeting on 3 December 2019, the Board of Directors made use of the following financial delegations:

- The delegation granted to the Board of Directors in connection with the fifteenth resolution of the Combined General Shareholders' Meeting of the Company dated 20 September 2019, in respect of the continuation of the Group's employee ownership plan, through the issuance of new shares reserved for eligible employees and agents of the Company and/or companies related to the Company within the meaning of Articles L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code who are members of a Verallia Group/Corporate Savings plan; and

- The delegation granted to the Board of Directors pursuant to the sixth resolution of the Combined General Meeting of Shareholders of the Company dated 20 September 2019, in respect of the Company's buyback of its own shares. In this context, the Company signed a liquidity contract with Rothschild Martin Maurel on 20 December 2019, in accordance with the market practice accepted by the Financial Markets Authority on 2 July 2018, to ensure liquidity and facilitate the market for the Company's securities (see section 3.4.6 below).

Summary table of delegations on capital increases proposed at the General Shareholders' Meeting of 10 June 2020:

Type of delegated authority	Maximum duration	Maximum nominal amount
Authorisation to trade in the Company's shares	18 months	Capped at 10% of the total number of shares constituting the share capital or 5% of the total number of shares for the purpose of holding them and subsequently delivering them as payment or exchange in connection with any external growth transactions
Authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares	26 months	Capped at 10% of the share capital in any 24-months period
Delegation of authority to the Board of Directors to increase the share capital by capitalisation of reserves, profits or premiums or any other amount for which capitalisation is allowed	26 months	€80 million (approximately 20% of the share capital)
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, with application of pre-emption rights	26 months	€200 million(1) (approximately 50% of the share capital) €750 million for debt securities(2)
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, by way of a public offering other than that specified in Article L. 411-2 of the French Monetary Code, with waiver of pre-emption rights(4)	26 months	€80 million(1) (2) (approximately 20% of the share capital) €750 million for debt securities(3)
Delegation of authority to the Board of Directors to decide to issue, with waiver of pre-emption rights, shares and/or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of the private placements provided for in Article L. 411-2 II of the French Monetary and Financial Code	26 months	€80 million(1) (2) (approximately 20% of the share capital) €750 million for debt securities(3)
Authorisation to the Board of Directors, in the event of issuance with waiver of pre-emption rights, by way of a public offering, to fix the issue price in accordance with the terms and ocnditions set by the General Shareholders' Meeting	26 months	10% of the capital per year
Authorisation to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without pre-emption rights	26 months	Regulatory limit (currently 15% of the original issue)(1)
Delegation of authority to the Board of Directors to issue shares or equity securities giving access to other equity securities and/or conferring the right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, without pre-emption rights, in return for contributions in kind	26 months	10% of the capital(1) €750 million for debt securities(3)

Type of delegated authority	Maximum duration	Maximum nominal amount
Delegation of authority to the Board of Directors to decide to issue shares reserved for members of an employee savings plan with waiver of pre-emption rights in favour of those members	26 months	€12 million(1) (approximately 3% of the share capital)
Delegation of authority to the Board of Directors to increase the share capital by issuing shares with waiver of pre-emption rights in favour of a specific category of beneficiaries (employees and corporate officers of the Company and its affiliated entities)	18 months	€12 million(1) (approximately 3% of the share capital)
Authorisation to the Board of Directors to grant new or existing shares free of charge, with waiver of pre-emption rights, to employees and corporate officers of the Company and its affiliated entities	38 months	3% of the capital(1)

(1) The aggregate maximum nominal amount of capital increases that may be carried out pursuant to this delegation shall count towards the overall limit of €200 million of the capital for immediate and/or future capital increases.

(2) The overall maximum nominal amount of capital increases that may be realised under this delegation is based on the amount of the sub-ceiling fixed at €80 million of the capital for capital increases with the abolition of the preferential subscription right by tender to the public.

(3) The aggregate maximum nominal amount of debt securities that may be issued pursuant to this delegation shall count towards the overall limit of €750 million applicable to the issuance of debt securities.

(4) Including as part of a public exchange offer initiated by the Company (Article L. 225-148 of the French Commercial Code).

3.4 Items that may have an impact in the event of a public offer

The following are the items that may have an impact in the event of a public offer.

3.4.1 Structure of the Company' capital

As of 31 December 2019, the Company's share capital amounts to €400,171,523.96, divided into 118,393,942 ordinary shares, with a par value of three euros thirty-eight cents (€3.38), fully paid up, all of the same class.

The table below provides a breakdown of the Company's share capital at 31 December 2019:

Shareholders	Total number of shares	% of capital and voting rights
Horizon Investment Holdings(1)	65,505,178	55.3%
Bpifrance Participations	8,861,539	7.5%
Brasil Warrant Administração de Bens e Empresas S.A. (BWSA)(2)	10,185,185	8.6%
Managers *Including Mr Michel Giannuzzi, Chairman and Chief Executive Officer*	5,814,108 2,565,522	4.9% 2.16%
FCPE Verallia	3,019,530	2.6%
Public	25,008,402	21.1%
Total	**118,393,942**	**100%**

(1) Company wholly owned by Horizon Parent Holdings S .à.r. LLP, which is wholly owned by AIF VIII Euro average, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc.

(2) Acting through Lepton Fund Ltd., a fund managed by BW Gestão de Investigmentos Ltda., a wholly owned subsidiary of Brasil Warrant Administração de Bens e Empresas S.A. In addition, the Company has been informed on 5 March 2020, of the acquisition by Brasil Warrant Administração de Bens e Empresas S.A. of 5,164 shares by the Company, on 2 March 2020 (see AMF declaration 2020DD671777).

The number of registered shareholders is 56 natural or legal persons.

At the close of the financial year ending 31 December 2019, employee share ownership as defined in Article L. 225-102 of the French Commercial Code represented 2.6% of the company's share capital.

To the Company's knowledge, with the exception of Bpifrance Participations, BWSA and Horizon Investment Holdings, no other shareholders holds more than 5% of the share capital or voting rights.

Major Holding Notification

While the Company's shares are admitted to trading on a regulated market, in addition to the ownership threshold disclosures expressly provided for by applicable laws and regulations, any natural or legal person who directly or indirectly holds, alone or in concert, a percentage of the capital or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the AMF General Regulation) equal to or greater than 1% of the capital or voting rights, or any multiple thereof, even if above the thresholds stipulated in the statutory and regulatory provisions, shall notify the Company of the total number (i) of shares and voting rights that he or she holds, directly or indirectly, alone or in concert, (ii) of securities giving access in future to the Company's share capital that he or she owns, directly or indirectly, alone or in concert, and the voting rights potentially attaching thereto, and (iii) of existing shares in issue that such person may acquire by virtue of an agreement or financial instrument mentioned in Article L. 211-1 of the French Monetary and Financial Code. Such notification shall be made by registered letter with acknowledgement of receipt within four trading days of breaching the relevant threshold.

The requirement to inform the Company shall also apply, within the same time frame and under the same conditions, if the shareholder's interest in the capital or voting rights falls below one of the above-mentioned thresholds.

In the event of non-compliance with the threshold disclosure requirement referred to above and at the request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders representing at least 5% of the Company's share capital or voting rights, shares exceeding the percentage that should have been disclosed shall be deprived of voting rights for a period of two years following the date of disclosure.

The Company reserves the right to inform the public and shareholders either of the information disclosed to it or of the failure of the person concerned to comply with the above-mentioned requirement.

During 2019, the Company was informed of the following threshold crossing as provided for by law:

- On 20 December 2019, a Luxembourg-based company Horizon Parent Holdings S.à r.l. (HPH) declared that on 18 December 2019, it directly fell below the thresholds of 50%, 1/3, 25%, 20%, 15%, 10% and 5% of its capital and voting rights and that it no longer directly held any shares of the Company;

- On 20 December 2019, the Luxembourg-based limited liability company Horizon Investment Holdings S.à r.l. (HIH) declared that on 18 December 2019, it directly exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 1/3 and 50% of the Company's share capital and voting rights and that it held 65,505,178 shares of the Company representing as many voting rights, i.e. 55.33% of the capital and voting rights of the Company.

These threshold crossings result from HPH's contribution in kind of all of its VERALLIA shares to HIH, a controlled company (it being specified that 7,380,058 VERALLIA shares were previously transferred to Bpifrance Participations by HPH, see below).

- By letter received on 20 December 2019, the Caisse des Dépôts et Consignations declared that it had exceeded, on 18 December 2019, indirectly, through Bpifrance Participations SA and CDC Croissance, the thresholds of 5% of the share capital and voting rights of the Company and indirectly hold 9,943,374 shares of the Company representing 9,943 374 voting rights, or 8.40% of the share capital and voting rights of the Company;

- By letter received on 20 December 2019, Bpifrance, an industrial and commercial public institution declared that it had exceeded on 18 December 2019, indirectly, through Bpifrance Participations, the thresholds of 5% of the share capital and voting rights of the Company and indirectly hold 8,861,539 shares of the Company representing as many voting rights, or 7.48% of the capital and voting rights of the Company.

On these occasions, Bpifrance Participations stated that it had crossed the same thresholds.

These threshold crossings result from the off-market acquisition of shares of the Company resulting from a private agreement dated 18 December 2019, by which Horizon Parent Holdings S.à r.l. acquired from Bpifrance Participations all shares of Horizon Parent Holdings S.à r.l. held by Bpifrance Participations, including the allocation of 7,380,058 shares of the Company to Bpifrance Participations, calculated by transparency on the basis of the number of shares of Horizon Parent Holdings S.à.r.l. held by Bpifrance Participations (the "**Shareholder Reorganisation**").

As of the date of this report, the Company has not been informed of any other ownership threshold crossings provided for in the legal provisions since the end of financial year 2019.

3.4.2 Statutory restrictions on the exercise of voting rights and transfers of shares or the provisions of agreements brought to the Company's attention pursuant to Article L. 233-11 of the French Commercial Code

Statutory restrictions on the exercise of voting rights and transfers of shares or the provisions of agreements brought to the Company's attention pursuant to Article L. 233-11 of the French Commercial Code, as well as the rules applicable to the appointment and replacement of the members of the Board of Directors and the agreements between shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights are described in sections 16.2 "*Statement relating to control of the Company*", 19.2.3 "*Rights, privileges and restrictions attached to shares*" and 19.2.7 "*Ownership threshold disclosures and identification of shareholders*" of the Universal Registration Document. The powers of the Board of Directors in particular the issuance or buyback of shares and agreements entered into by the Company that are amended or terminated in the event of a change in control of the Company are described in sections 16.2 and 19.2.6 respectively of the Universal Registration Document.

3.4.3 Direct or indirect interests in the capital of the Company of which it is aware under Articles L. 233-7 and L. 233-12 of the French Commercial Code

The direct or indirect interests in the share capital of the Company of which it is aware of under Articles L. 233-7 and L. 233-12 of the French Commercial Code are described in the stock ownership table above (see paragraph 3.4.1 "*Capital Structure*" of this report).

3.4.4 List of holders of any security with special control rights and the description of those rights and control mechanisms provided for in a potential employee ownership system, when the control rights are not exercised by the latter

There are no holders of securities with special control rights or control mechanisms provided for in any employee ownership system, when the supervisory rights are not exercised by the latter.

3.4.5 Agreements between shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights

On the occasion of the Company's initial public offering, Bpifrance Participations and AIF VIII Euro Leverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc., entered into a a shareholders' agreement on 8 October 2019 relating to their equity interest in the share capital of Horizon Parent Holdings S.à.r.l. As part of the shareholder reorganisation, this agreement was terminated on 18 December 2019 and a new shareholders' agreement was concluded between Bpifrance Participations and Horizon Investment Holdings S.à.r.l. A clause in the new shareholders' agreement provides, inter alia, that as long as Bpifrance Participations and its affiliates hold a stake representing at least 5% of the company's share capital, Bpifrance Participations may propose the appointment of a director to the Company' Board of Directors, who will also be a member of the Company's Sustainable Development Committee. Horizon Investment Holdings S.à.r.l. undertakes to vote in favour of the above-mentioned appointment at the relevant General Meeting of the Company and to instruct its representatives on the Board of Directors of the Company to propose and vote in favour of the above-mentioned appointment to the Board of Directors of the Company (whether by convening a General Shareholders' Meeting of the Company on this agenda or through the co-optation process of the Board of Directors).

3.4.6 Powers of the Board of Directors in respect of capital increase and share buyback

Information on the powers of the Board of Directors with respect to capital increases is detailed in Section 3.3 "*Delegations and current authorisations granted by the General Shareholders' Meeting with respect to capital increases*" of this report.

Share buyback programme

The General Shareholders' Meeting of 20 September 2019 authorised, for a period of 18 months from the date of the meeting, the Board of Directors with the right to delegation as permitted by law, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, to purchase, on one or more instalments and at such times as it shall determine, a number of shares of the Company not exceeding 10% of the total number of shares constituting the share capital at any given time, or 5% of the total number of shares constituting the share capital if they are shares acquired by the Company with a view to their retention and subsequent delivery in payment or exchange as part of a merger, demerger or contribution. However, under no circumstances may the number of shares held by the Company result in the Company holding at any time more than 10% of the shares constituting its share capital.

The Board of Directors may decide to acquire shares in order:

- to ensure the liquidity and stimulate the market for the Company's securities through an investment service provider acting independently under a liquidity contract in accordance with the market practice accepted by the French Financial Markets Authority, on 2 July 2018;
- to allocate shares to members of staff of the Company and other Group entities, and particularly in the context of (i) profit-sharing, (ii) any Company stock option plan under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, or (iii) any savings plan in accordance with Articles L. 3331-1 et seq. of the French Labour Code or (iv) any grant of free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, and to carry out any hedging in relation to such transactions, under the conditions laid down by the market authorities and at such times as the Board of Directors or the person acting on behalf of the Board of Directors may determine;
- to deliver the Company's shares when exercising rights attached to transferable securities conferring entitlement by way of redemption, conversion, exchange, presentation of a warrant or any other means to the allotment of the Company's shares under applicable regulations, and to carry out any hedging in relation to such transactions, under the conditions laid down by the market authorities and at such times as the Board of Directors or the person acting on behalf of the Board of Directors may determine;

- to hold the Company's shares and subsequently deliver them in payment or exchange in connection with any external growth, merger, demerger or contribution transactions;
- to cancel the Company's shares in order to reduce the share capital;
- to implement any market practice accepted by the AMF and in general carry out any transaction in compliance with applicable regulations.

The maximum unit purchase price may not exceed €54, excluding costs.

However, the Board of Directors may, in the event of transactions affecting the Company's share capital, and in particular a change in the par value of shares, a capital increase by the capitalisation of reserves followed by the creation and allocation of free shares, a stock split or a reverse stock split, adjust the above-mentioned maximum purchase price to take into account the impact of such transactions on the value of the Company's shares.

The purchase, sale or transfer of such shares may be effected and paid for by any means permitted under applicable regulations, on a regulated market, on a multilateral trading facility, with a systematic internaliser or over the counter, in particular through block purchases or sales, through the use of options or other financial derivatives, warrants or, more generally, transferable securities granting entitlement to shares in the Company, at such times as the Board of Directors may determine.

The Board of Directors is fully authorised, with the right to delegate as permitted by law, to proceed, in compliance with the relevant statutory and regulatory provisions, with the permitted reallocation of shares repurchased for one of the programme's objectives to one or more of its other objectives, or to sell them on exchange or over the counter.

In accordance with the legal requirements, the Board of Directors shall inform the General Shareholders' Meeting of the transactions carried out.

It will be proposed to the Combined General Shareholders' Meeting of the Company to be held on 10 June 2020 to renew the share buyback programme, under the same conditions, in the eleventh resolution.

Liquidity contract

On 20 December 2019, the Company entered into a liquidity contract with Rothschild Martin Maurel in accordance with the market practice accepted by the French Financial Markets Authority on 2 July 2018 to ensure liquidity and stimulate the market of the Company's stock. This liquidity contract entered into force on 6 January 2020, for an initial period of 12 months renewable by tacit renewal for successive periods of 12 months. As part of the implementation of this liquidity contract, an amount of €2.5 million has been credited to the liquidity account.

