VERALLIA SA

INTERIM FINANCIAL REPORT - 30 JUNE 2020

CONTENTS

1. RESPONSIBILITY STATEMENT FOR THE INTERIM FINANCIAL REPORT

I declare that, to the best of my knowledge, the condensed financial statements for the ended semester are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and of all its consolidated entities, and that the attached interim business report provides a fair view of the significant events that occurred in the first six months of the financial year, of their impact on the financial statements and of the main related party transactions entered into by the Group, together with a description of the main risks and uncertainties for the remaining six months of the financial year.

Michel Giannuzzi

Chief Executive Officer

2. INTERIM BUSINESS REPORT

2.1. HIGHLIGHTS OF THE 1ST HALF OF 2020

The first half of 2020 saw a limited decrease in revenue and a slight decline in the adjusted EBITDA margin. The trends observed in the first half of 2020 included the following:

- a 4.1% decrease in revenue to €1,274.6 million (-0.9% at constant scope and exchange rates), including -9.6% in the second quarter (-5.4 % at constant scope and exchange rates) compared with the second quarter of 2019.
- a 4.5% decline in adjusted EBITDA to €298.7 million (almost stable at constant scope and exchange rates) and an adjusted EBITDA margin of 23.4% compared with 23.5% in the first half of 2019.

Net profit increased in the first half of 2020 to €79.3 million (versus €71.7 million at 30 June 2019).
Last of all, the Group reduced its debt and improved its leverage ratio further, with net debt reaching €1,475.7 million (versus €1,590.6 million at 31 December 2019); this reflects a 12-month trailing adjusted EBITDA ratio of 2.5x compared with 2.6x at 31 December 2019.

- **Public health crisis**

Despite the expected impact of the Covid-19 pandemic on activity in the second quarter, Verallia confirmed its resilience by posting a limited decrease in its revenue and a slight decline in its adjusted EBITDA margin over the first half of the year, while continuing to reduce its net debt. In these unprecedented circumstances, the Group managed to ensure business continuity in all its industrial sites by stepping up measures to protect the staff working on-site.

The Group also strengthened its liquidity position with support from a pool of banking partners. On 24 April 2020, the Group arranged an additional €250 million revolving credit facility with a one-year maturity, extendable by six months at the Group's discretion.

- **Transformation Plan in France**

Verallia announced a transformation plan in France to adjust its production capacity in France and improve its industrial performance to respond to the changes in the French market (decline in domestic still wine market, competition from imports from more competitive foreign glassmakers operating in neighboring countries or recent slowdown in exports by adapting its organisation.

This project includes the non-reconstruction of one of the three furnaces at the Cognac site that is coming to the end of its service life at the end of the year and mainly produces bottles for the wine market.

New flow-based industrial processes enabling greater empowerment and industrial efficiency should be deployed across the seven sites of Verallia in France.Those organizations have already been successfully established in the Group's other European countries.
This plan favours voluntary departures, whether as part of a Voluntary Redundancy Plan, Early Cessation of Activity, or other specific measures for certain categories of personnel. Around 150 jobs are expected to become redundant for the seven factories of Verallia in France.
The information-consultation procedures with employee representative bodies are under way.

- **Success of the 2020 employee shareholding offer**

Almost 3,300 employees (i.e. 42% of eligible staff worldwide) took part in the Group's fifth employee shareholding offer (first offer since Verallia's IPO in October) at a unit subscription price of €18.87. In France, the operation was well received in France, with nearly 77% of eligible employees subscribing. The total investment by the Group's employees (including the company's matching contribution) amounted to €20m.
As a result, employee shareholders now hold 3.3% of Verallia's share capital, either directly or through Verallia's FCPE (employee investment fund), and the rate of employee shareholders stands at approximately 37%.

- **Dividend payout**

The General Shareholders' Meeting held on 10 June voted in favour of paying a €0.85 dividend per share, with each shareholder being given the option to receive payment in cash or in new shares. Scrip dividends were paid to 87% of shareholders, limiting the cash impact in July to €13 million.

2.2. Analysis of the results for the six-month periods ended 30 June 2020 and 2019

The table below shows the Group's consolidated statement of income for each of the six-month periods ended 30 June 2020 and 2019.

CONSOLIDATED STATEMENT OF INCOME *(in € millions)*	**Period ended 30 June 2020**	**Period ended 30 June 2019**
Revenue	**1,274.6**	**1,329.4**
Cost of sales	(1,002.9)	(1,057.4)
Selling, general and administrative expenses	(80.1)	(77.9)
Acquisition-related items	(30.4)	(30.8)
Other operating income and expenses	(27.1)	(4.2)
Operating profit	**134.1**	**159.1**
Financial result	**(19.5)**	**(54.8)**
Profit before tax	**114.6**	**104.3**
Income taxes	(35.3)	(33.1)
Share of net profit (loss) of associates	0.0	0.5
Net profit (loss)	**79.3**	**71.7**

2.2.1. Revenue

Verallia generated €1,274.6 million revenue in the first half of 2020 compared with €1,329.4 million in the first half of 2019, reflecting a -4.1% decline.
Exchange rate variations had a -3.2% impact over the first half of the year (-€42 million), due primarily to currency depreciation in various Latin American countries.

- ### Change in revenue by type of effect in € millions in H1 2020

In € million	
H1 2019 revenue	**1,329.4**
Volume effect	*-56.3*
Price/Mix effect	*+43.7*
Exchange rate effect	*-42.1*
H1 2020 revenue	**1,274.6**

At constant exchange rates and scope, revenue decreased by -0.9% in the first half of the year (and by -2.7% excluding Argentina), with a sharp organic decline of 5.4% in the second quarter (7.9% decrease in volumes sold), as the impact of the Covid-19 crisis fully materialized. In comparison, organic growth was +4.0% in the first quarter of 2020. After posting a slight increase in the first quarter, sales volumes fell as anticipated in the second quarter, mainly in April and May. Selling price increases were magnified by Argentina.
In addition, the mix deteriorated over the first half of the year mainly due to France, as a result of lower volumes sold in sparkling wines and spirits and of a shift by some consumers towards to less premium products.

- ### Comparison between the first and second quarters of 2020

In € million	Q1		Q2	
	2020	**2019**	**2020**	**2019**
Revenue	**644.8**	**632.9**	**629.9**	**696.4**
Reported growth	*+1.9%*		*-9.6%*	
Organic growth	*+4.0%*		*-5.4%*	

- ### Change in revenue by region

Revenue *(in € millions)*	**Period ended 30 June 2020**	**Change 2019 – 2020**		**Period ended 30 June 2019**
		In € million	**In %**	
Southern and Western Europe	880.3	-48	-5.2%	928.3
Northern and Eastern Europe	283.3	8.6	+3.1%	274.7
Latin America	111.0	-15.4	-12.2%	126.4
Consolidated revenue	**1,274.6**	**-54.8**	**-4.1%**	**1,329.4**

- ### Southern and Western Europe

Revenue in Southern and Western Europe declined during the six-month period ended 30 June 2020 by €47.9 million, i.e. by -5.2% based on reported data and at constant scope and exchange rates, from €928.3 million for the six-month period ended 30 June 2019 to €880.3 million for the six-month period ended 30 June 2020.

During the six-month period ended 30 June 2020, all the countries in Southern and Western Europe recorded downturns in revenue. The decrease was steeper in France, which is more exposed to premium products. Dynamism in food jars in all countries was not enough to offset the decline in other categories. Sparkling wines and spirits suffered the most and were heavily penalised by the shutdown of the HoReCa (Hotels, Restaurants and Cafés).

- **Northern and Eastern Europe**

Revenue in Northern and Eastern Europe increased during the six-month period ended 30 June 2020 by €8.6 million, i.e. by +3.1% based on reported data (and by +3.4% at constant exchange rates), from €274.7 million for the six-month period ended 30 June 2019 to €283.3 million for the six-month period ended 30 June 2020.

During the six-month period ended 30 June 2020, dynamism in jars and non-alcoholic beverages observed in the first quarter continued into the second quarter. Lower volumes, in Eastern Europe especially, were offset by selling price increases applied to compensate for cost inflation.

- **Latin America**

Revenue in Latin America fell during the six-month period ended 30 June 2020 by €15.4 million, i.e. by -12.2% (but grew by +20.8% excluding exchange rate effects and by +5.0% excluding Argentina), from €126.4 million for the six-month period ended 30 June 2019 to €111.0 million for the six-month period ended 30 June 2020. Volumes increased in Argentina and Chile in the first half of the year, offsetting a softening Brazilian market starting at the end of the first quarter. In addition, selling price increases continued, particularly in Argentina where the pricing policy is still very dynamic in an environment that remains highly inflationary.

2.2.2. COST OF SALES

The cost of sales decreased from €1,057.4 million at 30 June 2019 to €1,002.9 million at 30 June 2020, i.e. by €54.5 million (-5.2%).
As a percentage of revenue, however, the cost of sales contracted by 90 basis points in comparison with 2019, from 79.5% to 78.6%. The Group managed to limit the increase in cost of sales thanks to measures taken under its *Performance Action Plan (PAP) as part of the Verallia Industrial Management (VIM) 2.0 initiative* and to more stringent cost control over the period.