3.4.7 Agreements entered into by the Company that are amended or terminated in the event of a change in control of the Company

The agreements entered into by the Company that are amended or terminated in the event of a change in control of the Company are detailed in Section 8.2.2 "*Financial liabilities*" of the Universal Registration Document.

3.4.8 Agreements providing for indemnifying members of the Board of Directors or employees of the Company if they resign or are dismissed without real and serious cause or if their employment ends due to a public offer

The Group has put in place agreements providing for indemnity for the termination of office of the Chairman-Chief Executive Officer. Detailed information is contained in section 2.2.1 of this report.

3.4.9 Summary statement of the transactions referred to in Article L. (18-2) of the French Monetary and Financial Code carried out during financial year 201 9

The table below presents a summary statement (Article 223-26 of the AMF General Regulations) of the transactions referred to in Article L.621-18-2 of the French Monetary and Financial Code carried out during financial year 2019:

Interested person	Financial instrument	Type of transaction	Transaction date	Transaction place	Unit Price *(€)*	Transaction amount *(€)*
Bpifrance Participations(1)	Shares	Acquisition	3 October 2019	Euronext Paris	27.00	39,999,987
Bpifrance Participations(1)	Shares	Acquisition	18 December 2019	Euronext Paris	30.45	224,722,766
Horizon Investment Holdings Sàrl(2)	Shares	Acquisition	18 December 2019	Euronext Paris	30.45	1,994,632,670
Horizon Parent Holdings(2)	Shares	Disposal	18 December 2019	Euronext Paris	30.45	2,219,355,436

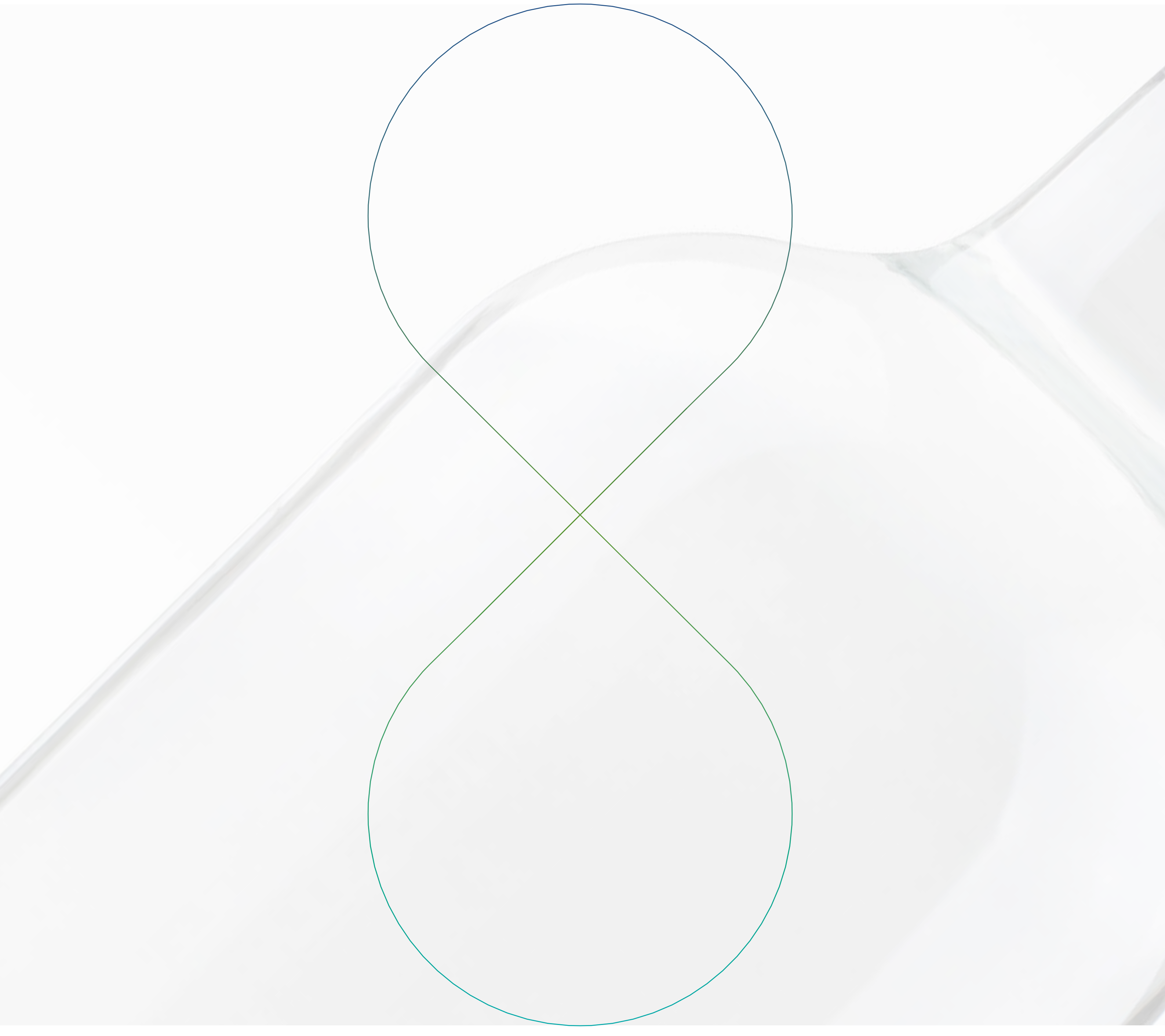
(1) Legal person related to Bpifrance Investissement, director.

(2) Legal person related to Robert Seminara and Claudia Scarico, directors.

Board of Directors

ANNEX II
Extra-financial performance statement 2019

verallia



Statement of Extra-Financial Performance

2019

Editorial

Michel Giannuzzi / Chairman and Chief Executive Officer, Verallia Group

Verallia had a pivotal year in 2019. The initial public offering process confirmed the interest of our stakeholders, and in particular that of investors, in the virtuous model of our glass packaging. Being 100% and infinitely recyclable, glass lies at the heart of the circular economy.

In all our market segments and geographical areas, our customers have told us of their growing concerns about the environmental impact of their products. More and more of them are making strong commitments to reduce their carbon footprint. These concerns and roadmaps reflect the urgency of the climate crisis that compels us all.

Our teams are passionate about this responsibility throughout our value chain. For 2019, we even exceeded our carbon footprint reduction target with a decrease in our CO_2 emissions beyond the 1% target.[1]

Our dual industrial expertise – both in the production of glass packaging and the processing of collected household glass – is a strength because the more cullet we use, the less raw materials and energy we consume. In 2019, we also built our 8th cullet[2] processing center near Madrid in collaboration with a partner.

We have also developed a climate programme that reinforces our goal of reducing CO_2. In partnership with PUR Projet, this is built around two distinct lines of action: a climate programme in Latin America and an environmental integration programme for Verallia sites. These two components promote the socio-economic development of communities while preserving local ecosystems. In 2019, the climate programme successfully offset 1% of the Group's emissions and planted more than 100,000 trees. As for our sites, we have redesigned the green spaces of our Seville facility to increase plant biodiversity and better integrate the site into the local landscape.

1. Objective: -1% in CO_2 emissions (scope 1 and 2) per tonne of packed glass per year over the 2019–2030 period.
2. Cullet is broken glass added to the raw materials (sand, soda ash, etc.) used to make glass

OUR SUSTAINABLE BUSINESS MODEL: AT THE HEART OF THE CIRCULAR ECONOMY

Our goal: to assert ourselves as the preferred glass packaging supplier of the food and beverage production sectors, by relying on cutting-edge industrial performance and solid financial performance while ensuring the development of the diversity and talent of its teams and by actively contributing to the preservation of the environment and development of the community.

OUR RESOURCES

Employees who make Verallia successful

- Nearly 10,000 employees
- 4 shared values:
  - customer care,
  - respect for individuals, law and the environment,
  - empowerment and accountability,
  - teamwork
- 177 professions[1]
- 819 employees recruited, including 213 women
- 29% female executives

An international industrial presence in 11 countries

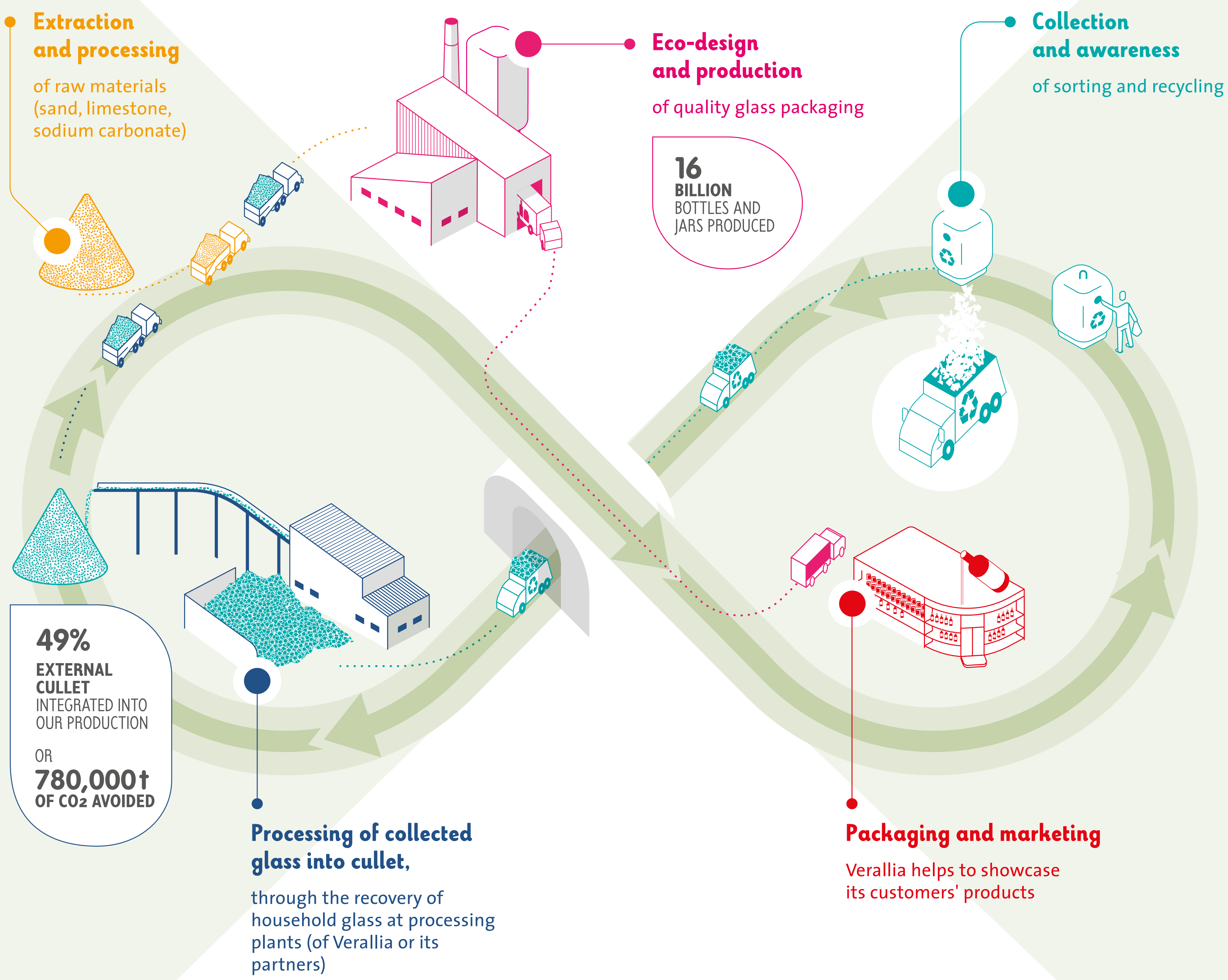
- 32 glass production facilities
- 57 furnaces
- 8 cullet processing centers
- 3 decoration plants
- 5 technical centers
- 13 product development centers

A local player

- More than 300 employees in the sales teams[2]

A healthy financial situation

- 125 million net result
- 420 million equity
- 219 million cash and cash equivalents
- 408 million operating cash flow



THE VALUE CREATED

Workplace safety

- Frequency rate of TF2 workplace accidents: 5.5[3]

Healthy, aesthetically pleasing and infinitely recyclable products

- 2.6 billion in revenue
- 16 billion bottles and jars produced
- 12.4% of our products are eco-designed[4]

Results for shared growth

EMPLOYEES

- 486 million in wages paid (incl. social security contributions)
- An average of 37 hours of training per employee
- Internal promotion: 4% of the total workforce and 7% of the manager population

SUPPLIERS

- 1.6 billion in purchases
- 252.5 million in capital expenditure

INVESTORS

- 100 million in dividends[5] (0.85 per share)[6]

Special attention paid to the environment

- Water consumption: 0.63 m3/tpg[7]
- Energy consumption: 1.88 MWh/tpg
- Quantity of non-recycled waste: 4.3kg[8]/tpg
- CO_2 emissions: 0.510 tonnes/tpg scope 1 and 2[9]

1. Categories: technical production, trade, R&D, purchasing, supply chain, Environment/Hygiene/Safety, internal audit and internal control, finance.
2. Functions identified in the sales and marketing channels.
3. TF2 refers to the ratio of the number of accidents with and without time off work per million hours worked.
4. Proportion of sales of the Ecova and EGO ranges of total sales. Eco-designed = with an optimised glass weight with equivalent shape.
5. Dividends to be paid in 2020 for 2019 financial year.
6. Proposal to pay a dividend of 0.85 per share subject to approval of the annual general meeting of shareholders to be held on 10 June 2020, corresponding to a total amount of 100 million.
7. tpg = tonne of packed glass or 'tonne of good glass': One tonne of packed glass corresponds to one tonne of pulled glass measured straight out of the furnace and taking into account production losses linked in particular to shutdowns of the furnace or other equipment for maintenance or quality issues.
8. Including waste from furnace reconstructions.
9. Scope 1 "Direct emissions" = CO_2 emissions within the physical boundaries of the plant = carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion). Scope 2 "Indirect emissions" = emissions related to electricity consumption required for the plant's operation.

THE MISSION OF VERALLIA

Every day, Verallia enables people to enjoy beverages and food with healthy, attractive and sustainable glass packaging. This mission is consistent with the four values of Verallia. In line with these values, the Group's commitment in terms of social responsibility is based on three pillars:

- Acting for the safety and development of our teams
- Helping to preserve the environment by being a benchmark in the circular economy
- Nurturing relationships with our stakeholders

As a member of the United Nations Global Compact, the Group has decided to focus particularly on the following five Sustainable Development Goals (SDGs).

CERTIFICATION

In 2019, the Group's achievements in terms of sustainable development were assessed on the EcoVadis[1] platform as being **"Gold Medal"** standard with a score of **62/100**.

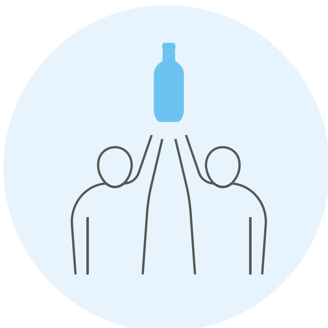
1. ECOVADIS is a platform for rating the social and environmental performance of global supply chains.

OUR 4 VALUES

Care for customers

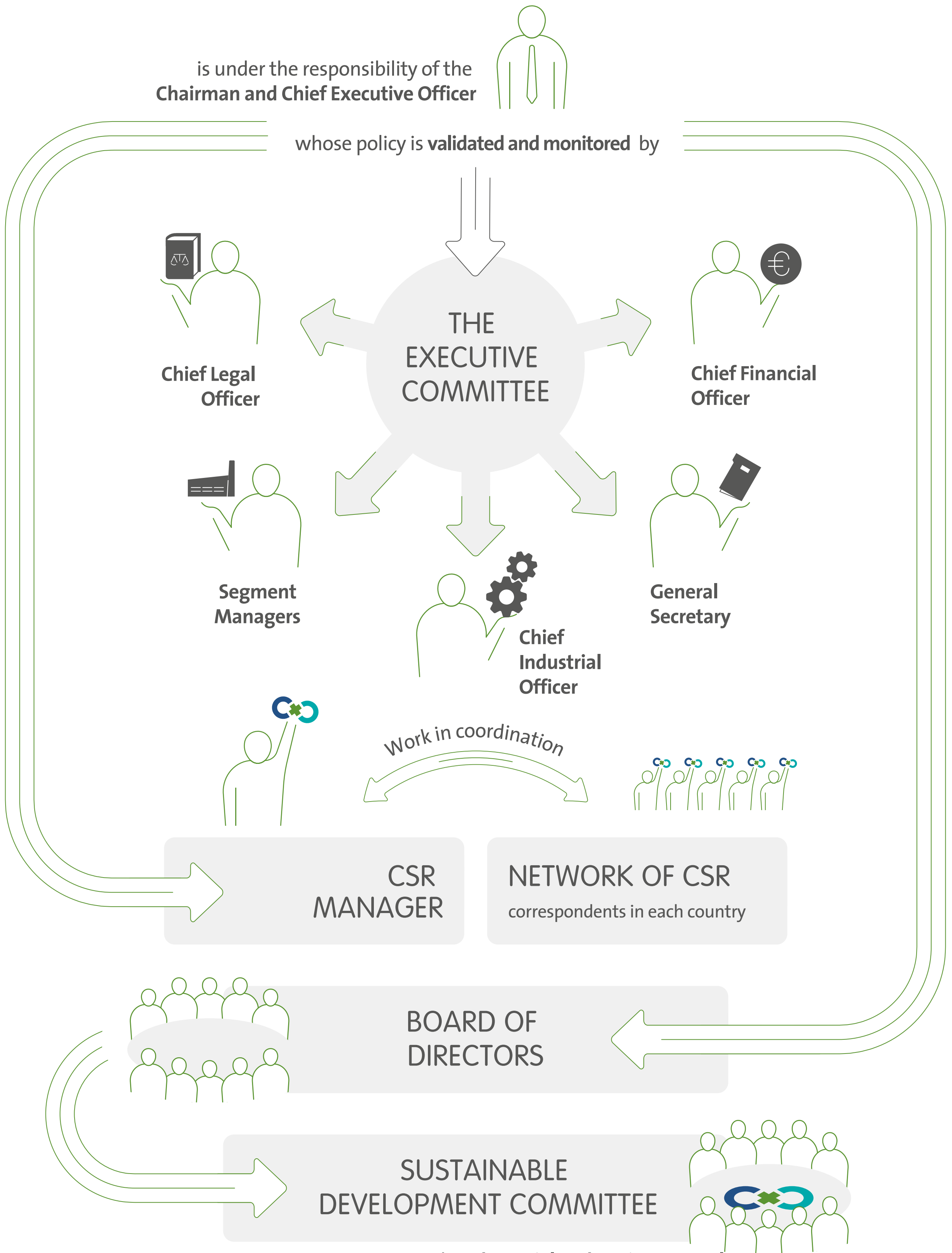
Respect for people, laws and the environment

Empowerment and accountability



Teamwork

CSR GOVERNANCE



Its main mission is to ensure that **the social and environmental responsibility issues are taken into account in the Group's strategy** and that the objectives set in this area are robust and in line with the company's overall strategy.

OBJECTIVES AND PERFORMANCE INDICATORS FOR KEY CSR RISKS AND OPPORTUNITIES

This table provides a summary of the objectives and key performance indicators relating to the key CSR risks and opportunities. The results are explained on the following pages.

Key risks and opportunities	Pillar of the strategy	SDG	Commitments	Quantified targets	Performance indicators	Values 2019	Values 2018	Development
Occupational health and safety	ACTING FOR THE SAFETY AND DEVELOPMENT OF TEAMS	8 DECENT WORK AND ECONOMIC GROWTH	Ensure the health and safety of all	• Move towards "zero accidents" • Reduce our TF2 by 33% between 2015 and 2020	• TF2	5.5	4.8	
Attracting and developing employees			Attract and develop our talent	• More than 50% of employees reporting as committed	• Engagement index survey every 2 years	43%	–	Not comparable with 2017 (survey only of the manager population).
Incorporating the circular economy into our value chain	HELPING TO PRESERVE THE ENVIRONMENT BY BEING A BENCHMARK PLAYER IN THE CIRCULAR ECONOMY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	Promote the circular economy by leading the collection and use of cullet	• Increase the rate of use of external cullet in our worldwide production by 1% per year	• Rate of use of external cullet in production (glassmaking sites)	49%	47%	
Eco-design of our products								
Energy efficiency and carbon footprint of our operations			Improve energy efficiency and reduce our CO_2 emissions	• Reduce CO_2 emissions per tonne of packed glass (scope 1 and 2) from glassmaking sites worldwide by 2% per year	• Tonne of CO_2 emitted per tonne of packed glass (scope 1 and 2)	0.510	0.523	
Optimisation of water use and reduction of waste			Optimise water use and reducing waste	• Reduce water consumption per tpg in glass plants worldwide by 5% between 2015 and 2020	• Water consumption (m^3/t of packed glass)	0.630	0.583	
				• Increase the share of recycled waste in glass plants worldwide by 5% between 2015 and 2020	• Share of recycled waste (%)	62%	51%	
Quality of our products	NURTURING RELATIONSHIPS WITH OUR STAKEHOLDERS	17 PARTNERSHIPS FOR THE GOALS	Strive for excellence in the quality of our products	• 100% of ISO 22000-certified sites	• % of ISO 22000–certified sites	78%	68%	
				• Reduction in complaints by 50% between 2017 and 2020	• % improvement in complaints	-45% vs 17	-25% vs 17	
Business ethics			Comply with our code of conduct	• Training of 100% of new managers "Comply – compliance with competition law and ABC: anti-corruption and compliance with rules on economic sanctions"	• % of new managers trained – Comply	62%	79%	
					• % of new managers trained – ABC	57%	77%	
			Have responsible procurement practices					
			Contribute to the development of communities					

1. Number of justified complaints per 100,000,000 containers delivered

KEY CSR RISKS AND OPPORTUNITIES
THE 7 KEY RISKS & OPPORTUNITIES IDENTIFIED ARE:

In 2018, a materiality analysis was performed in three stages:

- Identification of priority issues based on the analysis of the available documentation and interviews of the main stakeholders in the Group (analysis of Group activities and environment), supplemented by an industry benchmark conducted by a consulting firm – sector risk bases (MSCI and SASB) and working with the Risk department at Verallia Group level.
- Sharing of these issues with the main stakeholders.
- Prioritisation of these issues through the confrontation between the expectations of stakeholders and the vision of Group management

A rating scale was defined by criteria, in conjunction with the Risk department. Different components were taken into account to determine the priority risks and opportunities. The impact on people, operations, the environment, the image/reputation of the Group was discussed and factored in. A consensus was reached by using the results of an electronic vote carried out during a joint workshop led by a consultancy firm, where the participants included the members of the Group's Executive Committee as well as the main support and operational functions of the French and Spanish entities.

In order to make them easier to read, the issues identified were grouped and summarised in 2018, then updated **in 2019 based on the three pillars of long-term commitment associated with CSR:**

- Acting for the safety and development of teams
- Helping to preserve the environment
- Nurturing relationships with our stakeholders

The materiality matrix reflects the strong identity of the Group as well as the specific issues relating to its activities and local presence. It also made it possible to highlight seven key CSR risks and opportunities for the Group within these priority issues – *see table opposite.*

Indicators for monitoring these key risks have been defined in order to measure their development and the achievement of the improvement objectives set by Group management.

Pillar of the strategy	Key risks	Definition
ACTING FOR THE SAFETY AND DEVELOPMENT OF TEAMS	Occupational health and safety	The industrial processes used at our sites can expose employees to accidental events that could have consequences for their health and/or safety (such as cuts, burns, noise pollution or high temperatures).
	Attracting and developing employees	The risk relating to human capital within the Verallia Group is characterised by the issue of attracting employees, the issue of developing, maintaining and transforming skills and an environment of social dialogue specific to certain countries.
HELPING TO PRESERVE THE ENVIRONMENT BY BEING A BENCHMARK PLAYER IN THE CIRCULAR ECONOMY	Incorporating the circular economy into our value chain	The Group is striving to reduce its environmental impact, in particular through the increasing use of cullet[1], a key link in the circular chain of the glass industry. It is made up of glass from selective collection (collection from individuals and CHRs: (Cafés, Hotels & Restaurants) known as "external cullet") or manufacturing waste known as "internal cullet".
	Eco-design of our products	The need for more sustainable packaging requires Verallia to improve the environmental performance of its products under constant pressure from stakeholders. The Group supports its customers in their responsible approach through its range of eco-designed containers, consisting in particular of a reduction in the weight of the containers.
	Energy efficiency and carbon footprint of our operations	In a climate change context where energy consumption needs to be limited, reducing energy consumption and greenhouse gas emissions is a strategic priority for Verallia.
	Optimisation of water use and reduction of waste	Water and waste are not currently identified among the major risks according to the criteria of the materiality analysis. However, the Group has set objectives and associated performance indicators because reducing water consumption, as well as reducing waste and increasing its recycling contribute to the overall objective of reducing the Group's environmental footprint. Preserving resources and, in particular, water resources in the context of climate change and increasing water stress zones is at the heart of Verallia's actions.
NURTURING RELATIONSHIPS WITH OUR STAKEHOLDERS	Quality of our products	Despite these procedures, a critical production defect can occur without detection, a situation all the more serious because our completed products are intended to be marketed and consumed on the end market. This would lead to substantial and lasting damage to Verallia's reputation in the eyes of the customer and even the public at home and abroad.
	Business ethics	Verallia is one of the major international players in the glass industry. As a partner to its customers, the Group seeks to anticipate their needs and fulfil the promise made to them: quality, logistical service and design that meet their expectations. Its long-term viability depends on everyone embracing the shared values and principles common to the whole of the Group.

ENSURING THE HEALTH AND SAFETY OF ALL

The industrial processes used at our sites can expose employees to accidental events that could have consequences for their health and/or safety (such as cuts, burns, exposure to noise pollution or to high temperatures).

Respect for occupational health and safety is one of Verallia's four values. Making safety a constant concern for all employees, so that they protect themselves and their colleagues, is therefore one of the Group's priority objectives. The Group supports each man and woman working on its sites by providing them with the information and tools necessary for their protection.

Governance

The Group Environment, Industrial Hygiene-Health, Safety (EHS) manager reports to the Chief Industrial Officer, who is himself a member of the Executive Committee and reports to the Chairman and Chief Executive Officer. The Group EHS manager relies on a network of five regional EHS managers and EHS managers from each of the Group's glassmaking and non-glassmaking sites.

The importance of safety is also reflected in its integration into the compensation of all employees including the Executive Committee eligible for variable compensation, and through the profit-sharing policy on the basis of the TF2 performance results.

OUR KEY OBJECTIVES

› **Our goal**
move towards "zero accidents"

› **2015–2020 targets**
for TF2[1]: -33%.

An EHS policy that aims for "zero accidents"

Updated in 2018, the EHS (Environment, Industrial Hygiene-Health, Safety) policy targets zero accidents, based on compliance with rules, commitment and dialogue. As part of the Group's industrial excellence programme, this policy concerns all people working on the sites (Verallia employees, temporary workers and subcontractors).

The Health and Safety policy is based on around 20 EHS standards, including 17 safety standards and one health standard defined by the Group. For example, work permits, pedestrian and vehicle traffic (forklifts) and the reporting of unsafe situations are governed by these standards. They were updated in 2018 from a more operational perspective and translated into all languages spoken within the Group. They form the basis of the EHS framework for all our sites.

The Health and Safety approach is based on three pillars:

- Risk analysis concerns all routine tasks at all our sites. Our plant staff are also trained and encouraged to use the "minute of reflection," as a risk analysis tool for non-routine tasks.
- Respect and application of the four golden rules:
  - *Do not disable or render ineffective the safety devices*
  - *Always wear suitable personal protection equipment*
  - *Apply the LoTo (Lock out Tag out) procedure for all interventions*
  - *Do not misuse equipment or tools*
- Internal audits and the site evaluation system: internal audits are planned by the Group EHS manager and conducted by him/herself and the regional EHS managers. The purpose of the audit is to assess the application of EHS Group rules at the sites using the Group EHS audit framework.

1. Frequency rate TF2 = ratio of the number of accidents involving permanent and temporary workers with and without lost-time per million hours worked"

Our action plans

Quarterly coaching

Following the update of our health and safety standards in 2018, a phase of coaching of site EHS managers was deployed throughout 2019.

These coaching sessions were held on a quarterly basis: one day of coaching per quarter per site. The coaching focused on all standards but with a priority on four safety topics and seven standards corresponding to the typology of the most frequent and serious accidents. Approximately 90 coaching sessions were carried out. In 2020, non-glassmaking sites will be included in this approach.

Awareness campaigns

Through awareness campaigns, the sites encourage their employees to ensure their own safety and that of their colleagues by reporting each EHS danger (to the department manager or the person concerned) and intervening immediately in the event of a situation or behaviour deemed to be hazardous. The proportion of employees reporting risky situations increased from 19% in 2017, to 28% in 2018 and to 81% in 2019.

THE 5-METRE RULE

Film of forklift and pedestrian

The "five-metre" rule is one of the most important to protect pedestrians from the risk of collision with a forklift.

It is strictly forbidden to go within five metres of a forklift without having been able to communicate with the driver to ensure that he/she has seen the pedestrian and that the pedestrian can pass safely with the forklift at a sufficient distance. This film shows how to apply this rule in different situations. It was shown to all employees on World EHS Day on 10 October 2019.

Subcontractor accident follow-up and training

Contractor accidents are integrated into internal follow-ups and monthly follow-ups. They are analysed in the same way using the Root Cause Analysis (RCA) methodology. They are all covered in the Group's Health and Safety Rules.

Our new standards also improve the protection of subcontractors by requiring risk assessment, preventive measures for each of their activities, mandatory controls at least daily and increased awareness of these workers. All of our subcontractors are trained in the Group's Health and Safety Rules.

R&D actions for employee health

R&D management actions are carried out at our different sites in order to improve our manufacturing processes and their impact on the health and safety of our employees.

- Automatic mould lubrication: this action continues to be performed at our sites and aims to reduce the frequency of mould lubrication by operators and thus their exposure to noise and heat. It also reduces the risk of a large amount of grease accumulating on machines and thus the risk of fire.
- Mould cooling optimisation aims to reduce noise at the workstation.
- Use of the hot treatment tunnel to reduce exposure to chemicals.

At the end of 2018, our accident reporting guide was revised to account for all accidents (previously, accidents with and without lost time consisting of a very mild injury could be declassified under certain circumstances). Therefore, our 2018 framework is more stringent than 2017.

ENSURING THE HEALTH AND SAFETY OF ALL

KEY FIGURES

100% of our glassmaking sites are **ISO 14001** (environment) and **OHSAS 18001** (health and safety) certified

+50% in "near-accidents" reported between 2018 and 2019

OUR PERFORMANCE

	2017	2018	2019
Frequency rate 1 (TF1) [1]	2.6	4.4 (new framework)	5.2
Frequency rate 1 (TF2)	2.8	4.8 (new framework)	5.5

Analysis of our results

The accident rate increased in 2019. In fact, many accidents are related to the non-application of the rules established for routine operations, including lubrication and machine shutdowns for interventions. The type of accidents shows that many of them could have been prevented by strict application of the standards and corresponding behaviour.

Please note: a new method of reporting workplace accidents has been incorporated since 2018. The new reporting framework has incorporated a broader definition of workplace accidents with and without lost time. Thanks to this new guide, all accidents with and without lost time must be carried over and analysed, which was not systematically done in some countries. From now on, all accidents must be reported at Group level. Reclassifications are therefore very rare and only correspond to cases where social security deems the work accident null or where there is doubt about the accident/work relationship (e.g. pre-existing injury). All other accidents are accounted for.