2.2.3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses rose by €2.2 million, i.e. by +2.8%, from €77.9 million during the six-month period ended 30 June 2019 to €80.1 million for the six-month period ended 30 June 2020.
They increased primarily because of the payment of the matching contribution as part of the reserved capital increase carried out on 25 June 2020. The 2020 employee shareholding offer covered eight countries and proved very popular.
The Group managed to keep other selling, general and administrative expenses under control in the first half of 2020.

2.2.4. Other operating income and expenses

Other operating income and expenses increased during the first half of 2020, with the net expense deteriorating by €22.9 million from €4.2 million at 30 June 2019 to €27.1 million at 30 June 2020. These expenses consisted primarily of €19.6 million of restructuring costs and asset impairments as part of the transformation plan in France, and €3.2 million of costs incurred to purchase industrial protective equipment during the Covid-19 public health crisis (*see Note 6.2 "Other operating income and expenses" of the condensed interim consolidated financial statements at 30 June 2020*).

2.2.5. Operating profit

Operating profit decreased by €25 million, i.e. by -15.7%, in the six-month period ended 30 June 2020 from €159.1 million for the six-month period ended 30 June 2019 to €134.1 million for the six-month period ended 30 June 2020.
Operating profit fell during the six-month period ended 30 June 2020 primarily because of a downturn in activity and the recognition of restructuring costs during the period.

2.2.6. Financial result

Finance costs decreased by €35.3 million, i.e. by 64.4%, from a net expense of €54.8 million for the six-month period ended 30 June 2019 to a net expense of €19.5 million for the six-month period ended 30 June 2020.
Net finance costs decreased during the six-month period ended 30 June 2020 primarily because of the full repayment in October 2019 of Term Loans B and C in the notional amount of €1,825 million (interest at 2.75%) and the arrangement of Term Loan A in the amount of €1,500 million (interest at 1.75%) (*see Note 7 "Financial result" of the condensed interim consolidated financial statements at 30 June 2020*), as well as the capitalisation of the shareholder loan in 2019.

2.2.7. Income taxes

Income taxes increased by €2.2 million, i.e. by 6.6%, during the six-month period ended 30 June 2020 from €33.1 million for the six-month period ended 30 June 2019 to €35.3 million for the six-month period ended 30 June 2020. Overall, the effective tax rate in the first half of 2020 was 31% compared with 32% in the first half of 2019.

2.2.8. Net profit (loss)

Net profit increased during the six-month period ended 30 June 2020 from €71.7 million, i.e. 5.4% of revenue, for the six-month period ended 30 June 2019 to €79.3 million, i.e. 6.22% of revenue, for the six-month period ended 30 June 2020; this was despite a €2.2 million increase in income taxes. This growth was mostly attributable to an improved financial result, despite lower operating profit which was eroded by restructuring costs recognised over the six-month period.

The share of net profit (loss) attributable to the Company's shareholders amounted to €76.0 million during the six-month period ended 30 June 2020 versus €67.7 million during the six-month period ended 30 June 2019. The share attributable to non-controlling interests amounted to €3.3 million during the six-month period ended 30 June 2020 versus €4.0 million during the six-month period ended 30 June 2019.

2.2.9. Adjusted EBITDA

Adjusted EBITDA decreased by -4.5% (almost stable at constant exchange rates and scope) in the first half of 2020 to €298.7 million compared with €312.8 million in the first half of 2019. Unfavourable **exchange rate effects** totalled -€13 million during the six-month period, entirely attributable to depreciating Latin American currencies.
Activity was steeply negative at -€26 million due to weaker sales volumes compared to the 1st half of 2019, partially offset by less destocking. There was less destocking primarily because only one furnace was shut down for repairs in the 1st half of 2020 compared with five furnaces in the 1st half of 2019. Six furnaces will be shut down for repairs in the second half of 2020 compared with none in the second half of 2019.

The **adjusted EBITDA margin** decreased slightly to 23.4%, compared to 23.5% in the first half of 2019. On a quarterly basis, the margin held steady at 23.4% in the 2nd quarter of 2020, compared to 23.5% in the 1st quarter of 2020 and 24.5% in the 2nd quarter of 2019.

Despite the Covid-19 crisis that affected sales, the adjusted EBITDA margin showed resilience, thanks first and foremost to a positive spread[1] and the ongoing roll-out of the Performance Action Plan (PAP). The PAP helped to reduce cash production costs by a significant €19 million.

To summarise, the change in adjusted EBITDA breaks down as follows:

(in € millions)	
Adjusted EBITDA at 30 June 2019	**312.8**
Sales contribution	*-26.0*
Spread price/ Cost	*+16.7*
Net productivity (ii)	*19.3*
Exchange rate effect	*-13.2*
Other	*-10.8*
Adjusted EBITDA at 30 June 2020	**298.7**

- **Comparison between the first and second quarters of 2020**

In € million	**Q1**		**Q2**	
	2020	**2019**	**2020**	**2019**
Adjusted EBITDA	**151.3**	**142.0**	**147.4**	**170.8**
Adjusted EBITDA margin	*23.5%*	*22.4%*	*23.4%*	*24.5%*

[1] Spread corresponds to the difference between (i) the increase in selling prices and the mix applied by the Group after passing any increase in production costs onto these selling prices and (ii) the increase in 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. Higher production costs are recognised by the Group at constant production volumes and before any industrial variance or impact resulting from the Performance Action Plan (PAP).

- **Change in adjusted EBITDA by region**

(*in € millions*)	Period ended 30 June 2020	Change 2019 – 2020		Period ended 30 June 2019
		In € million	In %/bp	
Southern and Western Europe				
Adjusted EBITDA	*195.8*	*-24*	*-10.9%*	*219.8*
Adjusted EBITDA margin	*22.2%*	*-*	*-150 bp*	*23.7%*
Northern and Eastern Europe				
Adjusted EBITDA	*68.9*	*9.0*	*15.0%*	*59.9*
Adjusted EBITDA margin	*24.3%*	*-*	*250 bp*	*21.8%*
Latin America				
Adjusted EBITDA	*33.9*	*0.8*	*2.4%*	*33.1*
Adjusted EBITDA margin	*30.6%*	*-*	*440 bp*	*26.2%*
Consolidated adjusted EBITDA	**298.7**	**-14.1**	**-4.5%**	**312.8**
Consolidated adjusted EBITDA margin	**23.4%**	**-**	**-10 bp**	**23.5%**

- **Southern and Western Europe**

In Southern and Western Europe, adjusted EBITDA decreased by €23.9 million, i.e. by 10.9%, during the six-month period ended 30 June 2020 from €219.8 million for the six-month period ended 30 June 2019 to €195.8 million for the six-month period ended 30 June 2020. The decline in adjusted EBITDA and in the adjusted EBITDA margin (-140 basis points, i.e. 22.2% in the first half of 2020 versus 23.7% in the first half of 2019) was mostly attributable to France which suffered the steepest drop in sales and sharpest deterioration in the product mix, due in particular to the decline in sales of premium products. Spain, Portugal and Italy proved resilient during the first half of 2020, reporting stable adjusted EBITDA.

- **Northern and Eastern Europe**

In Northern and Eastern Europe, adjusted EBITDA increased by €9.0 million, i.e. by 15.0%, during the six-month period ended 30 June 2020 from €59.9 million for the six-month period ended 30 June 2019 to €68.9 million for the six-month period ended 30 June 2020.
The rise in adjusted EBITDA and in the adjusted EBITDA margin (+250 basis points, i.e. 24.3% in the first half of 2020 versus 21.8% in the first half of 2019) was mostly attributable to selling price increases, primarily in Eastern Europe, which offset declining volumes, and an improvement in industrial performance.

- **Latin America**

In Latin America, adjusted EBITDA increased during the six-month period ended 30 June 2020 by €0.8 million, i.e. by 2.4%, from €33.1 million for the six-month period ended 30 June 2019 to €33.9 million for the six-month period ended 30 June 2020.

The rise in adjusted EBITDA and in the adjusted EBITDA margin (+440 basis points, i.e. 30.6% in the first half of 2020 versus 26.2% in the first half of 2019) was attributable to good performances by Verallia's three pillars: volumes, positive spread and industrial performance, despite the macroeconomic environment remaining unfavourable in Argentina and deteriorating in Brazil.

2.3. Key performance indicators

The Group uses revenue, adjusted EBITDA, cash conversion and investments as its key performance indicators. These performance indicators are monitored by the Group regularly to analyse and assess its operations and their momentum, measure their performance, prepare earnings forecasts and take strategic decisions.