Training and manager involvement are the main levers for improving our results, by ensuring that the rules are applied. One of the focuses for 2020 will be to push the **"minute of reflection",** also among subcontractors, to broaden communications, and to be particularly vigilant during in-factory training.

1. Frequency rate TF1 = number of lost-time work accidents among permanent and temporary workers per million hours worked. At the end of 2018, our accident reporting guide was revised to account for all accidents (previously, accidents with and without lost time consisting of a very mild injury could be declassified under certain circumstances). Therefore, our 2018 framework is more stringent than 2017.

ATTRACTING AND DEVELOPING OUR TALENT

The risk related to human capital within the Verallia Group is characterised by:

The issue of attracting employees: the Group has recently become independent and does not yet have a high profile on the job market. It is involved in a relatively unknown and inconspicuous B2B environment in schools and universities. The Group's sites are sometimes located in remote areas. As a result, the employer brand needs to strengthen and develop in order to attract and acquire new talent.

A challenge of developing, maintaining, and transforming skills through:

- the transfer of skills from older technical employees with strong technical expertise to new generations
- the acquisition upon hiring of specific skills with a strong impact on performance and quality
- the development of skills and the use of artificial intelligence in connection with a 4.0 industry that will require greater complementarity between human skills and the technical input of the machine

An environment of social dialogue specific to certain countries of the Group: there is a strong will in all companies and at the highest level of the Group to establish a respectful social dialogue and transparent communication.

Governance

The Human Resources (HR) department reports to the Group General Secretary, who is a member of the Executive Committee.

The HR functions managed and directed at the Group level are: employee compensation and benefits, international mobility, the HR information system, and international training. Other HR functions such as recruitment, personnel administration, payroll, training, and social relations are managed locally.

In terms of the workforce of the Group HR function, there is one HR director in charge of each region. When the region includes more than one country, there is also a local HR Director reporting to the Managing Director of the country.

An HR policy at the heart of the company's strategy

The human resources management policy is a key part of the Group's strategy. It seeks to anticipate skills requirements, ensuring that critical posts are filled, fostering the conditions for employee buy-in and meeting employee expectations, notably by taking their career plans and working conditions into account. The Group frames the compensation policy in line with the markets in which it operates, while respecting internal fairness.

This policy is managed by the regional HR directors, in compliance with the Group's overall framework regarding respect for values, key skills, and commitment.

Employee engagement is assessed every two years through a satisfaction survey (the last one carried out in March 2019) that results in corrective action plans and a common compensation policy aimed at internal and external equity.

Verallia's training policy places employees at the heart of their learning and development path. To do so, it is based on a training offer that can be personalised, individual or collective.

E-learning modules are developed by the Group and

ATTRACTING AND DEVELOPING OUR TALENT

then rolled out locally by the training teams (e.g. Risk Management module deployed in 2019).

A "**people review**" process (succession and talent management plans) is conducted twice a year to review people and succession plans.

Technical training (industry 4.0, EHS, glass-making process) is available to employees according to their needs.

The Chalon-sur-Saône training center

Established in 1969, the Chalon-sur-Saône training center (France) guides the skill-building of our workers and supervisors at our seven French factories. Internal trainers and expert instructors from across the value chain pass on their knowledge to promote the capitalisation and dissemination of glass-making expertise. Every year at the Chalon-sur-Saône site, some 400 trainees participate in 10,000 hours of internship training with particularly innovative teaching methods: virtual reality, use of school machines, role-play, etc. Programmes to accelerate career paths are developed at the center. This was the case with the "Verallia Glass School" created in 2013, which trained future technical managers and supervisors at our factories. In the near future, the center plans to integrate all managerial training into the core of its technical training programmes in order to broaden its scope and better guide our staff in the management of their teams.

Our action plans

Employee attraction

COMPENSATION POLICY

The Group's compensation policy, including the remuneration of its executive director, aims to ensure competitive levels of compensation, in accordance with the Company's social interest and in line with market and industry practices. It also ensures that a strong link to the company's performance is preserved and that balance is maintained between short-term and medium/long-term performance, and contributes to supporting the Group's business strategy and future.

The Group has therefore implemented a compensation policy consisting, where appropriate, of:

- a base salary that pays for job holding and is attractive for recruiting and retaining talent;
- a variable annual share that pays for individual and collective performance based on the achievement of ambitious goals while being capped at a maximum level, therefore preventing excessive risk-taking. A source of motivation for teams, this variable annual share is based on annual criteria including safety, the reduction of CO_2 emissions (from 2020), financial and operational performance, and personal goals.

In addition to this variable compensation, the Group intends to fully associate its employees with its development by making them shareholders. The employee shareholding policy is therefore a strategic approach to support the Group's profitable and sustainable growth, which it intends to pursue actively (as of 31 December 2019, Verallia's corporate mutual fund, which includes employee shareholding in the Company, holds 2.6% of the Company's capital). In particular, the Company intends to offer Group employees, during the first half of 2020, the possibility of subscribing to a reserved capital increase via Verallia's corporate mutual fund, under the discount and employer matching contribution conditions approved by the Board of Directors.

EMPLOYER BRAND

The Group looks after its employer brand through a LinkedIn page, a Facebook page and the presentation of the Verallia Group. Each division has the responsibility to create its own communications and to manage its school relationships and recruitment.

Skills management

Several programmes are offered:

- **Soft skills training:** feedback culture, management, leadership ability, embodying Verallia's four values.
- **Development programmes** related to specific populations (young people, potential employees, etc.).
- **Talent management tool** since 2019, allowing for the performance and potential of each employee to be assessed and for specific training programmes to be implemented.

The Group's key training programmes:

Programme	Description and target
Glass-making techniques	Newcomers
Glass school	Young graduates
Business Leaders	Experienced employees
Meet Verallia	Newcomers – Executives (1–4 years of seniority)
Leaders at Verallia	Experienced executives (5–10 years of seniority)

Social dialogue

Social dialogue is being held within the established bodies in accordance with local laws in all countries, at the national or local level in factories and at headquarters. It is the regional or country HR directors' responsibility to organise and host discussions.

In 2016, the Group established a European body of 16 employee representatives from the six European Union member countries where Verallia is industrially based (Germany, Spain, France, Italy, Portugal, and Poland). This body helps create a regular and respectful social dialogue and meets once a year except in exceptional circumstances. Its select committee, composed of five representatives from the four main countries, meets two to three times a year.

OUR PERFORMANCE

	2017	2018	2019
Recruitment rate	9.5%	10.6%	11.3%
Percentage of permanent contracts	5.3%	6.1%	6.8%
Average training hours per person (permanent and temporary employees)[1]	37h	45h	37h
Voluntary turnover of permanent staff (resignations)	2.7%	3.4%	3.5%
Engagement index (every two years)	60%[2]	–	43%

1. The entities VOA, SAGA DECOR, SCD, EVERLASS, SALOMON and TBE are not included in the final indicator "Average training hours per person".

2. In 2017, only executives were consulted. In 2019, 9,208 questionnaires were sent out, 6,018 employees responded with a commitment rate of 43% "committed" or "very committed". These figures exclude the USA, India and Vicsa.

PROMOTING THE CIRCULAR ECONOMY BY BEING A DRIVING FORCE IN THE COLLECTION AND USE OF CULLET

Glass is the container of choice for spirits, wines, beer and food. 100% and infinitely recyclable in new food packaging, bottles and jars, it is at the heart of the circular economy. In 2019, Europe had 160 glass manufacturing plants and now has the highest glass recycling rate in the world. The collection rate at European level (collection from individuals and CHRs Cafés Hôtels Restaurants) reached 76% in 2017[1]. The glass recycling rate at European level was 52% in 2017[2]: the challenge is therefore to raise the collection rate in order to raise the recycling rate.

The European directive on packaging and waste packaging is a major step forward, bringing the recycling targets for glass containers to 75% by 2030 for Member States. In order to reach this recycling objective at European level, the quality and quantity of glass collected must increase significantly. To this end, FEVE, the European Container Glass Federation, created the "Close the Glass Loop"[3] platform, an ambitious effort to boost glass collection and recycling. This industrial platform brings together the various stakeholders in the glass value chain, which will enable the establishment of a material management programme and increase the recycling of closed-loop container glass. The objectives set for 2030 are:

- 90% of the EU's container glass collection rate (compared to the current 76%);
- Improved quality of recycled glass (which would allow the use of more cullet in a new production loop).

As a circular economy actor, Verallia strives to reduce its environmental impact, particularly through the growing use of external cullet, a key link in the glass industry's circular chain. Cullet consists of glass from selective collection (external cullet: individuals and CHRs) or manufacturing scrap "internal cullet". Cullet reduces the consumption of natural materials such as sand, or synthetic materials such as sodium carbonate. It helps to reduce the erosion of natural resources. By replacing the raw materials required to manufacture glass, cullet helps to reduce carbon dioxide emissions at two levels: by reducing the energy required for melting and by reducing the use of raw materials that emit carbon dioxide when melted. As a result, the increase in the level of cullet in raw materials saves energy, leading to a reduction of 2.5% in energy consumption at the plant and 5% in carbon dioxide emissions for each additional 10% of cullet.

OUR KEY OBJECTIVES

- **Increase** the rate of use of external cullet in our world-wide productions by 1% per year between 2018 and 2023.
- **Help improve** collection rate to achieve the objective set at European level by the FEVE: **90% of bottles collected for recycling by 2030.**
- **Help improve** the quality of the glass collected through awareness-raising activities through the collection agencies, local authorities and the Group's employees (interventions in schools, at our sites).
- **Continue investing** in cullet treatment centers by leveraging the best technologies available on the market.

1. Press release from the European Container Glass Federation (FEVE) on 12 April 2018.
2. https://publications.jrc.ec.europa.eu/repository/bitstream/JRC78091/lfna25786enn.pdf
3. https://feve.org/about-glass/introducing-close-the-glass-loop/

Governance

The CEO defines the "cullet" strategy with the purchasing and industrial departments, which then deploy it locally. The industrial department is in charge of investments concerning cullet treatment sites.

The Raw Materials Procurement Director coordinates the cullet purchases from different countries. Part of the Director's bonus is linked to the achievement of the defined objectives. In order to reach the glass collection and recycling objectives, an international task force with the objective of improving recycling and production chain outputs has been set up within FEVE. Verallia's Raw Materials Procurement Director is a member of this task force.

The circular economy at the heart of EHS policy

Verallia's EHS policy incorporates a chapter dedicated to the circular economy policy with the objective of reducing the Group's environmental footprint, in particular by using cullet.

This policy is structured as follows:

- Produce 100% infinitely recyclable container glass
- Promote glass recycling on every internal and external occasion
- Preserve natural resources
- Improve our energy consumption and reduce emissions at all our production sites

KEY FIGURES

In 2017, the household glass collection rate was

76% in the EU member states, **making it the most recycled food packaging** in Europe (FEVE)

2.9 million tonnes

of cullet used by our sites in 2019, **4.4% more** than in 2017

780,000 tonnes

of CO2 avoided thanks to cullet

PROMOTING THE CIRCULAR ECONOMY BY BEING A DRIVING FORCE IN THE COLLECTION AND USE OF CULLET

Our action plans

Invest in cullet treatment centers

In order to optimise the cullet treatment process (better quality, better output, minimum waste) and thus increase the integration of cullet into its production, the Group has made long-term investments in its eight cullet processing centers located in Europe.

Share best practices

Verallia relies on the expertise of its various business units around the world to share best practices and knowledge among the sites, and to optimise the sorting, processing and therefore the integration of cullet into our productions.

Example of Spanish sites that are enriched by the expertise of French and Italian sites (Everglass and Ecoglass).

Educate customers and end users about the importance of glass recycling

Raising awareness of recycling is a priority for the Group, with a view to attaining a two-fold objective:

- Increase the amount of glass collected;
- Improve glass quality to optimise its integration into productions. Verallia takes advantage of all events (fairs, inaugurations, customer events and training, student designers, etc.) to encourage sorting and recruit new recycling ambassadors.

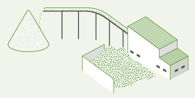
Verallia works in partnership with glass industry associations (FEVE, the European Container Glass Federation, ABIVIDRO in Brazil), local authorities, glass eco-organisations (CITEO in France, ECOVIDRIO in Spain, etc.) and cullet processing companies. In the absence of a household glass collection system, such as in Chile or Argentina, Verallia acts on its own behalf by launching collection campaigns in partnership with cities close to plants. In Europe, it is mainly through the actions of FEVE that the Group carries out its awareness-raising actions with the general public. In 2018, the international communication campaign "Friends of Glass" focused on protecting the oceans and had more than 5.8 million views on social media. The aim was to encourage consumers to change their behaviour.

OUR UNIQUE EXPERTISE IN CULLET PROCESSING

Over the period 2018-2019, the Group is investing **nearly €12.4 million** in its cullet processing centers.

+10% cullet = -5% CO_2 CO2 emitted, -2.5% consumption of the plant

8 processing centers



in **4** countries

- Bad Wurzach
- Lonigo
- Dego *(Everglass)*
- Supino *(Everglass)**
- Rozet-Saint-Albin
- Châteaubernard *(Everglass)*
- Agüimes *(Canary Islands) (Recictadora de vidrio de Canaries)*
- Guadalajara *(Calcin Ibérico)** *under construction*

* Joint ventures

An Italian partnership created in 2019 between Costa Crociere, Oleificio Zucchi and Verallia Italia.

The container glass collected on Costa Crociere boats is sent directly to Ecoglass, the Italian cullet processing center. It is then cleaned and transformed into cullet, which is directly used to produce new olive oil bottles in the Italian plant Verallia Carcare. These bottles are then purchased by the olive oil producer Oleificio Zucchi, which fills them and sells them to Costa Crociere.

30 tonnes of cullet were collected in 2019 to produce nearly 100,000 olive oil bottles.

This pilot project is intended to be replicated in Italy and other European countries.

The Commitments Charter "Glass, 100% Solutions"

In 2019 in France, the actors in the container glass value chain (glass producers, eco-organisations, communities, marketers and professional organisations representing distributors) signed the "Glass, 100% Solutions" Commitments Charter. The purpose of the charter is to accelerate and mobilise all levers so that glass never becomes waste. The Commitment Charter serves as the framework for a continuous progress momentum, sets out concrete and measurable commitments, and establishes a transparent and regular monitoring mechanism. By supporting sorting, re-use and recycling, the charter is at the heart of the Circular Economy Roadmap strategy and the objectives of the draft bill on combating waste and promoting the circular economy.

OUR PERFORMANCE

	2017	2018	2019
External cullet usage rate in production (at our 32 glassmaking sites, all colours and all models)	49%	47%	49%

Analysis of our results

We depend on the available deposit, and therefore on collection from individuals and Cafés, Hotels & Restaurants (CHR). Collection rates vary greatly depending on the countries and collection systems in place.

In 2017, the collection rate in Europe was 76%. It had previously remained flat at 74% for three years – 2014, 2015 and 2016.

DEVELOPING ECO-DESIGN FOR RESPONSIBLE PRODUCTS

In the food and beverage sector, glass packaging is essential: it ensures containment, quality and safety and conveys product identity. The global need to make packaging more sustainable is thus accompanied by Verallia's desire to reduce its carbon footprint by improving the environmental performance of its products; a shared desire intensified by the expectations of the Group's stakeholders. This translates, in particular, into less weight for bottles and jars, while maintaining an equivalent level of value perceived by the end consumer: eco-design.

The glass container – healthy and inert – is already in itself a model of circular economy because it is 100% and infinitely recyclable. However, the application of a rigorous eco-design approach reduces its environmental footprint, including its carbon impact.

The Group encourages its subsidiaries to initiate eco-design approaches, which it is interesting to support with studies and in particular life cycle analyses. In 2019, Verallia France therefore commissioned the firm Quantis to conduct a Life Cycle Analysis as an example on a 495 g ECOVA bottle produced by Verallia France, used to package wine and consumed in France.

To reduce these environmental impacts, the integration of recycled materials – cullet – is a major driving force for the Group. Choices related to the product's characteristics can also significantly improve its impact throughout the cycle: reducing its weight, choosing its tint, optimising its palletisation, are points that Verallia incorporates when developing its product ranges.

Using this approach, the French subsidiary of Verallia is formalising its eco-design approach and intensifying its awareness-raising activities for various stakeholders with the aim of increasing the number of eco-designed products placed on the market each year. It is then up to customers to choose (or not) to develop or select an eco-designed product from our references.

Governance

The eco-design approach is decentralised and integrated within each subsidiary. Each country has its own organisation to deploy the product eco-design approach. This is often carried out by the design offices (13 product development centers working on eco-designed products) and subject matter experts. R&D supports the design offices and provides design tools that are tailored to these challenges (e.g. resistance simulation tools). Marketing becomes involved for standard products and sales for customer specialties.

Our action plans

Implement a rigorous eco-design approach with the ECOVA product line

Verallia acts on environmental impact improvement levers, and in particular those related to its "standard" articles, developed internally and available to all customers. The standard "ECOVA" ("Eco" for eco-design and "Va" for product valuation) range offers a good example of the eco-designed models promoted by Verallia. This range of products, available for all countries, is lightweight and developed to maximise the number of items per pallet. These eco-designed products reduce the CO_2 production and transportation emissions by an average of 15%. In 2019, the ECOVA range continued to expand internationally. Since its launch in 2009, nearly 21 billion products have been sold (12.4% of Verallia's sales in 2019).

Verallia's room for manoeuvre is narrower for "specific" container glass, also known as "customer specialities," which are developed at the customer's request based on detailed specifications. However, Verallia plays an advisory role in these particular development cases. In addition, customers increasingly incorporate environmental performance criteria into their specifications; Verallia has developed 131 eco-models since 2015, referred to as "ECOVA".

Co-build eco-designed products with our customers

In France, Verallia designed a lightweight bottle for the Badet Clément house. Badet Clément wanted to improve the environmental impact of its Jamelles brand, which exports more than 70% of its production.

Continue to educate our stakeholders about eco-design

Raising awareness among its stakeholders and especially its customers about eco-design is a priority for the Group.

In 2019, Verallia carried out about 20 interventions in France to raise the awareness of various actors to CSR and eco-design issues. In addition to regular exchanges with its customers, Verallia also met with associations, institutions and trainee designers.

The EGO range eco-designed by Verallia Chile

In Chile, Verallia developed a range of bottles in 2015, called Enhanced Geometric Objects (EGO), to meet the demand for high-end wines without violating its environmental pledge.

The **EGO** range is characterised by:

- Bottles with very **deep push-up** (61 mm) create an optical effect to keep the impression of weight and preciousness of high-end bottles.
- Bottles on average **20% lighter** than similar-looking bottles.

A premium eco-design range up from 100,000 in 2015 to over six million bottles in 2019.

Bouteille EGO - 1865 - VSPT

DEVELOPING ECO-DESIGN FOR RESPONSIBLE PRODUCTS

Level 2 Glass School days

In France, Verallia launched its Glass School II days, dedicated to the discovery of the container glass circular economy. These Glass School II days are organised in the cullet treatment centers of the Everglass Group. A one-day awareness campaign is offered: customers can learn about the circular economy of the glass industry and its recycling process from theoretical and practical points of view. The afternoon of the day is dedicated to a course on the eco-design of glass products: good practices, impact levers.

The ECOVA range at Pernod Ricard Spain

For Campo Viejo, an iconic vineyard in La Rioja (Spanish wine region), Pernod Ricard Bodegas chose eco-designed bottles from Verallia's Ecova range. The weight of the bottles decreased from 550 g to 390 g, which reduced CO2 emissions from the full life cycle of these bottles by more than 30%. Bottle transport has also been optimised, allowing more bottles to be transported by lorry.

OUR PERFORMANCE

	2017	2018	2019
Number of bottles and jars sold from the Ecova and EGO ranges	1,906,653,593	1,876,491,345	1,893,540,812
Proportion of sales of the Ecova and EGO ranges of total sales	12.6 %	12.6 %	12.4 %

These results relate to all subsidiaries producing glass packaging excluding Russia.

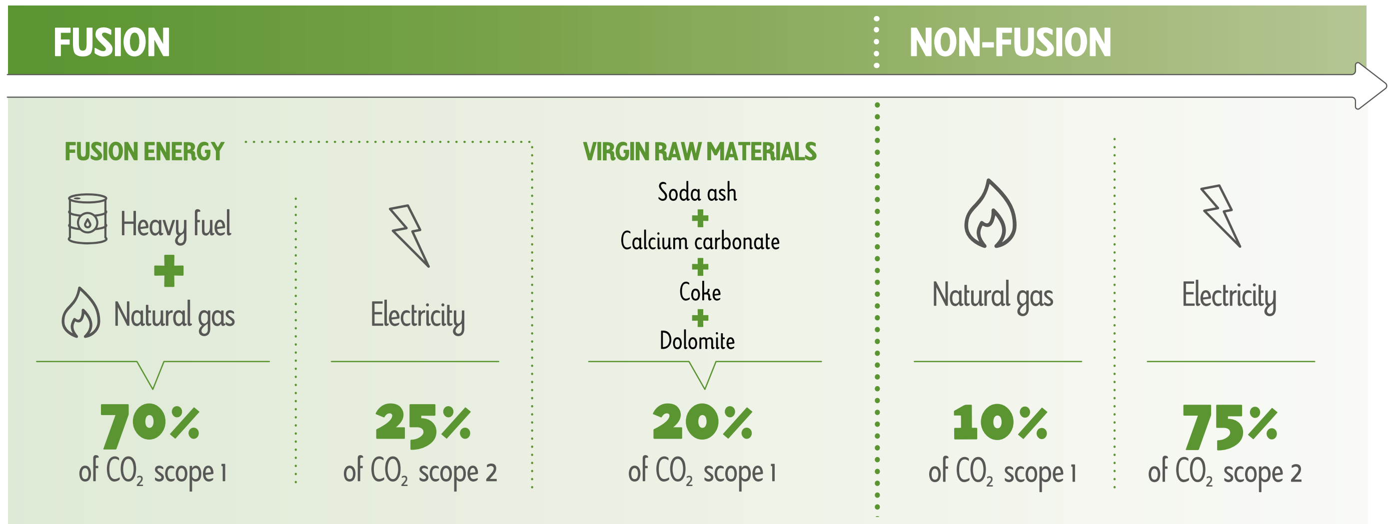
IMPROVE ENERGY EFFICIENCY AND REDUCE OUR CO2 EMISSIONS

We are strengthening our environmental strategy in the light of major climate change, with the aim of minimising the environmental footprint of our products to meet the demands of our customers and the aspirations of consumers.

Glass is a healthy, infinitely recyclable material with no loss of value, which has the primary role of packing, protecting and transporting food and beverages; however, its manufacture now involves a high carbon footprint. It is therefore essential to change the current industrial tool to bring about a massive reduction in CO2 emissions.

We currently measure our scopes 1 and 2[1] CO2 emission levels as we strive to reduce them. Our highest emission station in our plants is the glass melting station (as fusion entails raising the temperature of solids – sand, cullet, soda ash, calcium carbonate – to arrive at a homogeneous vitrified mixture).

The simplified diagram below shows the distribution of our carbon emissions; percentages are for information purposes and may change. The percentages for scopes 1 and 2 are provided with respect to the total (fusion and non-fusion).



All our plants operate with 84% gas, 10% fuel oil and 6% electricity on the fusion side.

OUR KEY OBJECTIVES

- **Worldwide Objective:**
  for 2019–2030, 20% reduction in scope 1 and 2 CO2 emissions per tonne of packed glass per year, or **2%/tpg/year.**
- At the end of 2019, this objective was enhanced compared with the initial target announced: for 2018–2019, 1% reduction in scope 1 and 2 CO2 emissions.

1. Scopes 1 and 2
Scope 1 "Direct emissions" = CO2 emissions within the physical boundaries of the plant = carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion).
Scope 2 "Indirect emissions" = emissions related to electricity consumption required for the plant's operation.

IMPROVE ENERGY EFFICIENCY AND REDUCE OUR CO2 EMISSIONS

Governance

Global EHS policy is initiated by the Chairman and CEO and the CSR department, and then deployed and facilitated at the level of each department. *See governance of the EHS function* "Acting for the safety and development of our teams".

In 2019, the Group decided to strengthen its actions to reduce its environmental footprint by giving priority to reducing CO_2 emissions. The reduction target applicable from 2020 has become -2% for scope 1 and 2 per year between 2019 and 2030. Accordingly, the Group has set up a special organisation, defined in line with the various project managers. The global approach and objectives are determined by the CEO and are forwarded to all relevant departments: industrial, technical, R&D, EHS, procurement (in charge of renewable energy purchases), and finance. This steering committee meets every three months.

A specific "industrial excellence" network in the Technical Department is in place to ensure the deployment and implementation of projects and actions, including those with a direct impact on the reduction of energy consumption and CO_2 emissions. This network is led by a manager on each region of the Group and by a coordinator at each plant. Monthly and quarterly reviews are performed by the Director of Industrial Excellence in order to attain the annual objectives.

Building on its new CO_2 emission reduction objectives, the Group has stepped up its strategy through three key steps:

1/ Raise awareness,

2/ Measure,

3/ Reduce.

Raising awareness is the first step in the process of ensuring that each Verallia employee, including top management, shares a common level of knowledge on environmental issues and the acceleration of climate change. This first of all involves understanding the concept of CSR and the various lines of action during special meetings held in the Group. This presentation is relayed by each CSR expert worldwide to raise awareness among as many employees as possible.

The Climate Mural is another way of educating colleagues. This is a two-and-a-half hour workshop hosted by external consultants, which consists of three sequences: alignment of knowledge about the climate crisis and the need for action; presentation of the various driving forces for Verallia on these subjects; and collective reflection on concrete solutions to activate these forces. The 32 site managers have already participated in this mural. We have also organised workshops in four of our countries (Germany, France, Italy and Spain), bringing together various functions of the Group (EHS, Purchasing, Marketing, Industrial, Management Control, etc.). These workshops have enabled us to raise awareness and examine 70 views, allowing us to align knowledge and identify actions to contribute to the objective of reducing CO_2 emissions. This workshop will also be offered to Executive Committee members in the first half of 2020.

To improve the measurement of our CO_2 impacts and to communicate our "climate energy pledge" to our large-scale customers and investors, as of 2020, we will use the global benchmark for impact collection and assessment: The CDP (formerly the Carbon Disclosure Project1). The frequency of CO_2 reporting will also be increased by 2020 through monthly versus quarterly reporting by EHS managers to the EHS Group Manager.

All Industrial, Technical, R&D and EHS departments strive daily to reduce the Group's CO_2 emissions. In 2019, this was reflected in a significant decrease in the share of fuel oil in the energy mix used.

All our plants operate with 84% gas, 10% fuel oil and 6% electricity on the fusion side. Five countries have completed their full conversion with furnaces operating with 95% gas and 5% electricity (Germany, Ukraine, Russia, Spain – excluding the Canary Islands – and Portugal). 2019 also marked the worldwide deployment of industrial solutions described below in our policy. New actions will be added to attain the new objective of reducing CO_2 emissions by at least 2% per tonne of packed glass from 2020.

1. https://www.cdp.net/fr

A policy to adapt our different industrial tools to climate change

Today, only our scope 1 and scope 2 impact is measured. Our objectives and action plans are mainly established on the basis of scope 1 and 2 data.

The Group's approach to energy efficiency targets:

1. Eradicating all energy losses identified

A structured method has been put in place to enable comprehensive identification of energy losses. This programme uses different types of tools (energy auditing, equipment efficiency, leak detection, etc.).

The next step is to define projects to eradicate the identified losses. A project is characterised by the definition of objectives, the creation of a team, work planning and industrial key performance indicators. Performance is measured every month.

2. Improving existing industrial tools

Throughout the service life of our furnaces (10 to 12 years, or even 14 years), the Group makes improvements to reduce energy consumption. This can be achieved through improvements in sealing and thermal insulation, glass temperature optimisation, combustion settings, and adjustment of combustion air volume.

In regions with fluctuating Lower Calorific Value (LCV), the Group continued to deploy a real-time LCV regulation system, to optimise continuous combustion. Furnaces are thus less energy-intensive and more environmentally friendly.

By the end of 2019, 35% of Verallia furnaces had been fitted with this system. An identical programme will be deployed for feeders[1] from 2020.

3. Research and development in a less energy-intensive 4.0 industry

As energy is mainly consumed during glass melting, each new furnace construction is an opportunity to improve the Group's performance in these areas.

The Group is investing to introduce artificial intelligence into its plants - Industry 4.0. Sensors progressively installed throughout the production line contribute to the regulation of production in real time. This approach makes it possible to stabilise production, quality and energy consumption.

Our specific action plans

Actions based on circular economy principles.

Initiatives based on circular economy principles enable the recovery of energy consumed, by extracting the waste heat[2] from our installations to heat the buildings of the Group or neighbouring cities, as implemented in Germany a few years ago or in France recently.

⇨ First steps towards greener transport

With regard to commodity suppliers, Verallia always looks for local actors in order to reduce the impact of transport and thus minimise the environmental impact. For example, Italy's choice of multimodal transport allows the transfer of certain lorry flows to other transport modes, such as shipping and rail. This helps to reduce the carbon footprint of the Group, which also prioritises the use of a new generation of lorries powered by liquefied natural gas (LNG), less polluting than gasoline.

Waste heat recovery[2]

At the Neuburg (Germany) site, thanks to a heat exchanger set up in 2015, the heat from furnaces is recovered and used for the city's heat network.

Benefit for the city: 23.7 GWh in 2019 (about 7% of consumption of the plant)

On the site in Wirges, Germany, a waste heat recovery unit was installed on both furnaces of the plant in late 2013, helping to drastically reduce gas consumption for heating the site (86% reduction corresponding to 10 GWh of natural gas and CO_2 emissions reduced by 2000 tonnes per year).

At the Saint-Romain-Le-Puy site (France), thanks to the investment in 2018 of a system to recover waste heat from annealing arches to heat the plant and produce domestic hot water, the emission of almost 500t of CO_2 could be avoided in 2019 (i.e. halving the natural gas consumption of these stations = -2500 MWh).

1. Feeder = distribution channel that supplies glass to the machines from the front end of the furnace. Their role is to maintain the temperature and homogenise the glass until it arrives at the machine.

2. The waste heat is the residual heat produced by a process and not used by it.

Towards "greener" energy

Sustainable access to competitive renewable energy sources is an important lever to achieve our goal of reducing our CO2 emissions. Thus, reducing the carbon content of our energy mix will complement the virtuous effect of improving the energy efficiency of our production units. That is why we are launching a renewable energy assessment and integration project in 2020. The objective is to secure green energy supply by defining a panel of solutions (solar, wind, etc.), the implementation of which will depend on each country.

Please note: the Mendoza plant in Argentina chose to reduce its scope 2 impact starting in 2019. Half of its electricity is wind energy.

KEY FIGURES

ISO 50001 certifications:

4 German sites

3 Iberian sites

25% of the 2019 R&D budget invested in furnace energy efficiency

OUR PERFORMANCE

	2017	2018	2019
tCO2 emitted per tonne of packed glass, scope 1[1]	0.444	0.438	0.426
tCO2 emitted per tonne of packed glass, scope 2[2]	0.098	0.085	0.084
tCO2 emitted per tonne of packed glass, scope 1 and 2	0.542	0.523	0.510
Direct CO2 emissions	2,532,736	2 548,698	2,479,512
Indirect GHG emissions (purchases of electricity, steam, hot water)	557,376	496,217	487,825

Analysis of our results

CO2 emissions: On scope 1, we saw a 2.8% reduction between 2018 and 2019.