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**	**Change**
Adjusted EBITDA (in € millions)	298.7	312.8	-14.1
Adjusted EBITDA margin	23.4%	23.5%	-10 bp
Cash conversion	69.4%	68.9%	50 bp

Adjusted EBITDA and cash conversion are alternative performance measures according to AMF Position n°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 as substitutes for operating profit, net profit or cash flows from operating activities, which are measures defined by IFRS, or a measure of liquidity. Other issuers may calculate adjusted EBITDA and cash conversion differently from the definitions used by the Group.

Adjusted EBITDA corresponds to operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, the costs of management share ownership plans, subsidiary disposal-related effects and contingencies, plant closure costs and other items.

2.3.1. Operating cash flows

Cash flows correspond to operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, the costs of management share ownership plans, subsidiary disposal-related effects and contingencies, plant closure costs and other items, i.e. adjusted EBITDA less capex.
Operating cash flows correspond to cash flows plus the change in operating working capital requirement.

- Reconciliation of operating profit to adjusted EBITDA and operating cash flows:

(*in € millions*)	**Period ended 30 June 2020**	**Period ended 30 June 2019**
Operating profit	**134.1**	**159.1**
Depreciation and amortisation (1)	139.6	141.2
Restructuring costs (2)	19.1	1.9
IAS 29 *Hyperinflation* (Argentina)	0.7	(0.3)
Management share ownership plan and associated costs (3)	1.8	5.4
Closure of the Sao Paulo plant	0.0	1.6
Other (4)	3.4	4.1
Adjusted EBITDA	**298.7**	**312.8**
Capex	(91.5)	(97.4)
Cash flows	**207.2**	**215.4**
Change in operating working capital requirement	(69.0)	(19.7)
Operating cash flows	**138.2**	**195.7**

(1) *Includes amortisation and depreciation of intangible assets and property, plant and equipment (Note 5.2 of the Group's condensed interim consolidated financial statements), amortisation of intangible assets acquired through business combinations (Note 6.1 of the Group's condensed interim consolidated financial statements) and depreciation of property, plant and equipment including those relating to the transformation plan carried out in France. (Note 6.2 of the Group's condensed interim consolidated financial statements).*

(2) *Corresponds mainly to the transformation plan carried out in France, including the costs of stopping one furnace and support measures for staff departures (Note 6.2 of the Group's condensed interim consolidated financial statements).*

(3) *Corresponds to share-based compensation plans and associated costs (Note 5.2 of the Group's condensed interim consolidated financial statements).*

(4) *Corresponds to various other non-recurring items:*
- *in 2020, primarily donations and purchases of personal protection equipment made by the Group during the Covid-19 crisis.*
- *in 2019, primarily costs incurred due to the Group's planned initial public offering.*

The Group's operating cash flows decreased by €57.5 million in the six-month period ended 30 June 2020. This decline is attributable to the decrease in adjusted EBITDA and the planned increase in capital expenditure, especially strategic capex. Meanwhile, the working capital requirement was well managed, with a decline in terms of the number of sales days.

2.3.2. Cash conversion

Cash conversion is defined as adjusted EBITDA less capex, divided by adjusted EBITDA. The elements used to determine adjusted EBITDA are provided in the reconciliation of operating cash flows table (see above).

Reconciliation of adjusted EBITDA to cash conversion

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**
Adjusted EBITDA	**298.7**	**312.8**
Capex	(91.5)	(97.4)
Cash flows	**207.2**	**215.4**
Cash conversion	**69.4%**	**68.9%**

The Group's cash conversion remained high and increased very slightly from 68.9% to 69.4% in the six-month period ended 30 June 2020. It rose mainly because of lower capex: a reduction in recurring capex (-€24 million) offset an increase in strategic capex (+€18 million).

2.4. Consolidated Group cash flows for the periods ended 30 June 2020 and 30 June 2019

The table below sets out the Group's cash flows for the periods ended 30 June 2020 and 30 June 2019:

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**	**Change**
Net cash flows from operating activities	259.9	237.9	22.0
Net cash flows from investing activities	(142.3)	(103.5)	-38.8
Net cash flows from financing activities	64.3	(154.4)	218.7
Increase/Decrease in cash and cash equivalents	**181.9**	**(20.0)**	**201.9**
Impact of changes in foreign exchange rates on cash and cash equivalents	*(12.9)*	*(1.2)*	*-11.7*
Opening cash and cash equivalents	219.2	262.1	-42.9
Closing cash and cash equivalents	388.2	240.8	147.4

On 30 June 2020, the Group's cash and cash equivalents amounted to €388.2 million versus €240.8 million on 30 June 2019.

2.4.1. Net cash flows from operating activities

The following table sets out the net cash flows from the Group's operating activities for the periods ended 30 June 2020 and 30 June 2019:

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**	**Change**
Net profit (loss)	**79.3**	**71.7**	**7.6**
Share of net profit (loss) of associates, net of dividends received	-	(0.5)	0.5
Depreciation, amortisation and impairment of assets	139.6	141.2	-1.6
Gains and losses on asset disposals	2.2	(1.8)	4.0
Interest expense on financial liabilities	18.6	39.4	-20.8
Unrealised foreign exchange gains and losses	0.2	-	0.2
Gain/loss on the net monetary position (IAS 29 *Hyperinflation*)	2.0	3.2	-1.2
Unrealised gains and losses from changes in the fair value of derivatives	(0.8)	2.6	-3.4
Change in inventories	4.9	43.7	-38.8
Change in trade receivables, trade payables and other receivables and payables	(23.4)	(66.4)	43.0
Current tax expense	40.0	41.3	-1.3
Taxes paid	(16.5)	(27.2)	10.7
Change in deferred taxes and provisions	13.8	(9.2)	23.0
Net cash flows from operating activities	**259.9**	**237.9**	**22.0**

Net cash flows from the Group's operating activities amounted to €259.9 million for the six-month period ended 30 June 2020, compared to €237.9 million for the six-month period ended 30 June 2019.

The €22 million increase in net cash flows from the Group's operating activities during the twelve-month period ended 30 June 2020 stemmed primarily from the increase in net profit as well as the reduction in interest expense, improvement a change working capital requirement over the period in question, despite a lower destocking over the period.

2.4.2. NET CASH FLOWS ATTRIBUTED TO INVESTING ACTIVITIES

The following table shows the net cash flows attributed to the Group's investing activities for the six-month periods ended 30 June 2020 and 30 June 2019.

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**	**Change**
Acquisition of property, plant and equipment and intangible assets	(91.5)	(97.4)	5.9
Increase (decrease) in fixed asset liabilities	(50.4)	(11.7)	-38.7
Acquisitions of subsidiaries, net of cash acquired	1.0	(1.8)	2.8
Capex	**(140.9)**	**(110.9)**	**-30.0**
Disposals of property, plant and equipment and intangible assets, of which associated costs	(0.5)	2.7	-3.2
Sale of equity-accounted securities	-	-	-
Disposals	**(0.5)**	**2.7**	**-3.2**
Increase in loans, deposits and short-term borrowings	(1.6)	(1.8)	0.2
Reduction in loans, deposits and short-term borrowings	0.7	6.5	-5.8
Changes in loans and deposits	**(0.9)**	**4.7**	**-5.6**
Net cash flows from investing activities	**(142.3)**	**(103.5)**	**-38.8**

Net cash flows attributed to the Group's investing activities correspond primarily to acquisitions of property, plant and equipment and intangible assets (or capex), which totalled €91.5 million versus €97.4 million on 30 June 2019.

2.4.3. NET CASH FLOWS ATTRIBUTED TO FINANCING ACTIVITIES

The following table shows the net cash flows attributed to the Group's financing activities for the six-month periods ended 30 June 2020 and 30 June 2019:

(in € millions)	**Period ended 30 June 2020**	**Period ended 30 June 2019**	**Change**
Capital increase (reduction)	20.1	-	20.1
Transactions with shareholders	**20.1**	-	**20.1**
Capital increases of subsidiaries subscribed by third parties	-	7.2	-7.2
Dividends paid to minority shareholders by consolidated entities	(0.6)	(3.0)	2.4
Transactions with non-controlling interests	**(0.6)**	**4.2**	**-4.8**
Increase (decrease) in bank overdrafts and other short-term borrowings	(129.9)	51.1	-181.0
Increase in long-term debt	201.2	9.6	191.6
Reduction in long-term debt	(13.1)	(181.9)	168.8
Financial interest paid	(13.4)	(37.4)	24.0
Change in gross debt	**44.8**	**(158.6)**	**203.4**
Net cash flows from financing activities	**64.3**	**(154.4)**	**218.7**

Net cash flows from the Group's financing activities amounted to €64.3 million for the six-month period ended 30 June 2020 compared to €(154.4) million for the six-month period ended 30 June 2019. The main cash flows registered during the six-month period ended 30 June 2020 included a €203.4 million change in gross debt, mainly because of the €200 million drawn from the RCF1 revolving credit facility in March 2020, the decrease in Neu CP negotiable debt securities *(Note 16 of the Group's condensed interim consolidated financial statements*) in the first half of 2020, the partial repayment of €150 million of Term Loan B in March 2019, and the voluntary repayment of €21.5 million of the Intra-group Loan.