Starting in 2019, we will integrate scope 2 into our objectives, and use as our energy-related CO2 emission factors those of the IEA: International Energy Agency. We used these same IEA emission factors to calculate our scope 2 CO2 emissions for 2018.

Of the total scope 1 and 2, we note a reduction of 2.5% tCO2/tpg between 2018 and 2019.

If we look at absolute value, scope 2 amounted to 496,217 tonnes of CO2 in 2018. Our last CSR report mentioned the value of 442,322 for 2018, which corresponded to the use of a different source of emission factors than that of the IEA currently used, which explains the variation.

Some actions to explain the improvements:

• Maximum conversion of furnaces to natural gas instead of heavy fuel oil, while respecting atmospheric emission limits through primary measurements

• Reconstruction of four furnaces (Lagnieu, Burgos, Villa Poma, Rosario)

1. Scope 1 "Direct emissions" = CO2 emissions within the physical boundaries of the plant = carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion).

2. Scope 2 "Indirect emissions" = emissions related to electricity consumption required for the plant's operation.

OPTIMISING WATER USE AND REDUCING WASTE

Protecting water resources is one of the most important environmental issues for Verallia. Fourteen Verallia sites are exposed to a risk of medium to high water stress. No site is located in an extremely high water stress zone[1].

With regard to waste, our sites produce very little waste (excluding furnace reconstructions). However, the Group strives to minimise and recycle waste based on circular economy principles.

OUR KEY OBJECTIVES

> **2015-2020 target**
> **-5%** water consumption in the glass plants

> **2015-2020 target**
> **+5%** waste recycled in glass plants

Governance

EHS officials manage water and waste governance. Executive management is the decision-maker on investment issues. See *simplified organisational chart of the EHS function in chapter* "Acting for the safety and development of our teams".

A policy to reduce water use and waste

Verallia's water standard provides rules for conserving this vital resource: **11 golden rules** for all industrial sites.

Six golden rules specific to glass production sites. Measures are in place to ensure compliance with sampling and discharge limits and to identify non-compliance:

- Sampling facilities must be equipped with meters (with computerised data processing) by the end of 2021.
- Discharged volumes are monitored weekly.
- An accredited body performs an analysis of discharge from industrial water and stormwater at least once yearly (temperature, pH, suspended solids, five-day biochemical oxygen demand, chemical oxygen demand and total hydrocarbons).

Preventive and corrective actions are taken to ensure compliance with limits, effective effluent treatment, and safe storage of products (labelled containers, empty containment tanks, fuel oil pipes in good condition, spill kits in hazardous areas).

Our action plans

Protect water resources

Verallia's water systems operate in semi-closed loops to cool the cullet and equipment, saving water resources: In most of our plants, water is recycled for many cooling uses; after treatment and cooling it can be reused. To ensure a satisfactory level of quality, external water supplies are necessary.

The largest use of water is for the cooling of production waste. If part of the production does not have the expected level of quality, the glass considered as waste is cooled before it is transported and then recycled in the furnace. The cooling water is cleaned of oil and particle residues and reused to cool new production waste.

1. source: http://www.wri.org/applications/maps/aqueduct-atlas

OPTIMISING WATER USE AND REDUCING WASTE

Cooling water from equipment (compressors, for example) is the second most important item of water consumption. These circuits operate in closed loops thanks to air cooling towers.

Other occasional water uses are intended for the reconstruction of furnaces.

Monitoring of the implementation of the actions in the water standard has begun and will continue through coaching in environmental standards (as done for safety and health). Technical improvement actions are also in place: For example, for gob cutting water, the benchmark between sites has reduced water use by four to five times.

KEY FIGURES

4.3[1] kg of non-recycled waste per tonne of packed glass

Reduce waste

Several actions have been taken to minimise waste, treat it and return it to the internal circuit; they are listed together in a catalogue of best practices.

Examples of best practices include the following:

- Organisation of storage areas
- Identification of waste collection containers with common colours
- Best methods of waste management, by waste type
- Reduction at source (sorting and washing soiled rags and gloves, replacing hazardous with non-hazardous materials)

Example: Waste disposal, Italy (Villa Poma site)

OUR PERFORMANCE

	2017	2018	2019
Water consumption (m^3/tonne of packed glass)	0.569	0.583	0.630
Percentage of our waste recycled	69%	51%	62%
Total water extractions (m^3)	3,241,798	3,389,114	3,671,417
Quantity of waste produced (tonnes)	66,864	53,010	65,385

1. Including waste from furnace reconstructions

Analysis of our results

Water use : In 2019, an average of 0.63 m^3 of water was used per tonne of packaged glass. After several years of improvement (-5% between 2015 and 2018), use increased by 8% between 2018 and 2019. Specific issues in three plants contributed to more than 60% of the degradation:

- At one site, pipes dating to 1970 and cooling towers in poor condition were a source of major leaks, resolved at the end of 2019 and early 2020. To address this issue, regular inspections are conducted and new cooling towers will be installed in 2020.
- Another site has encountered quality problems; therefore, there is no internal cullet to cool.
- Finally, at one of our sites, end-of-life furnaces underwent hot repairs (six in one year for two furnaces) requiring large amounts of water.
- Some sites reduced consumption significantly in 2019 by implementing actions:

Chalon-sur-Saône (France) : -19%

- Cleaning of settling ponds and sludge removal
- Pipe cleaning
- Refurbishment of instrumentation for make-up water on IS machines
- Staff awareness building

Zorya (Ukraine): -11% thanks to more frequent checks of water volumes used.

Waste

In 2019, we recycled 62% of our waste, an increase of 11% compared with 2018. The Lagnieu plant particularly improved, recycling 100% of its electrostatic precipitator dust. Another important performance indicator: The amount of non-recycled waste per tonne of packaged glass is 13% lower in 2019 than in 2018. This decrease demonstrates waste reduction at source, for example, by recycling cullet sludge, electrostatic precipitator dust and waste of various compositions in the furnace.

STRIVING FOR EXCELLENCE IN THE QUALITY OF OUR PRODUCTS

Verallia monitors the quality of its products on a daily basis. Comprehensive, sound procedures are in place to guide product manufacturing and quality control.

Despite these procedures, a critical production defect can occur without detection, a situation all the more serious because our completed products are intended to be marketed and consumed on the end market. This could lead to substantial and lasting damage to Verallia's reputation in the eyes of the customer and even the public at home and abroad. Striving for excellence in the quality of our products addresses two major challenges:

- The first relates to new customer requirements that are linked to the markets in which they operate. Verallia is increasingly called on to provide certifications, as specifications become ever more exacting.
- The second involves strict food safety regulations (Regulation (EC) No. 178/2002 of the European Parliament and of the Council of 28 January 2002). The ISO 22000 certifications we earned cover compliance with this Regulation.

Governance

In 2019, we created a Group Quality department that reports to the Chief Industrial Officer. Quality teams for countries and our individual sites are operationally attached to the Group Quality Department.

There is similar vertical organisation for each division worldwide: The Quality Director of each division reports to the Chief Industrial Officer who communicates directly with the Group Quality department.

Every month, quality committees that bring into play the Industrial department and Executive Management of each division are organised. They improve current standards by building on internal quality issues and customer complaints.

Quality policy

To achieve the highest excellence in our products, we launched a quality improvement plan in 2019 with four lines of action for the entire Group. Each site creates its local quality policy, following the guidance in the quality improvement plan.

OUR KEY OBJECTIVES

- Constantly improve customer satisfaction through continuous improvement of the company
- **2017-2020 target: a 50% reduction in complaints[1]**
- **100% of sites ISO 22000 certified** (food safety) in 2021

1. Number of justified complaints per 100 million containers delivered

Four lines of action of the quality improvement plan

1. Root Cause Analysis (RCA), more than a method of resolving problems, it's a genuine change in attitude towards them. In 2019, change intensified and included:

The review and implementation of the RCA Next Step, incorporating "San Gen Shugi" concepts and the first steps in preparing for the use of best practices. San Gen Shugi is a mindset that guides an individual's behaviour when confronting a problem. The principle is that you cannot understand a problem without observing it yourself based on real facts and figures.

Guidance of staff through the implementation of a training module and its deployment by the regions.

Establishment of an RCA Next Step framework to evaluate each committed stakeholder (from simple participant to coach) and to monitor upskilling in the approach.

The implementation of a global customer complaint management process at the Group level involving the regions and the Technical department.

2. Quality control throughout the manufacturing process

This requires:

Technical audits of all inspection machines to correct non-conformities immediately and establish a plan to optimise our tools.

Determination and implementation of inspection machine adjustment standards across all glass plants.

Assessment of the skills and guidance of users of inspection machines.

Implementation of a forming parameter simulation tool for anticipating equipment settings and optimising them with respect to the risk of defect generation.

Installation of sensors throughout the production line to control production and quality.

3. Prevention and adaptation of our monitoring plans

Group R&D has developed simulation tools. These tools assess the mechanical and thermal specifications of bottles and jars virtually, and optimise the results to achieve the level of quality expected by our customers.

We launched a training plan for all our industrial designers at the end of 2019.

By 2020, our goal is to adjust and improve our existing monitoring plans.

4. Compliance with food safety regulations

As a food packaging manufacturer, Verallia must comply with European food regulations. The existing monitoring system is designed to implement all necessary safety measures for the certification of our plants.

In 2019, 25 of the Group's 32 glass plants are ISO 22000 certified (food safety).

A focal point network involving each site will be established in 2020 to develop consistent reference documents on the key operating principles for regulatory requirements.

An e-learning module will be created to educate employees about the responsibilities of food packaging manufacturers. The priority targeted areas are production, supply chain, sales and purchasing.

STRIVING FOR EXCELLENCE IN THE QUALITY OF OUR PRODUCTS

KEY FIGURES 2019

100% of our glass plants are **ISO 9001 certified**

78% of our glass plants are **ISO 22000 certified** (food safety)

32 technical audits were conducted on **more than 800** units of monitoring equipment in all our glass plants.

OUR PERFORMANCE

	2017	2018	2019
% of ISO 22000-certified sites	68%	68%	78%
Reduction in complaints* (number of justified complaints per 100 million containers delivered)	Reference year	-25%	-45%

*Reductions expressed compared with our 2017 reference

Analysis of our results

So far, the results are in line with our ambitions and areas for improvement in the final plan, meeting the requirements of our external and internal customers. The continuous improvement process aims at the dual goal of building on and strengthening our knowledge and expertise, while challenging, when necessary, our achievements in the pursuit of quality excellence.

COMPLYING WITH APPLICABLE REGULATIONS AND ANTI-CORRUPTION MEASURES

Verallia's sustainability is inconceivable without sharing values common to the entire Group. Verallia thus reaffirmed the principles that have guided all its companies and teams since the 2000s, restating in 2017 the four cardinal values that underpin its Code of Conduct: customer care; respect for people, laws and the environment; empowerment and accountability; and teamwork.

This Code of Conduct is the foundation of the Group's actions in terms of business ethics, which is the common thread that unites the community of people who work at and for Verallia. Its objective is compliance with laws and regulations as well as the policies and values of the Group.

The compliance culture that drives the Group is expanding through this code and is bolstered by a compliance programme that strengthens the value of respecting laws and their related obligations.

In this context, Verallia's signing of the United Nations Global Compact demonstrates its four values and deepens its commitment to promoting, through its compliance programme, the principles of human rights and respect for the environment, labour standards and anti-corruption. Similarly, the Group is particularly attentive to working on the five United Nations Sustainable Development Goals (SDGs) that it has chosen as focal areas. Finally, the Group is acting in accordance with the tax rules in the countries in which it operates and fulfilling its reporting obligations on time. The Verallia Group does not therefore have a structure for tax evasion.

OUR KEY OBJECTIVE FOR 2020

› **Train all new managers** hired in 2020 in the Comply (competition law) and ABC (anti-bribery and corruption and compliance with economic sanctions) compliance training programmes in their first year in the Group[1].

Governance

The implementation of the Group's compliance programme is based on a compliance network of about 50 correspondents (functional or operational managers).

The actions of the correspondents are coordinated by the policies of Group Executive Management and driven by regional and country executive management. They ensure the dissemination of policies and the facilitation of operational teams that address compliance issues, actions for which they are supported and coordinated by a compliance committee (regional or country) on which the company they belong to depends. Compliance committees have been set up in the Group in France, Northern and Eastern Europe, Italy, the Iberian Peninsula and Latin America. These committees can suggest any means of improving the effectiveness of the Code of Conduct and complying with applicable laws, rules and policies in the areas covered by the Group compliance programme or any other they may identify. These committees generally bring together, at a minimum, the Chief Executive Officer of the company or region, Chief Financial Officer, Legal Director, Director of Human Relations, risk officers, audit and internal control managers for the same area, and compliance correspondents. Compliance correspondents are members of the compliance committee in their regions or the company they belong to.

1. Except India and the United States

COMPLYING WITH APPLICABLE REGULATIONS AND ANTI-CORRUPTION MEASURES

The correspondents also rely operationally on the Audit and Internal Control Department, which checks the effectiveness of rules and procedures and the managers who are trained in compliance programmes. The Group aims to train all new managers in compliance policies in their first year in the Group.

A Group compliance committee, whose work until the end of 2019 was merged with that on Company risks, monitors the actions taken and validates the topics to support and the future action plans. It proposes additional measures to ensure the effectiveness of the implementation of the Code of Conduct and to comply with applicable laws and policies in the areas of, among others, competition law, prevention of corruption, management of personal data, and financial embargoes and sanctions.

The Group compliance committee includes members of the Executive Committee, the Legal Director, the Group Compliance Officer, the Internal Control Director, the Risk Director and one or more operational staff.

To strengthen the governance of the Group's compliance programme following admission to trading of common shares comprising the share capital of Verallia SA on the Euronext Paris regulated market, it was decided that, as of 2020, the compliance programme would be monitored by the Board of Directors of the Company established as a result of this admission.

One compliance programme: the basis of the Group's policies

All Group compliance policies are disseminated throughout the regions and subsidiaries in the same manner, as follows:

Policy	It is defined at the Group level by Executive Management with the support of the organisation described below. The Group's policy is rooted in local and international regulations to which the Group is subject and feedback from the regions and countries.
Deployment	This is updating the procedures, codes or processes that support the Group's policy and initiating its deployment through compliance correspondents. Various tools are also available to implement the Group compliance programme, including a dedicated intranet entitled Compliance, where policies and tools, publication of practical guides, and a whistleblowing system are available.
Training	The educational content, methods (classroom or e-learning, or both), population to be trained and proposed scheduling.
Monitoring	The integration of new processes into internal audit programmes and the conduct of internal or external audits by specialised firms to ensure the proper implementation of Group processes and policies.

To date, the compliance programme has been monitored by the compliance network organised around the following main topics:

- **Prevention of corruption,**
- **Compliance with competition law,**
- **Compliance with rules on economic sanctions and embargoes.**

COMPLYING WITH APPLICABLE REGULATIONS AND ANTI-CORRUPTION MEASURES

Prevention of corruption

A first action programme was implemented in the early 2010s. It has recently been expanded based on French law on transparency, anti-corruption and influence peddling and modernisation of economic life.

This programme is based on risk analysis, an anti-corruption code of conduct, a code included in the rules of procedure of companies in France, internal policies (gifts, conflicts of interest, intermediaries) and a whistleblowing line. In 2020, it will be extended by a complementary classroom training programme in all the countries where the Group operates on a common foundation presented to the Group Executive Committee in 2019. This training will be translated into the languages of the Group.

Compliance with competition law

The action plan on compliance with competition law is based on basic training available in e-learning modules that each new manager must complete within a year of joining the Group. Work took place in 2019 on e-learning and employee management tools, with the aim of asking each manager to repeat the training if they belong to an at-risk population and completed the online training more than two years ago. Moreover, in 2019, following audits of the proper application of competition law by an external consulting firm, specific topics were selected and gave rise to classroom training in France and Italy. A policy on participation in professional associations and a best practices guide (revised in 2018) were developed and made available to the sales departments.

Compliance with rules on economic sanctions and embargoes

A policy on compliance with rules on economic sanctions and embargoes was established in 2016.

In 2018 and 2019, classroom training was chosen for sales people working on exports and purchases. This training has been made available on the Compliance intranet so that each employee can access it. In addition, a screening tool has been made available and can be used for auditing new suppliers and customers. Team classroom training in the topic and use of the screening tool was organised.

Main actions in 2019:

Executive Committee classroom training in anti-corruption

The programme used will be the common core of training deployed in 2020 in all countries of the Group for at-risk populations.

Internal audit of sales agents

The audit was conducted on the main companies of the two European regions of the Group based on the sales agent/intermediary policy implemented in 2016. After receiving results of an audit, the sales agent/intermediary policy was reviewed and action plans were implemented for some companies in the audited scope.

Training of sales agents in specific topics in competition law

Classroom training in France and Italy in the relationship of sales agents with their distribution channels and in the management of information concerning competitors.

OUR PERFORMANCE

	2018	2019
% of new managers hired during the year trained in our compliance programme (Comply and ABC)	Comply: 79% ABC: 77%	Comply: 62% ABC: 57%

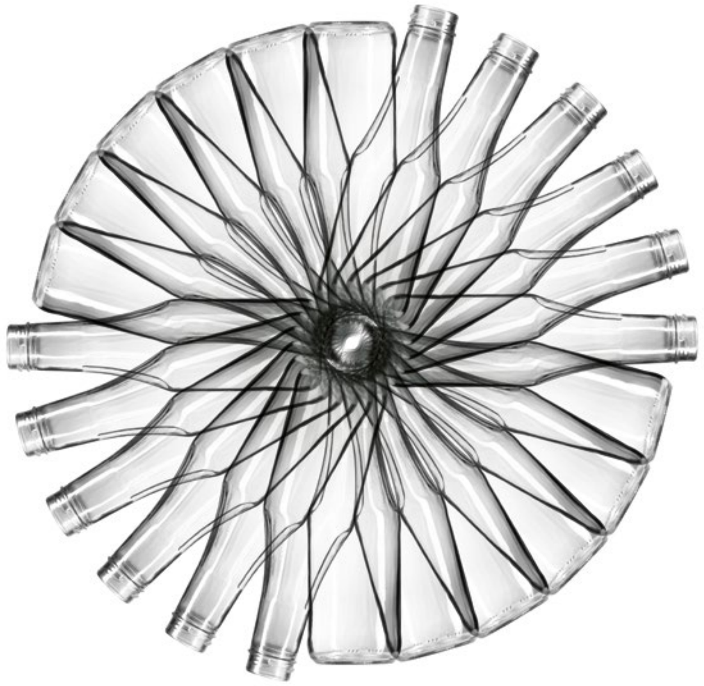
Except India and the United States.

Analysis of our results

The Univerra platform that hosts e-learning courses makes it possible to see the percentage of registered employees who completed the training and the success rate. The Human Resources Departments choose the employees to train in accordance with the compliance policy determined by the Group. The platform is open to all Group countries[1].

Based on the 2019 results, training objectives for new managers were maintained and strengthened: Train all new managers hired in the Comply (competition law) and ABC (anti-bribery and corruption and compliance with economic sanctions) compliance training programmes in their first year in the Group[2]. It was decided to relaunch a campaign for managers targeted in 2019 who have not undergone online training.

New e-learning modules, including competition law and compliance with economic sanctions, will be established.



1. Except India and the United States because of the small size of subsidiaries in these countries.
2. Except India and the United States.

HAVING RESPONSIBLE PURCHASING PRACTICES

As part of the enhancement of its CSR approach, the Verallia Group strengthened the responsible procurement component in 2019. Verallia now has 10,000 active suppliers, mainly in the countries where we operate (Europe, Latin America, Russia). Purchases account for 1.6 billion in annual spending, half of which are energy and raw materials. These two categories add up to nearly 1,000 active suppliers. Most of these suppliers are local, except for the suppliers of soda ash or certain chemicals.

The other main spending segments are capital expenditure (1,500 suppliers), transport (700 suppliers), production (2,000 suppliers), including consumables, packaging (1,700 suppliers) and general purchases and low-value procurement (3,500 suppliers).

The actions put in place this year aimed at extending the application of one of the Group's four values throughout our supply chains: respect for people and the environment.

OUR KEY OBJECTIVES

- Systematic monitoring of our supplier base using the AFNOR risk mapping tool tested and deployed in 2019.
- If the risk is greater than 80% in the AFNOR tool, use CSR assessments of the rating agencies EcoVadis and ACESIA for suppliers identified as high risk.
- In addition, systematically assess in 2020 all our suppliers of critical raw materials.

Governance

The Group's purchases and supplies are under the responsibility of the Procurement Department, which consists of a director who coordinates the entire Group's procurement function and a team of buyers responsible for the strategic procurement families.

The Group also has procurement departments within its subsidiaries. Some purchases are pooled regionally between the Group's various companies (e.g. Iberia, South America), particularly those for energy, raw materials and overheads.

One policy

Verallia has a responsible procurement policy, valid for all subsidiaries. It is based on the environmental, legal and social requirements of the Group.

KEY FIGURES

€1.6 billion in purchases

More than **10,000** active suppliers

Our action plans

Identification of CSR risk in our panel of suppliers

- Training and dissemination of our supplier CSR risk mapping tool (AFNOR tool) in our subsidiaries (France, Germany, Iberian Peninsula, Italy, Ukraine, Russia, Poland, Brazil, Argentina and Chile).
- Launch of CSR assessment campaigns for our suppliers with the EcoVadis tool (160 suppliers invited, including 54 assessed since September 2019).
- A whistleblower channel is in place that allows Verallia employees to escalate bad CSR behaviour observed when working at our supplier sites ("The Responsible Eye"). To date, three employees have provided feedback.
- The launch of CSR audits of suppliers will begin in 2020 based on the assessments performed (suppliers with poor EcoVadis ratings (<30), country alert or AFNOR score (>80) will be audited).

Mobilising our suppliers around a virtuous CSR approach

- Inclusion of CSR criteria in our procurement procedures relating to the conduct of our calls for tenders.
- Systematic signing of the supplier charter, including a CSR section, by all new approved suppliers.
- Inclusion of recycling and waste recovery criteria in our calls for tenders and procurement contracts for computer equipment (e.g. call for tenders for IT equipment for the Group).
- Campaign to assess our suppliers' compliance with regulatory arrangements related to "conflict minerals". (Example: sourcing monitoring for tin-containing surface treatment solutions to ensure that our suppliers are not sourcing from conflict areas.)

One internal action for the Group's purchasing functions

Every buyer or newcomer and all employees exposed to supplier relationships are aware of CSR issues. They are required to sign the Supplier Relationship Charter, which includes a CSR section. They must also complete a "Purchasing for All" training module, which has a CSR section, and sign the mandatory charter at the end of the module.

CONTRIBUTING TO THE DEVELOPMENT OF COMMUNITIES

OUR KEY OBJECTIVES

- **Continue the climate programme** partnership with PUR Projet to offset **1% of the Group's CO_2[1] emissions** every year and plant more than **500,000 trees** in the initial five-year period.
- **Continue engaging** with local communities in Latin America.
- Ensure the best integration of Verallia sites into their local environments.


© PUR Projet

Among the Group's four values, "respect people, laws and the environment" underscores Verallia's importance to community development.

Verallia reflects a long tradition of commitment to all its sites around the world, which are mostly located in the heart of wine regions. Beyond their economic contribution to the local economy, the sites are involved in various actions that contribute to the development of communities. These actions, performed mainly by employees, take various forms: public awareness of the properties of glass and its recycling, donations to voluntary and charitable associations, solidarity campaigns, factory visits, and campaigns to pass on the passion for glass to younger generations.

To face the climate emergency, a major concern for the Group, Verallia is strengthening its environmental strategy. By partnering with PUR Projet in 2019 in a climate programme, Verallia wants to take concrete actions to voluntarily offset a portion of its CO_2 emissions while supporting the local economy.

This programme is part of an insetting (or integrated carbon offset) process that aims to offset internally all the impacts on sustainable development, both to secure Verallia's growth and participate in building a more sustainable world. This means a commitment to reduce its environmental footprint, strengthen CSR positioning with employees and customers, and share the value created beyond its own economic sphere. Indeed, beyond the restoration and preservation of ecosystems, PUR Projet is creating economic value for local communities. This provides, for example, an additional source of income for farmers through agroforestry, a support programme and empowerment to the local communities concerned (skills transfer, productivity improvement, empowerment, climate change adaptation, etc.).

Governance

Local CSR managers in each region manage the projects developed for local communities to best meet specific needs. For example, Verallia Chile and Verallia Argentina organise the collection of household glass in the absence of a recovery system.

Regarding the inclusion of production sites in their ecosystem, the CSR manager, in conjunction with country executive management and country managers, selects the Verallia sites that meet various criteria: environment, employee well-being, availability of green areas, ease of programme deployment and others. Local CSR managers and site managers complete the application files together, which are reviewed by executive management.

Our action plans

The Verallia climate programme consists of two separate schemes.

The first is for reforestation and agroforestry projects in Latin America (Peru, Honduras, Colombia and Brazil) for which Verallia has committed to an initial five-year period. It will offset 1% of the Group's total CO_2[1] emissions every year and plant more than 100,000 trees per year. In addition, in Brazil, we support the local partner of PUR Projet, Nordesta, which acts for the protection of water resources, biodiversity and education in Minas Gerais, near our plant in Jacutinga. The planting project, of which 16,500 trees are funded by Verallia, is not a part of CO_2 offsetting. It consists of restoring forests adjacent to the Rio São Francisco River and raising awareness of their importance in maintaining the quantity and quality of water. Our Brazilian team will participate in the planting as early as March 2020. This project also promotes the socioeconomic development of local communities while preserving local ecosystems.

The second is a programme for integrating Verallia production sites into their environments and territories. Verallia participates in the regeneration and preservation of the local ecosystem through the planting of endemic species and creation of "corridors" of biodiversity[2] while better integrating sites into the local landscape.

KEY FIGURES

110,000 trees planted

30,910 tonnes of CO_2 equivalent voluntarily offset

In 2019, two Verallia sites were selected, with an allocated budget of more than €100,000:

In Seville, Spain, to preserve the natural and cultural heritage, the green spaces available were redesigned to increase the plant biodiversity of the site and better integrate it into the local landscape. This included planting olive trees, tracts of aromatics, and local plants and shrubs, and removing and recycling synthetic lawns to regenerate soil. The employees were provided with a space that was reserved for them to transform into a field of olive trees.

In Cognac, France, different projects have been offered to local teams who selected four areas of their site to green, like the commercial office area that will have a true rest area with fruit trees, aromatic plants and eco-designed furniture. Planting and installation are planned for March 2020.

1. (Scope 1 et 2): scope 1 "Direct emissions" = CO2 emissions within the physical boundaries of the plant = carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion).
2. All the habitats necessary to achieve the lifecycles of a species that are functionally interrelated.

CONTRIBUTING TO THE DEVELOPMENT OF COMMUNITIES

Examples of actions taken by Verallia teams for local authorities

Donation to charities

At Christmas, the Azuqueca plant (Spain) collected more than one tonne of food for the Red Cross. All employees have invested in achieving this result. At the same time, the plant donated €10,000 to the confederation Caritas Internationalis.

Gift of €20,000 to local food banks in Germany

Verallia Deutschland supports the national organisation Die Tafel by donating a total of €20,000 to food banks at its four industrial sites. Thanks to the commitment of volunteers and the support of private companies and donors, Die Tafel can offer food products and basic necessities to the poor at reasonable prices.

LATAM recycling programme: "Glass: a transparent action"

This programme has two objectives: raising awareness of glass recycling and support for the Notti Foundation, an NGO. Verallia Argentina purchases recycled glass and donates its equivalent in pesos to the Notti Foundation. The foundation is using this assistance to build a hydrotherapy center for the rehabilitation of children. More than half a million pesos have been given to the Notti Foundation, corresponding to 640 metric tons of glass, deposited in 35 containers located in different places in Mendoza.

SCOPE OF THE ISSUES COVERED BY OUR SNFP

Given the nature of our activities, we consider that the fight against food insecurity, respect for animal welfare and the subject of responsible, fair and sustainable food, are not major CSR risks and do not justify development in this SNFP.

Legal text	List of mandatory items	Implementation by Verallia in SNFP 2019
Decree implementing the transposition of the European Directive (No. 2017-1265)	Impact on **climate change** of the Company's activity and the use of the goods and services it produces (contribution and adaptation)	See the chapters "Promoting the circular economy by being a driving force in the collection and use of cullet" on pages 18 to 21, "Developing eco-design for responsible products" on pages 22 to 24, "Improving energy efficiency and reducing our CO2 emissions" on pages 25 to 28 and "Optimising water use and reducing waste" on pages 29 to 31.
	Circular economy	See the chapter "Promoting the circular economy by being a driving force in the collection and use of cullet" on pages 18 to 21.
	The fight against **food waste**	Given the nature of our activities, we consider that the fight against food waste is not our main CSR risks and does not justify development in this management report.
	Collective agreements concluded in the Group and their impact on its economic performance and the work of employees.	See the chapter "Attracting and developing our talent" on pages 15 to 17.
	Actions to **combat discrimination and promote diversity** and measures taken to support people with disabilities.	The Group felt that these were not among the CSR issues identified as priorities in 2019. Actions to promote diversity and disability are, of course, undertaken in the various Group entities and managed locally. Therefore, diversity is an issue during the recruitment process and special attention is paid to it when selecting the promotions made during the "people review" twice a year. A women's forum was organised in 2019, as well as a dedicated mentoring scheme. Raising employees' awareness of disability is a desire of the Group and is reflected in interventions throughout the year, in particular during World EHS Day on 10 October, 2019. Various initiatives have been undertaken around the world, for example in France, Verallia has supported the French wheelchair rugby team, which has been selected for the Tokyo Paralympic Games.
	Societal commitments to promote sustainable development	See the chapter "Contributing to the development of communities" on pages 42 to 44.
Sustainable Food Law of 30 October, 2018	The fight against food insecurity, respect for animal welfare and the subject of responsible, fair and sustainable food	Given the nature of our activities, we consider that the fight against food insecurity, respect for animal welfare and the subject of responsible, fair and sustainable food, are not major CSR risks and do not justify development in this SNFP.

CORRIDOR OF BIODIVERSITY
All the habitats necessary for the functionally interrelated lifecycles of a species.

CULLET
Means the crushed glass added to the raw materials used in the production of glass.

ECOVA
Range of bottles – "Eco" for eco-design and "VA" for value added.

ECOVADIS
Platform for rating the social and environmental performance of global supply chains.

EGO
Range of Chilean eco-designed products, standing for "Enhanced Geometric Objects".

EHS
Refers to the "Environment, Hygiene and Safety" policy.

EXTERNAL CULLET
Glass collected from individuals and cafés, hotels and restaurants (CHR).

FEEDER
Distribution channel that feeds glass to the machines from the front end of the furnace. Its role is to maintain the temperature and homogenise the glass until it arrives at the machine.

FEVE
European Container Glass Federation.

FUSION
Means the first step in the melting of glass in production furnaces.
Fusion entails raising the temperature of solids – sand, cullet, sodium carbonate, calcium carbonate – to arrive at a homogeneous vitrified mixture.

GLASS SAND
Very small cullet (fraction 0–4 mm).

GOB
Means a compact mass of molten glass.

INSETTING
Identifying business impacts (social, climate, water, biodiversity, etc.) and engaging in socio-economic and environmental projects that mitigate the impacts.

INTERNAL CULLET
Glass from manufacturing scrap.

ISO 22000
Standard that guarantees that food risk to consumers is considered throughout the entire production process.

LCV
lower calorific value.

SALES TEAMS
Functions identified in the sales and marketing channels.

RCA
Root Cause Analysis

SCOPE 1
"Direct emissions" = CO_2 emissions within the physical boundaries of the plant, meaning carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion).

SCOPE 2
"Indirect emissions" = emissions related to the electricity consumption necessary for the plant's operation.