Financial interest paid also decreased by €24 million. The net expense improved during the six-month period ended 30 June 2020 mostly because of the refinancing arranged by the Group as part of its initial public offering in October 2019.

2.5. CHANGE IN AND COST OF DEBT

Verallia continued to deleverage during the first half of 2020. The Group's gross financial debt[2] at 30 June 2020 totalled €1,865.8 million versus €1,809.8 million at 31 December 2019. Net financial debt decreased from €1,590.6 million at 31 December 2019 to €1,475.7 million at 30 June 2020.

On 30 June 2020, the Group's variable-rate financial debt portfolio after taking account of derivative instruments totalled €499.9 million (€202.2 million at 30 June 2019).
The cost of net financial debt during the six-month period ended 30 June 2020 came to €23.2 million (versus €47.0 million at 30 June 2019).
The Group's net debt/adjusted EBITDA ratio stood at 2.5x, which is lower than the 2.6x registered on

[2] Corresponds to the "Financial liabilities and non-current derivatives" and "Financial liabilities and current derivatives" line items in the Group's consolidated balance sheet.

31 December 2019. The Group made sure to pursue its balance sheet optimisation policy in the first half of 2020, so this leverage ratio remains well below the maximum threshold of 5.0x adjusted EBITDA authorised in Verallia's financing documentation.

The Group strengthened its liquidity position by drawing €200 million from its €500 million revolving credit facility (RCF1) in case it was unable to renew its maturing Neu CP since the market had almost closed down by the end of March. On 24 April 2020, the Group also arranged an additional €250 million revolving credit facility with a one-year maturity, extendable by six months at the Group's discretion.

2.6. Exchange rate variation

The Group has a global presence while maintaining a local industrial footprint ("Glocal" model), which means that its earnings are affected by exchange rate variations.

The impact of exchange rate variations on the Group's results mainly consists of a translation effect. Although the majority of the Group's consolidated revenue is denominated in euros, a significant share of its assets, liabilities, revenue and expenses is denominated in other currencies, primarily the Brazilian real, the Argentine peso, the Russian rouble and the Ukrainian hryvnia. As such, the Group's euro-denominated financial statements require the translation of these assets, liabilities, revenue and expenses into euros, at applicable exchange rates. The Group's exposure to the translation effect is not hedged.

In Argentina, following the sharp increase in the cumulative inflation rate over several years, the economy was considered as being in hyperinflation, such that the Group was obliged to apply the IAS 29 *Hyperinflation* accounting rule to its Argentine activities as of 1 January 2018. Application of this standard imposes the restatement of non-monetary assets and liabilities, equity and the income statement to reflect changes in purchasing power in the local currency. These restatements may lead to a gain or loss on the net monetary position included in the financial result.

For the six-month period ended 30 June 2020, the net impact of hyperinflation in Argentina on revenue was -€2.5 million, compared with €1.7 million for the six-month period ended 30 June 2019. The impact of hyperinflation is excluded from consolidated adjusted EBITDA.

2.7. Capital expenditure

The Group exercises its activities in a highly capital-intensive industry that requires constant investments to maintain and/or increase production capacity, modernise the Group's assets and technology, and comply with regulations. To this end, the Group implements a disciplined capex policy primarily aimed at guaranteeing that its furnaces are operational and as efficient as possible (especially in terms of energy consumption) and at ensuring that the scaling of its production facilities is permanently adjusted to changes in supply and demand and available capacity on the market.

Total capex (recurring and strategic) for the six-month periods ended 30 June 2020 and 30 June 2019 amounted to respectively €91.5 million (of which €64.4 million of recurring capex and €27.1 million of strategic capex) and €97.4 million (of which €88.5 million of recurring capex and €8.9 million of strategic capex), mainly corresponding to the new furnaces being installed in Italy (Villa Poma) and Spain (Azuqueca) which will start up depending on market demand. In 2019, the majority of furnace renovations took place in the first half of the year, whereas in 2020 they will take place in the second half. As previously warned, the impact of capital expenditure was significantly greater in the first half of 2020 than in the first half of 2019.

In light of the critical circumstances created by the Covid-19 epidemic, recurring capex will be kept at around 8% of annual consolidated revenue, which will be lower than expected, implying that the absolute amount of recurring capex will also be less than initially forecast at the end of 2019 (€270 million).

2.8. Acquisitions, disposals and changes in scope

There were no significant changes in the scope of consolidation during the first half of 2020.

2.9. Related party transactions

The Group did not enter into any related party transactions other than those described in Note 22 of the consolidated financial statements included in its 2019 Universal Registration Document and in Note 20 of the Group's condensed interim consolidated financial statements.

2.10. Foreseeable development of the Group

The critical environment due to the Covid-19 pandemic and the persistent uncertainty linked to the duration of the crisis had led the Group to withdraw its 2020 objectives and makes financial forecasting exercises for 2020 still difficult. Nevertheless, the Group believes that the second quarter of 2020 should be a low point in terms of sales volumes and that the following quarters should show more favourable volume momentum.

For the year 2020, volumes are expected to be down by around -5% compared to 2019. Under these assumptions, adjusted EBITDA forecast for this year should be slightly above that of 2018, that amounted to €543 million.

The furnace repairs planned in the second half 2020 will be extended in time to proactively decrease the level of inventories. This will result in destocking admittedly negatively affecting EBITDA over the semester but better positioning the Group for a recovery in 2021 while improving cash starting this year.

Moreover, in 2020 the Group will continue to deleverage after dividend payment.

In addition, Verallia continues to implement measures to variabilize costs, to monitor very closely the working capital and to improve the supply chain to better serve clients. All investments remain under tight control and recurring investments will be maintained at around 8% of annual consolidated revenue.

As regards the medium-term financial guidance (for the period 2020-2022) announced at the time of IPO, Verallia believes that its targets remain valid except for the compound annual growth rate (CAGR) guidance issued for consolidated revenue of between 3% and 5% for the period 2020-2022, given (i) the negative impact of Covid-19 on sales volumes in 2020 and (ii) the smaller selling price increases expected to be applied against a backdrop of more moderate production cost inflation than initially anticipated.

Verallia confirms thus the other financial objectives between now and 2022, namely:

- An adjusted EBITDA margin exceeding 25% in 2022, mainly due to (i) the growth in sales volumes and the improvement in associated operating leverage, (ii) the continuation of its dynamic pricing policy aimed at offsetting cost increases and (iii) the ongoing implementation of the performance action plan and the reduction of production costs;

- The continuation of its disciplined investment policy aimed at maintaining recurring capex at around 8% of consolidated annual revenue;
- A net financial debt/adjusted EBITDA ratio of between 2x and 3x;
- An annual dividend payout ratio exceeding 40% of consolidated net income, with an annual amount of at least €100m, subject to approval by Verallia's General Shareholders' meeting.

2.11. MAIN RISKS AND UNCERTAINTIES

From the outset of the Covid-19 crisis, Verallia undertook all necessary measures to guarantee the health and safety of its employees worldwide and ensure business continuity.
Adaptation plans were implemented at Group and country level to ensure the following priorities were met:

- Employee safety: the Group immediately put in place all required precautionary health measures to prevent the spread of the virus at its production sites. In addition, remote work was swiftly rolled out in all possible cases.
- Business and production continuity: as a key supplier to the food industry, the Group managed to keep all of its production sites running, by adapting its production volumes, and thus to serve its customers to the fullest extent possible. The Group's plants in Northern Europe, Italy and Iberia have continued to operate at a sustained level. France and Latin America have been more affected.

The main risks and uncertainties that the Group may face over the remaining six months of the year are identical to those presented in Chapter 3 "Main risks" of the 2019 Universal Registration Document. However, in light of the ongoing public health crisis, the Group believes that it is still difficult to assess the impact of the Covid-19 pandemic on the overall economic environment and that it could affect some of the growth trends and growth prospects specific to some of its end markets, even though the fundamental momentum in the glass packaging market depends largely on the intrinsic characteristics of glass material and should not be impacted significantly.

In addition, the Group began building new furnaces in 2019, one in Azuqueca in Spain and another in Villa Poma in Italy; depending on the impact the Covid-19 pandemic has on the glass packaging market and the progress made on the construction work, their start-up dates will be adjusted according to demand in the markets they are being built for. The Group strives to keep its production facilities flexible and efficient so that it can adjust its production capacity to ebbs and flows in demand as rapidly as possible.

3. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	30 June 2020	31 December 2019
ASSETS			
Goodwill	9	531.7	550.9
Other intangible assets	10	461.1	499.2
Property, plant and equipment	11	1 234.2	1 299.3
Investments in associates		0.6	0.6
Deferred tax		37.5	42.3
Other non-current assets		34.7	37.5
Non-current assets		**2 299.8**	**2 429.8**
Inventories	13.1	442.0	455.2
Trade receivables and other current assets	13.2	184.1	178.9
Current tax receivables	13	14.3	21.0
Cash and cash equivalents	14	388.2	219.2
Current assets		**1 028.6**	**874.3**
Total Assets		**3 328.4**	**3 304.1**
EQUITY & LIABILITIES			
Share capital	15.1	403.8	400.2
Consolidated reserves	15	(100.6)	(14.0)
Equity attributable to shareholders		**303.2**	**386.2**
Non controlling interests		35.6	33.4
Equity		**338.8**	**419.6**
Non-current financial liabilities and derivatives	16	1 767.1	1 584.0
Provisions for pensions and other employee benefits	18	128.8	133.0
Deferred tax		153.1	166.6
Provisions and other non-current financial liabilities	17	40.5	43.1
Non-current liabilities		**2 089.5**	**1 926.7**
Current financial liabilities and derivatives	16	98.8	225.9
Current portion of provisions and other non-current financial liabilities	17	68.3	51.9
Trade payables	13.3	350.1	383.6
Current tax liabilities	13	33.5	19.3
Other current liabilities	13.3	349.4	277.1
Current liabilities		**900.1**	**957.8**
Total Equity and Liabilities		**3 328.4**	**3 304.1**

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in € million)	Note	Period ended 30 June	
		2020	2019
Revenue	**5.1**	**1 274.6**	**1 329.4**
Cost of sales	5.2	(1 002.9)	(1 057.4)
Selling, general and administrative expenses	5.2	(80.1)	(77.9)
Acquisition-related items	6.1	(30.4)	(30.8)
Other operating income and expenses	6.2	(27.1)	(4.2)
Operating profit		**134.1**	**159.1**
Net financial income (expense)	**7**	**(19.5)**	**(54.8)**
Profit (loss) before tax		**114.6**	**104.3**
Income tax	8	(35.3)	(33.1)
Share of net profit (loss) of associates		0.0	0.5
Net profit (loss) for the period		**79.3**	**71.7**
Attributable to shareholders of the Company		***76.0***	***67.7***
Attributable to non-controlling interests		*3.3*	*4.0*
Basic earnings per share ***(in €)***	**15.3**	**0.64**	**0.59**
Diluted earnings per share ***(in €)***	**15.3**	**0.64**	**0.59**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Period ended 30 June	
	2020	2019
Net profit (loss) for the period	***79.3***	***71.7***
Items that may be reclassified to profit or loss		
Translation differences	(83.9)	4.8
Changes in fair value of cash flow hedges	(6.1)	(18.6)
Deferred tax on items that may subsequently be reclassified to profit or loss	1.5	5.0
Total	(88.5)	(8.8)
Items that will not be reclassified to profit or loss		
Remeasurement of the defined benefit liability (asset)	2.9	(15.6)
Deferred tax on items that will not be reclassified to profit or loss	(0.6)	4.2
Total	2.3	(11.4)
Other comprehensive income (loss)	***(86.2)***	***(20.2)***
Total comprehensive income (loss) for the period	**(6.9)**	**51.5**
Attributable to shareholders of the Company	*(7.0)*	*49.8*
Attributable to non-controlling interests	*0.1*	*1.7*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	Period ended 30 June	
		2020	2019
Net profit (loss) for the period		**79.3**	**71.7**
Share of net profit (loss) of associates, net of dividends received		-	(0.5)
Depreciation, amortisation and impairment of assets		139.6	141.2
Gains and losses on disposals of assets	6.2	2.2	(1.8)
Interest expense on financial liabilities		18.6	39.4
Unrealised gains and losses on changes		0.2	-
Gain/loss on net monetary position (IAS 29, *Hyperinflation*)		2.0	3.2
Unrealised gains and losses on changes in the fair value of derivatives		(0.8)	2.6
Change in inventories		4.9	43.7
Change in trade receivables, trade payables and other receivables and payables		(23.4)	(66.4)
Current tax expense		40.0	41.3
Taxes paid		(16.5)	(27.2)
Changes in deferred taxes and provisions		13.8	(9.2)
Net cash flows from operating activities		**259.9**	**237.9**
Acquisition of property, plant and equipment and intangible assets	4.3	(91.5)	(97.4)
Increase (decrease) in debt on fixed assets	14	(50.4)	(11.7)
Acquisitions of subsidiaries, net of cash acquired		1.0	(1.8)
Deferred payment related to the acquisition of a subsidiary		-	-
Capital expenditure		**(140.9)**	**(110.9)**
Disposals of property, plant and equipment, intangible assets included related costs		(0.5)	2.7
Sale of equity-accounted securities		-	-
Disposals		**(0.5)**	**2.7**
Increase in loans, deposits and short-term borrowings		(1.6)	(1.8)
Reduction in loans, deposits and short-term borrowings		0.7	6.5
Changes in loans and deposits		**(0.9)**	**4.7**
Net cash flows from (used in) investing activities		**(142.3)**	**(103.5)**
Capital increase (reduction)		20.1	-
Transactions with shareholders		**20.1**	**-**
Capital increases of subsidiaries subscribed by third parties		-	7.2
Dividends paid to non-controlling interests by consolidated companies		(0.6)	(3.0)
Transactions with non-controlling interests		**(0.6)**	**4.2**
Increase (reduction) in bank overdrafts and other short-term borrowings	16	(129.9)	51.1
Increase in long-term debt	16	201.2	9.6
Reduction in long-term debt	16	(13.1)	(181.9)
Financial interest paid	16	(13.4)	(37.4)
Change in gross debt		**44.8**	**(158.6)**
Net cash flows from (used in) financing activities		**64.3**	**(154.4)**
Increase (reduction) in cash and cash equivalents		**181.9**	**(20.0)**
Impact of changes in foreign exchange rates on cash and cash equivalents		(12.9)	(1.2)
Impact of changes in fair value on cash and cash equivalents		-	-
Opening cash and cash equivalents		**219.2**	**262.1**
Closing cash and cash equivalents		**388.2**	**240.8**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	Share capital	Share premium	Treasury shares	Translation reserve	Hedging reserve	Other reserves and retained earnings	Equity attribuable to shareholders	Non-controling interests	Total equity
As of 31 December 2018	**137.5**	**-**	**-**	**(34.5)**	**(21.2)**	**(58.9)**	**23.1**	**27.5**	**50.6**
Other comprehensive income	-	-	-	9.1	(18.1)	(9.0)	**(17.9)**	(2.3)	**(20.2)**
Net profit for the year	-	-	-	-	-	67.7	**67.7**	4.0	**71.7**
Total comprehensive income for the year	*-*	*-*	*-*	*9.1*	*(18.1)*	*58.7*	***49.8***	*1.7*	***51.5***
Capital increase	-	-	-	-	-	-	**-**	7.2	**7.2**
Dividends / distribution of share premium	-	-	-	-	-	-	**-**	(3.5)	**(3.5)**
Share-based compensation	-	-	-	-	-	2.2	**2.2**	0.1	**2.3**
IAS 29 *Hyperinflation*	-	-	-	-	-	5.4	**5.4**	3.9	**9.3**
Other	-	-	-	-	-	(0.1)	**(0.1)**	-	**(0.1)**
Change in non-controlling interests	-	-	-	-	-	8.8	**8.8**	(9.5)	**(0.7)**
As of 30 june 2019	**137.5**	**-**	**-**	**(25.4)**	**(39.2)**	**16.1**	**89.1**	**27.4**	**116.5**

* *The change in non-controlling interests mainly concerns Verallia Packaging's Employee Investment Fund ("FCPE").*

(in € million)	Share capital	Share premium	Treasury shares	Translation reserve	Hedging reserve	Other reserves and retained earnings	Equity attribuable to shareholders	Non-controling interests	Total equity
As of 31 December 2019	**400.2**	**78.4**	**-**	**(27.6)**	**(42.4)**	**(22.4)**	**386.2**	**33.4**	**419.6**
Other comprehensive income	-	-	-	(80.7)	(6.1)	3.8	**(83.0)**	(3.2)	**(86.2)**
Net profit for the year	-	-	-	-	-	76.0	**76.0**	3.3	**79.3**
Total comprehensive income for the year	*-*	*-*	*-*	*(80.7)*	*(6.1)*	*79.8*	***(7.0)***	*0.1*	***(6.9)***
Capital increase for the Group Savings Plan _ Verallia SA	3.6	16.5	-	-	-	-	**20.1**	-	**20.1**
Dividends / distribution of share premium	-	-	-	-	-	(100.7)	**(100.7)**	(0.1)	**(100.8)**
Cancellation of Treasury shares	-	-	(0.1)	-	-	-	**(0.1)**	-	**(0.1)**
Share-based compensation	-	-	-	-	-	1.7	**1.7**	-	**1.7**
IAS 29 *Hyperinflation*	-	-	-	-	-	3.3	**3.3**	2.2	**5.5**
Other	-	-	-	(16.7)	-	16.4	**(0.3)**	-	**(0.3)**
Change in non-controlling interests	-	-	-	-	-	-	**-**	-	**-**
As of 30 June 2020	**403.8**	**94.9**	**(0.1)**	**(125.0)**	**(48.5)**	**(21.9)**	**303.2**	**35.6**	**338.8**

NOTE 1 – INFORMATION ON THE GROUP

1.1 INCORPORATION AND CREATION

1.1.1 CORPORATE NAME

At 30 June 2020, the Company's corporate name is "Verallia" and has been so 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 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.