TF1
Number of accidents resulting in lost workdays, by millions of worked hours.

TF2
Ratio of the number of accidents with and without lost workdays per million hours worked.

TPG
Tonne of packaged glass or tonne of good glass.

VERALLIA "DIVISIONS"
There are three:
- Southern and Western Europe,
- Northern and Eastern Europe,
- Latin America.

VERALLIA "REGIONS"
There are five: France, Italy, Northern Europe, Iberian Peninsula, Latin America.

Verallia SA

Report by one of the statutory auditors, appointed as an independent third-party body, on the consolidated statement of extra-financial performance contained in the Group's management report.

Year ended 31 December 2019

verallia

ANNEX III

Report from one of the statutory auditors, designated as an independent third-party body, on the consolidated statement of non-financial performance contained in the group management report

Verallia SA

Rapport de l'un des commissaires aux comptes, désigné organisme tiers indépendant, sur la déclaration consolidée de performance extra-financière figurant dans le rapport de gestion du groupe

Exercice clos le 31 décembre 2019

Rapport de l'un des commissaires aux comptes, désigné organisme tiers indépendant, sur la déclaration consolidée de performance extra-financière figurant dans le rapport de gestion du groupe

Exercice clos le 31 décembre 2019

A l'assemblée générale de la société Verallia SA

En notre qualité de commissaire aux comptes de la société Verallia SA (ci-après « l'entité ») désigné organisme tiers indépendant, accrédité par le COFRAC sous le numéro 3-1060 rév.2 (portée d'accréditation disponible sur le site www.cofrac.fr), nous vous présentons notre rapport sur la déclaration consolidée de performance extra-financière relative à l'exercice clos le 31 décembre 2019 (ci-après la « Déclaration »), présentée dans le rapport de gestion du groupe en application des dispositions légales et réglementaires des articles L. 225-102-1, R. 225-105 et R. 225-105-1 du code de commerce.

Responsabilité de l'entité

Il appartient au Conseil d'administration d'établir une Déclaration conforme aux dispositions légales et réglementaires, incluant une présentation du modèle d'affaires, une description des principaux risques extra-financiers, une présentation des politiques appliquées au regard de ces risques ainsi que les résultats de ces politiques, incluant des indicateurs clés de performance.

La Déclaration a été établie en appliquant les procédures de l'entité, (ci-après le « Référentiel ») dont les éléments significatifs sont disponibles sur demande au siège de la société.

Indépendance et contrôle qualité

Notre indépendance est définie par les dispositions prévues à l'article L. 822-11-3 du code de commerce et le code de déontologie de la profession. Par ailleurs, nous avons mis en place un système de contrôle qualité qui comprend des politiques et des procédures documentées visant à assurer le respect des règles déontologiques, de la doctrine professionnelle et des textes légaux et réglementaires applicables.

Responsabilité du commissaire aux comptes désigné OTI

Il nous appartient, sur la base de nos travaux, de formuler un avis motivé exprimant une conclusion d'assurance modérée sur :

- la conformité de la Déclaration aux dispositions prévues à l'article R. 225-105 du code de commerce ;
- la sincérité des informations fournies en application du 3° du I et du II de l'article R. 225-105 du code de commerce, à savoir les résultats des politiques, incluant des indicateurs clés de performance, et les actions, relatifs aux principaux risques, ci-après les « Informations ».

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Il ne nous appartient pas en revanche de nous prononcer sur :

- le respect par l'entité des autres dispositions légales et réglementaires applicables, notamment, en matière de plan de vigilance et de lutte contre la corruption et de fiscalité ;
- la conformité des produits et services aux réglementations applicables.

Nature et étendue des travaux

Nos travaux décrits ci-après ont été effectués conformément aux dispositions des articles A. 225-1 et suivants du code de commerce déterminant les modalités dans lesquelles l'organisme tiers indépendant conduit sa mission et selon la doctrine professionnelle de la Compagnie nationale des commissaires aux comptes relative à cette intervention ainsi qu'à la norme internationale ISAE 3000 - *Assurance engagements other than audits or reviews of historical financial information*.

Nous avons mené des travaux nous permettant d'apprécier la conformité de la Déclaration aux dispositions réglementaires et la sincérité des Informations :

- nous avons pris connaissance de l'activité de l'ensemble des entreprises incluses dans le périmètre de consolidation, de l'exposé des principaux risques sociaux et environnementaux liés à cette activité, et de ses effets quant au respect des droits de l'homme et à la lutte contre la corruption et l'évasion fiscale, ainsi que des politiques qui en découlent et de leurs résultats ;
- nous avons apprécié le caractère approprié du Référentiel au regard de sa pertinence, son exhaustivité, sa fiabilité, sa neutralité et son caractère compréhensible, en prenant en considération, le cas échéant, les bonnes pratiques du secteur ;
- nous avons vérifié que la Déclaration couvre chaque catégorie d'information prévue au III de l'article L. 225-102-1 en matière sociale et environnementale ainsi que de respect des droits de l'homme et de lutte contre la corruption et l'évasion fiscale ;
- nous avons vérifié que la Déclaration présente le modèle d'affaires et les principaux risques liés à l'activité de l'ensemble des entités incluses dans le périmètre de consolidation, y compris, lorsque cela s'avère pertinent et proportionné, les risques créés par ses relations d'affaires, ses produits ou ses services ainsi que les politiques, les actions et les résultats, incluant des indicateurs clés de performance ;
- nous avons vérifié, lorsqu'elles sont pertinentes au regard des principaux risques ou des politiques présentés, que la Déclaration présente les informations prévues au II de l'article R. 225-105 ;
- nous avons apprécié le processus de sélection et de validation des principaux risques ;
- nous nous sommes enquis de l'existence de procédures de contrôle interne et de gestion des risques mises en place par l'entité ;
- nous avons apprécié la cohérence des résultats et des indicateurs clés de performance retenus au regard des principaux risques et politiques présentés ;
- nous avons vérifié que la Déclaration couvre le périmètre consolidé, à savoir l'ensemble des entreprises incluses dans le périmètre de consolidation conformément à l'article L. 233-16 avec les limites précisées dans la Déclaration ;

- nous avons apprécié le processus de collecte mis en place par l'entité visant à l'exhaustivité et à la sincérité des Informations ;
- nous avons mis en œuvre pour les indicateurs clés de performance et les autres résultats quantitatifs que nous avons considérés les plus importants et dont la liste est donnée en annexe :
  - des procédures analytiques consistant à vérifier la correcte consolidation des données collectées ainsi que la cohérence de leurs évolutions ;
  - des tests de détail sur la base de sondages, consistant à vérifier la correcte application des définitions et procédures et à rapprocher les données des pièces justificatives. Ces travaux ont été menés auprès d'une sélection d'entités contributrices, à savoir les sites de production de Azuqueca (Espagne), Bad Wurzach (Allemagne), Cognac (France), Dego (Italie), Figueira da Foz (Portugal), Lagnieu (France), Wirges (Allemagne), pour les informations environnementales et les sociétés Verallia Deutschland AG, Verallia France, Verallia Italia S.p.A., Verallia Portugal, Verallia Spain, pour les informations sociales, et couvrent entre 20% et 68% des données consolidées des indicateurs clés de performance et résultats sélectionnés pour ces tests ;
- nous avons consulté les sources documentaires et mené des entretiens pour corroborer les informations qualitatives (actions et résultats) que nous avons considérées les plus importantes et dont la liste est donnée en annexe ;
- nous avons apprécié la cohérence d'ensemble de la Déclaration par rapport à notre connaissance de l'ensemble des entreprises incluses dans le périmètre de consolidation.

Nous estimons que les travaux que nous avons menés en exerçant notre jugement professionnel nous permettent de formuler une conclusion d'assurance modérée ; une assurance de niveau supérieur aurait nécessité des travaux de vérification plus étendus.

Moyens et ressources

Nos travaux ont mobilisé les compétences de 6 personnes et se sont déroulés entre mi-février et mi-mars 2020 sur une durée totale d'intervention de 5 semaines.

Nous avons fait appel, pour nous assister dans la réalisation de nos travaux, à nos spécialistes en matière de développement durable et de responsabilité sociétale. Nous avons mené une dizaine d'entretiens avec les personnes responsables de la préparation de la Déclaration, représentant notamment le Secrétariat Général et les Directions des Ressources Humaines, des Achats, de la RSE, du Juridique et de la Concurrence, de la HSE, du Marketing, de la Qualité et de la Programmation, Logistique et Recyclage verre.

Conclusion

Sur la base de nos travaux, nous n'avons pas relevé d'anomalie significative de nature à remettre en cause le fait que la déclaration consolidée de performance extra-financière est conforme aux dispositions réglementaires applicables et que les Informations, prises dans leur ensemble, sont présentées, de manière sincère, conformément au Référentiel.

Neuilly-sur-Seine, le 17 mars 2020

L'un des Commissaires aux comptes
PricewaterhouseCoopers Audit

Itto El Hariri
Associée

Émilie Bobin
Associée du Département Développement Durable

Annexe : Liste des informations que nous avons considérées comme les plus importantes

Sélection d'informations qualitatives et quantitatives, associées aux politiques, actions et résultats relatifs aux sept risques principaux identifiés et trois principaux autres engagements complétant la Déclaration pour l'activité du Groupe, présentées dans les sections suivantes du rapport de gestion

Principaux risques identifiés et autres engagements	**Rubriques du rapport de gestion traitant des politiques, actions et résultats associés revues dans le cadre de nos travaux**
Santé et sécurité des employés	• Chapitre « Garantir la santé et la sécurité de tous » *Dont les résultats et indicateurs clés de performance :* - *Pourcentage de sites de production verriers en France certifiés OHSAS 18001 et ISO 14001* - *Taux de fréquence des accidents du travail avec et sans arrêt des salariés et intérimaires (TF1 et TF2)*
Attraction et développement des collaborateurs	• Chapitre « Attirer et développer nos talents » *Dont les résultats et indicateurs clés de performance :* - *Moyenne des heures de formation par personne (CDI et CDD)* - *Turnover volontaire CDI (démissions)* - *Indice d'engagement*
Intégration de l'économie circulaire dans notre chaîne de valeur	• Chapitre « Promouvoir l'économie circulaire en étant moteur dans la collecte et l'utilisation du calcin » *Dont les résultats et indicateurs clés de performance :* - *Taux de collecte du verre ménager dans l'Europe des 28 (2018)* - *Taux de recyclage du verre au niveau européen (2017)* - *Economie d'énergie et d'émissions de carbone liée à l'incorporation de calcin* - *Tonnes de calcin externe utilisées par les sites* - *Taux d'utilisation du calcin externe dans la production*
Eco-conception des produits	• Chapitre « Développer l'éco-conception pour des produits responsables » *Dont les résultats et indicateurs clés de performance :* - *Nombre de bouteilles vendues des gammes Ecova et EGO* - *Part des gammes Ecova et EGO dans les ventes Groupe*
Efficacité énergétique et empreinte carbone de nos opérations	• Chapitre « Améliorer l'efficacité énergétique et réduire nos émissions de CO2 » *Dont les résultats et indicateurs clés de performance :* - *Emissions de tonnes de CO2 (scope 1 et scope 2)* - *Evolution des émissions de tonnes de CO2 par tonne de verre produite (scope 1 et scope 2)*
Optimiser l'utilisation	• Chapitre « Optimiser l'utilisation de l'eau et réduire les déchets »

de l'eau et réduire les déchets	*Dont les résultats et indicateurs clés de performance :* - *Consommation d'eau par tonne de verre produite* - *Prélèvements totaux d'eau* - *Part des déchets recyclés* - *Quantité de déchets produits*
Qualité de nos produits	• Chapitre « Viser l'excellence dans la qualité de nos produits » *Dont les résultats et indicateurs clés de performance :* - *Pourcentage d'usines en France certifiées ISO 9001 et IS0 22 000* - *Nombre d'audits techniques réalisés* - *Evolution des réclamations*
Ethique des affaires	• Chapitre « Respecter les réglementations applicables et lutter contre la corruption » *Dont les résultats et indicateurs clés de performance :* - *Part des nouveaux cadres embauchés dans l'année formés au programme conformité (comply et ABC) dans leur première année de travail au sein du Groupe*
Achats Responsables	• Chapitre « Avoir des pratiques d'achats responsables »
Développement des communautés	• Chapitre « Contribuer au développement des communautés » *Dont les résultats et indicateurs clés de performance :* - *Nombre d'arbres plantés* - *Emissions de carbone compensées volontairement*

ANNEX IV

Table of concordance of the management report provided for in Articles L. 225-100 et seq. of the French Commercial Code

In order to facilitate the reading of this Universal Registration Document, the table of concordance below identifies the information relating to the annual management report of the Board of Directors to be presented to the General Meeting of Shareholders approving the accounts for each year ended, in accordance with Articles L. 225-100 et seq. of the French Commercial Code.

Management Report	Chapters/Sections of the Universal Registration Document
Activity report	
Position, activities and business developments of the Company and its subsidiaries during the past financial year	5 and 7
Results of the Company and its subsidiaries during the past year (including debt situation)	7 and 8
Key financial performance indicators	7
Key risks and uncertainties	3
Information on market risk and financial risk management	3.4 and 18.1.1 Note 20
Acquisition of equity interests	7.1.2.7
Research and development, patents, licences	5.9.4
Predictable developments and future outlook	10 and 11
Post-balance sheet events	18.6
Capital and shareholding	
Composition and evolution of ownership and capital	16.1 and 19.1.7
Summary table of the outstanding delegations regarding capital increases and the use made of those delegations during the financial year	19.1.1
Acquisitions and disposals of treasury shares by the Company	19.1/3
Employee ownership of shares in the Company's capital	15.4 and 15.5
Transactions carried out by executives and corporate officers on the Company's securities	Annex I §3.4.9
Items that may have an impact in the event of a public offer	Annex I Section 3.4
The name of controlled companies and the share of the Company's capital held	6
Disposals of shares in order to sort out cross-shareholdings	N/A
Governance	
Executive management structure	Annex I §1.4.1
Composition of the Board of Directors	Annex I §1.2.7(a)
Remunerations of corporate officers and executives	
Remuneration of corporate officers and executives	Annex I Chapter 2
Details on pension commitments (other than basic and mandatory supplementary pension plans) and other benefits paid for the termination of duties in whole or in part in the form of an annuity, when these commitments are the responsibility of the company	Annex I Chapter 2
Corporate social and environmental responsibility	
Information on how the Company takes into account the social and environmental consequences of its business	Annex II
Key non-financial performance indicators, including environmental and social	Annex II
Information on installations classified in SEVESO "High threshold" category	N/A
Other legal and tax information	
Dividends distributed	18.4
Information on payment times for suppliers and customers	18.7
Key characteristics of internal control and risk management procedures relating to the development and processing of accounting and financial information	14 and 3.6.2
Injunctions or monetary penalties for anti-competitive practices	N/A
Lavish expenses	N/A

Information on the reincorporation of overhead costs in taxable profit	N/A
Table of results for the last five financial years	18.7

Table of concordance of the annual financial report provided for in Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulation

This Universal Registration Document also constitutes the Company's annual financial report. In order to facilitate the reading of this Universal Registration Document, the table of concordance below identifies the information that constitutes the annual financial report to be published by listed companies in accordance with Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF

Annual financial report	Chapters/Sections of the Universal Registration Document
1. Consolidated financial statements	**18.1.1**
2. Financial statements	**18.2.1**
3. Management report	**Cf. table of concordance above**
4. Declaration of the individual who bears responsibility for the annual financial report	**1.2**
5. Statutory Auditors' report on : **- the consolidated financial statements** **- the financial statements**	 **18.1.2** **18.2.2**
6. Communication relating to the fees of the Statutory Auditors	**18.1.1 Note 24**
7. Report of the Board of Directors on corporate governance (Article L.225-37 of the French Commercial Code)	**Annex I**
9. Statutory Auditors' report on the report of the Board of Directors on corporate governance (Article L.225-37 of the French Commercial Code)	**18.2.2**