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 30 June 2020, the Company is a société anonyme (limited company) governed by French law.

1.2 HIGHLIGHTS

The first half of 2020 was affected by the Covid-19 public health crisis, which began to impact on the Verallia Group's activity as from March.

Despite these unprecedented circumstances, the Group managed to ensure business continuity in all its industrial sites by stepping up measures to protect the staff working on-site. All sites are currently opened (**Note 2.3**).

The Group also strengthened its liquidity position with support from a pool of banking partners. On 24 April 2020, it arranged an additional €250 million revolving credit facility with a one-year maturity, extendable by six months at the Group's discretion.

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 9,700 employees worldwide, spread over 32 glass production sites with a total of 57 furnaces.

NOTE 2 – BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 DECLARATION OF COMPLIANCE AND APPLICABLE FRAMEWORK

The Verallia Group's condensed consolidated financial statements for the six-month period ended 30 June 2020 were prepared in accordance with the IAS 34 standard applicable to interim financial reporting and on the basis of the IFRS standards and interpretations published by the International Accounting Standards Board (IASB) as adopted in the European Union and in force since 1 January 2020.

They do not include all the information required for a full set of financial statements under IFRS. However, they do include a selection of notes describing significant events and transactions relevant to understanding any changes in the Group's financial position and performance since the last annual financial statements.

They are inseparable from the information presented in the consolidated financial statements provided in the Group's 2019 universal registration document.

These interim financial statements were approved by the Board of Directors on 30 July 2020.

The condensed 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 Group applied the following standards, amendments and interpretations starting from 1 January 2020:

Amendments to IAS 39, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform	1 January 2020
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: Amendment of the definition of "material"	1 January 2020

These new texts had no material impact on the financial statements.

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'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.

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 ADOPTED EARLY BY THE GROUP	
IFRS 17 Insurance Contracts	1 January 2023

2.2 Estimates and judgements

While preparing these interim financial statements, Management exercised its judgement and made estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual values may differ from estimated amounts.

The key judgements made by Management in applying the Group's accounting policies and the main sources of estimation uncertainty are identical to those described in the last annual financial statements. They were made in the first half of 2020 amid the uncertainty surrounding Covid-19.

The main estimates and judgements made by Management in preparing these consolidated financial statements are as follows:

Management's main estimates and judgements	Notes
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	17
Measurement of defined benefit obligations and plan assets	18.1
Measurement of put liabilities on non-controlling interests	17

2.3 Covid-19

As mentioned in the section on Highlights, the first half of 2020 was affected by the Covid-19 public health crisis, which began to impact on activity as from March. Despite these unprecedented circumstances, the Group managed to ensure business continuity in all its industrial sites by stepping up measures to protect the staff working on-site. All sites are currently opened.

Verallia Group's Management paid particularly close attention to the following aspects:

- direct incremental costs,
- underutilised capacity,
- the risk of goodwill and asset impairment,
- the risk of hedge ineffectiveness,
- factoring

The corresponding accounting impacts, where material, are commented on in each of the associated notes to these consolidated financial statements.

2.4 TRANSACTIONS IN FOREIGN CURRENCIES

The methods for translating foreign currency items are described in the last annual financial statements.

The following table summarises the main exchange rates applied in preparing the Group's interim financial statements:

	As of 30 June 2020		As of 31 December 2019		As of 30 June 2019	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Brazilian real (EUR/BRL)	6.12	5.4	4.5	4.41	4.39	4.34
Argentine peso (EUR/ARS)*	79.09	71.03	67.14	53.76	48.26	46.75
Russian rouble (EUR/RUB)	78.8	76.6	69.48	72.46	71.68	73.73
Ukrainian hryvnia (EUR/UAH)	29.95	28.58	26.71	28.93	29.73	30.41

** In accordance with IAS 29, all financial information is translated at the closing rate for subsidiaries located in a country considered to be "hyperinflationary". Argentina has been considered a hyperinflationary country within the meaning of IAS 29 since 1 July 2018.*

NOTE 3 – CHANGES IN THE SCOPE OF CONSOLIDATION

3.1 CHANGES IN SCOPE DURING THE FIRST HALF OF 2020

There were no significant changes in the scope of consolidation during the first half of 2020.

3.2 CHANGES IN SCOPE DURING THE FIRST HALF OF 2019

There were no significant changes in the scope of consolidation during the first half of 2019.

NOTE 4 – SEGMENT INFORMATION

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**, comprising production plants located in France, Italy, Spain and Portugal. 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**, comprising 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,** comprising sites located in Brazil, Argentina and Chile. The Group's Latin American activities 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 the reporting segments in the absence of business combination 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"). The implementation of this monitoring system 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 non-recurring expenses and/or income 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)	Notes	Period ended 30 June	
		2020	2019
Net profit (loss) for the year		**79,3**	**71,7**
Net financial income (expense)		19,5	54,8
Income tax		35,3	33,1
Share of net profit (loss) of associates		-	(0,5)
Operating profit		**134,1**	**159,1**
Depreciation, amortisation and impairment	A	139,6	141,2
Restructuring costs	B	19,1	1,9
IAS 29, *Hyperinflation* (Argentina)		0,7	(0,3)
Management share ownership plan and associated costs	C	1,8	5,4
Closure of Sao Paulo plant		-	1,6
Other	D	3,4	4,1
Adjusted EBITDA		**298,7**	**312,8**

A. Includes amortisation and depreciation 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 including depreciation charges relating to the transformation plan carried out in France (**Note 6.2**).

B. Corresponds mainly to the transformation plan carried out in France, including the costs of stopping one furnace and support measures for staff departures (**Note 6.2**).
C. Corresponds to share-based compensation plans and associated costs (**Note 5.2**).
D. Corresponds to various other non-recurring items:
- in 2020, primarily donations and purchases of personal protection equipment made by the Group during the Covid-19 crisis.
- in 2019, primarily costs incurred due to the Group's planned initial public offering.

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)	Notes	Period ended 30 June 2020				
		Northern and Eastern Europe	Southern and Western Europe	Latin America	Eliminations	Group total
Revenue from activities with external customers	5.1	283.3	880.3	111.0	-	**1 274.6**
Inter-segment revenue		4.5	0.8	0.3	(5.6)	-
Total segment revenue		**287.8**	**881.1**	**111.3**	**(5.6)**	**1 274.6**
Adjusted EBITDA	**4.2**	**68.9**	**195.8**	**33.9**	-	**298.7**
o/w impact of IFRS 16		1.1	8.4	0.7	-	10.3
Capital expenditure*		**21.2**	**61.4**	**8.9**	-	**91.5**

*Excluding rights of use under IFRS 16

(in € million)	Notes	Period ended 30 June 2019				
		Northern and Eastern Europe	Southern and Western Europe	Latin America	Eliminations	Group total
Revenue from activities with external customers	5.1	274.7	928.3	126.4	-	**1 329.4**
Inter-segment revenue		7.8	27.1	1.3	(36.2)	-
Total segment revenue		**282.5**	**955.4**	**127.7**	**(36.2)**	**1 329.4**
Adjusted EBITDA	**4.2**	**59.9**	**219.8**	**33.1**	-	**312.8**
o/w impact of IFRS 16		1.3	9.0	0.6	-	10.8
Capital expenditure*		**15.7**	**66.3**	**15.4**	-	**97.4**

*Excluding rights of use under IFRS 16

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)	Period ended 30 June	
	2020	2019
Still wines	441.7	451.3
Sparkling wines	153.9	177.4
Spirits	120.4	154.5
Beers	158.8	168.9
Food	230.5	201.8
Soft drinks	141.9	143.0
Others	27.5	32.4
Revenue	**1 274.6**	**1 329.4**

4.5 Entity-level information

In accordance with IFRS 8.33, revenue generated in France and internationally is presented in **Note 5.1.**

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)	Period ended	
	30 June 2020	31 December 2019
France	270.4	288.7
Italy	324.6	330.2
Spain	206.0	198.7
Germany	182.6	190.7
Other countries	247.9	285.7
Total	**1 231.5**	**1 294.0**

4.6 Information about the main customers

None of the Group's customers individually accounted for more than 10% of revenue in the first half of 2020 or the first half of 2019.

NOTE 5 – OPERATING INCOME AND EXPENSES

5.1 Revenue by country of origin

(in € million)	Period ended 30 June	
	2020	2019
France	395.0	427.7
Italy	248.7	249.9
Spain	192.3	202.0
Germany	209.4	201.3
Other countries	229.2	248.5
Total revenue	**1 274.6**	**1 329.4**

The country of origin is the location of the entity invoicing the sales.

5.2 EXPENSES BY FUNCTION AND BY NATURE

The breakdown of cost of sales and selling, general and administrative expenses by type of expense is as follows:

(in € million)	Notes	Period ended 30 June	
		2020	**2019**
Raw materials, energy, transport and other production costs		(709.9)	(768.7)
Personnel expenses	**A**	(265.5)	(256.3)
Depreciation and amortisation	**B**	(107.6)	(110.3)
Total cost of sales and selling, general and administrative expenses	**C**	**(1 083.0)**	**(1 135.3)**

A. Personnel expenses include:
- €1.8 million at 30 June 2020 and €2.1 million at 30 June 2019 in respect of costs relating to post-employment benefits (**Notes 18.1 and 18.2**).
- €1.8 million at 30 June 2020 and €5.4 million at 30 June 2019 in respect of costs relating to share-based compensation plans.

B. Includes amortisation and depreciation of intangible assets and property, plant and equipment (**Notes 10 and 11**), except for the amortisation of customer relationships which is recognised in "Acquisition-related items".

C. Includes research and development expenses of €1.8 million at 30 June 2020 and €2.1 million at 30 June 2019.

NOTE 6 - OTHER OPERATING INCOME AND EXPENSES

6.1 ACQUISITION-RELATED ITEMS

Items relating to acquisitions break down as follows and are included in "Selling, general and administrative expenses":

(in € million)	Notes	Period ended 30 June 2020	2019
Amortisation of intangible assets acquired through business combinations	A	(30.4)	(30.8)
Acquisition-related items		**(30.4)**	**(30.8)**

A. 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

Other operating income and expenses break down as follows:

(in € million)	Notes	Period ended 30 June 2020	2019
Gains on disposals of assets		-	2.7
Reversals of asset impairment		-	0.1
Other income		**0.0**	**2.8**
Restructuring costs	A	(19.1)	(1.9)
Losses on disposals of assets and scrapped assets		(2.3)	(1.0)
Impairment of assets	A	(1.7)	(1.1)
Others	B	(4.0)	(3.0)
Other expenses		**(27.1)**	**(7.0)**
Other expenses – net		**(27.1)**	**(4.2)**

A. At 30 June 2020, restructuring costs and asset impairments corresponded mainly to the transformation plan carried out in France, including the costs of stopping one furnace, asset impairments and support measures for staff departures totalling €19.6 million (**Note 4.2**).

B. In the first half of 2020, this item consisted mainly of donations and purchases of industrial protective equipment during the Covid-19 public health crisis.

In 2019: mostly consisting of external advisors' fees in relation to the Group's planned initial public offering.

NOTE 7 – FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of the following:

(in € million)	Notes	Period ended 30 June 2020	Period ended 30 June 2019
Interest expense excluding lease liabilities	**A**	(20.3)	(42.1)
Interest expense related to lease liabilities		(0.9)	(1.0)
Amortisation of debt issuance costs, and other*		(6.6)	(11.1)
Other debt-related gains and losses		-	2.5
Financial income from cash and cash equivalents		4.6	4.7
Cost of net debt		**(23.2)**	**(47.0)**
Refinancing costs		-	(2.0)
Foreign exchange gains and losses	**B**	6.5	(1.1)
Net interest expense related to pension plans and other benefits	**18.1**	(0.3)	(0.9)
Profit (loss) on net monetary position in Argentina (IAS 29)	**2.4**	(2.5)	(3.8)
Net financial income (expense)		**(19.5)**	**(54.8)**

** Other: mainly corresponding to the amortisation of funding costs and debt issuance premiums, as well as factoring fees and other bank charges.*

A. Corresponds primarily to the capitalisation of the shareholder loan in September 2019 and the debt refinancing arranged in October 2019.

B. The change mainly corresponds to local-currency foreign exchange impacts on the Brazilian and Russian subsidiaries, and the effects of variations in foreign exchange derivatives.

NOTE 8 – INCOME TAXES

The effective tax rate in the first half of 2020 results from the application to profit before tax at 30 June of the estimated effective tax rate for the full year.

The income tax expense at 30 June 2020 was €35.3 million (implying an effective interim tax rate of 31%) compared to €33.1 million at 30 June 2019 (implying an effective interim tax rate of 32%).

NOTE 9 – GOODWILL

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 2019				
Gross amount	99.8	378.5	72.6	550.9
Net amount	**99.8**	**378.5**	**72.6**	**550.9**
Changes during the period				
Translation differences	-	-	(19.2)	(19.2)
Total changes	**-**	**-**	**(19.2)**	**(19.2)**
As of 30 June 2020				
Gross amount	99.8	378.5	53.4	531.7
Net amount	**99.8**	**378.5**	**53.4**	**531.7**

NOTE 10 – OTHER INTANGIBLE ASSETS

Other intangible assets break down as follows:

(in € million)	Customer relationships	Software	Other	Total
As of 31 December 2019				
Gross amount	739.2	24.3	9.6	773.1
Cumulative amortisation and impairment	(258.3)	(14.3)	(1.3)	(273.9)
Net amount	**480.9**	**10.0**	**8.3**	**499.2**
Changes during the period				
Changes in scope and transfers	-	2.8	(2.6)	0.2
Acquisitions	-	0.3	4.4	4.7
Translation differences	(10.4)	(0.1)	-	(10.5)
Amortisation and impairment	(30.3)	(1.9)	(0.3)	(32.5)
Total changes	**(40.7)**	**1.1**	**1.5**	**(38.1)**
As of 30 June 2020				
Gross amount	728.8	27.3	11.4	767.5
Cumulative amortisation and impairment	(288.6)	(16.2)	(1.6)	(306.4)
Net amount	**440.2**	**11.1**	**9.8**	**461.1**

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

(in € million)	Notes	Period ended	
		30 June 2020	31 December 2019
Property, plant and equipment owned by the Group	A	1 192.8	1 247.0
Right-of-use under IFRS 16	B	41.4	52.3
Total net carrying value		**1 234.2**	**1 299.3**

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 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**
Changes during the period					
Changes in scope and other	-	-	0.5	-	0.5
Acquisitions	-	0.1	14.4	72.2	86.7
IAS 29, Hyperinflation	0.2	1.5	2.0	0.5	4.2
Disposals	-	0.1	(1.5)	(0.3)	(1.7)
Translation differences	(1.2)	(12.3)	(27.4)	(5.4)	(46.3)
Depreciation and impairment	-	(7.9)	(89.6)	(0.1)	(97.6)
Transfers	-	3.3	32.0	(35.3)	-
Total changes	**(1.0)**	**(15.2)**	**(69.6)**	**31.6**	**(54.2)**
As of 30 June 2020					
Gross amount	64.8	245.0	1 678.2	166.7	2 154.7
Cumulative depreciation and impairment	(0.9)	(84.6)	(874.3)	(2.1)	(961.9)
Net amount	**63.9**	**160.4**	**803.9**	**164.6**	**1 192.8**

B. Rights of use break down as follows:

(in € million)	Buildings	Machinery and equipment	Others	Total
Net carrying amount as of 1 January 2020	39.4	12.9	0.0	52.3
Additions during the period	2.1	4.1	-	6.2
Reductions during the period	(7.0)	(0.7)	(0.0)	(7.7)
Depreciation during the period	(5.6)	(3.8)	(0.0)	(9.4)
Net carrying amount as of 30 June 2020	28.9	12.5	0.0	41.4

NOTE 12 – IMPAIRMENT OF GOODWILL AND FIXED ASSETS

The carrying amounts of goodwill are tested for impairment at least once a year 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.

Fixed assets are tested at the level of the CGUs, corresponding generally to their respective countries.

Goodwill is tested at the level of CGU groups, corresponding to the operating segments, i.e. Southern and Western Europe, Northern and Eastern Europe, and Latin America.

Considering the events of the first half of 2020 and the impact they are expected to have on its financial performance, the Verallia Group reviewed its asset values when it deemed it necessary given the circumstances. As such, the Group did not identify any impairment loss within the meaning of IAS 36 at the level of its CGU groups.

NOTE 13 – CHANGE IN NET WORKING CAPITAL

The change in net working capital at 30 June 2020 and 31 December 2019 is as follows:

(in € million)	Notes	31 December 2019	Impact of cash flows	Foreign exchange and other	30 June 2020
Inventories	13.1	455.2	(4.9)	(8.3)	442.0
Operating receivables	13.2	169.0	18.3	(10.9)	176.4
Operating liabilities	13.3	(528.5)	5.3	10.9	(512.3)
Debts to suppliers of fixed assets		(91.8)	50.4	3.2	(38.2)
Operating working capital		**3.9**	**69.1**	**(5.1)**	**67.9**
Other receivables (non-operating)	13.2	9.9	(0.3)	(1.9)	7.7
Other liabilities (non-operating)	13.3	(40.4)	(1.9)	(106.7)	(149.0)
Current tax assets and liabilities		1.7	(21.4)	0.4	(19.3)
Total working capital		**(24.9)**	**45.5**	**(113.3)**	**(92.7)**
Change in working capital		**(60.1)**			**(67.8)**

Reconciliation with the condensed consolidated statement of cash flows :

Change in inventory	4.9
Change in trade receivables, trade payables and other receivables/payables	(23.4)
Current tax expense	40.0
Income taxes paid	(16.5)
Increase (decrease) in debt to suppliers of fixed assets	(50.4)
Total	**(45.5)**

13.1 INVENTORIES

The change in net inventories is as follows:

(in € million)	Period ended					
	30 June 2020			31 December 2019		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Raw materials	137.3	(17.1)	120.2	133.4	(16.9)	116.5
Inventories of work in progress	2.7	(1.7)	1.0	3.0	(1.9)	1.1
Finished goods	330.6	(9.8)	320.8	345.6	(7.9)	337.6
Total inventories	**470.6**	**(28.6)**	**442.0**	**482.0**	**(26.7)**	**455.2**

13.2 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

(in € million)	Notes	Period ended	
		30 June 2020	31 December 2019
Trade receivables and related accounts		**127.0**	**114.7**
Advances to suppliers		3.6	4.6
Prepaid social security contributions		0.5	0.4
Other taxes paid in advance and recoverable (other than income taxes)		30.9	31.5
Other operating receivables		14.3	17.7
Other non-trade receivables		7.8	10.0
Other current assets		**57.1**	**64.2**
Trade receivables and other current assets		**184.1**	**178.9**

The change in the impairment of trade receivables is as follows:

(in € million)	Period ended	
	30 June 2020	31 December 2019
Opening balance	**7.4**	**8.2**
Additions	6.2	3.0
Reversals	(2.7)	(3.8)
Translation differences	(0.2)	-
Closing balance	**10.7**	**7.4**

The table below shows the ageing of trade receivables at 30 June 2020 and 31 December 2019:

(in € million)	Period ended	
	30 June 2020	31 December 2019
Accounts receivable not yet due	**116.7**	**106.1**
Accounts receivable past due	**10.3**	**8.6**
Under 30 days	8.4	6.3
Between 30 and 90 days	0.8	0.9
Beyond 90 days	1.1	1.4
Total trade receivables (net amounts)	**127.0**	**114.7**

13.3 Trade payables and other current liabilities

Trade payables and other current liabilities break down as follows:

(in € million)	Period ended	
	30 June 2020	31 December 2019
Trade payables	**350.1**	**383.6**
Customer down payments	7.4	11.5
Debts on fixed assets	38.2	91.8
Grants received	5.7	6.2
Accrued personnel expenses	83.7	91.6
Tax liabilities (other than income tax)	41.2	16.5
Derivative liabilities	42.3	34.5
Other	130.9	25.0
Other current liabilities	**349.4**	**277.1**
Total trade payables and other current liabilities	**699.5**	**660.7**

** "Others" includes the amount of dividends to pay as approved by the General Shareholders' Meeting, which decided to offer investors the option to receive their dividends either in cash or in newly issued shares in the Company.*

13.4 Factoring

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 contractual rights to the cash flows and substantially all the associated risks and rewards (transfers of non-recourse receivables) to the assignee.

(in € million)	Period ended	
	30 June 2020	31 December 2019
Assignment of receivables without recourse	341.1	313.9
Assignment of receivables with recourse	8.9	10.9
Total receivables assigned	**350.0**	**324.8**

Note that the amount of transferred receivables at 30 June 2019 was €394.8 million. The decrease was attributable to the downturn in activity caused by Covid-19.

In accordance with the factoring agreements, the risk of dilution is covered by establishing reserves and escrow accounts in an amount corresponding to approximately 3% of the receivables transferred in 2020 and approximately 4% of the receivables transferred in 2019. The amount recorded in "Other non-current assets" was €12.0 million at 30 June 2020 and at 31 December 2019.

In addition, the Group subscribed to various reverse factoring programmes offered by some of its clients and amounting to €34.7 million at 30 June 2020 and €32.6 million at 31 December 2019.

NOTE 14 – CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

(in € million)	Period ended	
	30 June 2020	31 December 2019
Cash	351.7	155.9
Cash equivalents	36.5	63.3
Total cash ans cash equivalents	**388.2**	**219.2**

At 30 June 2020, cash and cash equivalents consisted mainly of cash in bank accounts and short-term bank deposits in the amount of €388.2 million (€219.2 million at 31 December 2019).

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 this access in certain foreign jurisdictions.

The Group's policy is to centralise the liquidity of its subsidiaries at Verallia Packaging where possible.

NOTE 15 – EQUITY

15.1 SHARE CAPITAL

At 30 June 2020, the share capital amounted to €403,771,221 and consisted of 119,458,941 ordinary shares with a nominal value of €3.38 each (118,393,942 shares at 31 December 2019).

On 25 June, the Chief Executive Officer recognised a capital increase reserved for employees and company officers of a total nominal amount of €3,599,696.62 via the issue of 1,064,999 new ordinary shares in the Company, with a share premium of €16,496,834.51.

15.2 TRANSLATION RESERVE

The €97 million decrease in the translation reserve in the first half of 2020 was primarily attributable to the depreciation of the Brazilian real and the reclassification of consolidated reserves in Argentina to translation reserves following the IFRIC's decision on the recognition of translation reserves under IAS 29.

The €9.1 million increase in the translation reserve in the first half of 2019 was primarily attributable to the appreciation of the Russian rouble and Ukrainian hryvnia.

15.3 Earnings per share

15.3.1 Basic earnings per share

Basic earnings per share were calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

	Period ended 30 June	
	2020	2019
Group's share of net profit (loss) (in € million)	76.0	67.7
Number of shares	118 423 362	114 594 601
Basic earnings per share (in €)	**0.64**	**0.59**

15.3.2 Diluted earnings per share

Diluted earnings per share were calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effects of all potential dilutive ordinary shares:

	Period ended 30 June	
	2020	2019
Group's share of net profit (loss) (in € million)	76.0	67.7
Diluted number of shares	118 455 403	114 594 601
Diluted earnings per share (in €)	**0.64**	**0.59**

The Group factored in the dilutive impact resulting from the share ownership plans implemented in July 2019 and March 2020.

NOTE 16 – BORROWINGS AND FINANCIAL LIABILITIES

16.1 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)	Note	Period ended	
		30 June 2020	31 December 2019
Non-current financial liabilities and derivatives	16.2	1 767.0	1 583.9
Current financial liabilities and derivatives	16.2	98.8	225.9
Gross debt		**1 865.8**	**1 809.8**
Cash and cash equivalents	14	(388.2)	(219.2)
Asset derivatives		(1.9)	(0.1)
Net debt		**1 475.7**	**1 590.6**

16.2 Change in gross financial debt

Negotiable European Commercial Paper

At 31 December 2019, the Group had an outstanding amount of Neu CP of €188 million issued at an average interest rate of 0.25%.

At 30 June 2020, the Group had an outstanding amount of Neu CP of €39 million issued at an average interest rate of 0.24%.

Revolving credit facilities: changes and features

At 31 December 2019, the Group had a single undrawn revolving credit facility of €500 million (RCF1).

- On 20 March 2020, the Group drew €200 million from RCF1 for a 6-month period in case it was unable to renew its maturing Neu CP since the market had almost closed down by the end of March.

- On 24 April 2020, the Group arranged an additional €250m revolving credit facility (RCF2) with a one-year maturity, extendable by six months at the Group's discretion. The margin applicable to this additional revolving credit facility was set at 195 basis points (floor interest rate of 0 %) above Euribor. 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 agreement at a rate of 35% of the applicable margin and (ii) utilisation fees of 15 basis points, 25 basis points and 50 basis points above the margin for amounts drawn from the revolving credit facility of less than 33.1/3%, between 33.1/3% and 66.2%/3%, and above 66.2/3%, respectively.

  At 30 June 2020, the amount drawn from RCF1 remained at €200 million. No amount has been drawn from RCF2.

At 30 June 2020

(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 30 June 2020		Total as of 30 June 2020
									Non-current	Current	
Revolving credit facility (floor 0%) RCF2		250.0	EUR	Euribor + 1,95%	1.95%	24/04/2021	Revolving	0.8		-	-
Revolving credit facility (floor 0%) RCF1		500.0	EUR	Euribor + 1,35%	1.35%	07/10/2024	Revolving	2.7	200.0	0.8	200.8
Term Loan A (floor 0%)		1 500.0	EUR	Euribor + 1,75%	1.90%	07/10/2024	Maturity	8.0	1 488.5	7.3	1 495.8
Lease liabilities									26.9	15.8	42.7
Other borrowings									43.1	5.4	48.5
Total long-term debt									*1 758.5*	*29.3*	*1 787.8*
Financial derivatives									8.6	0.3	8.9
Total long-term debt and derivative financial instruments									**1 767.1**	**29.6**	**1 796.7**
Negotiable commercial paper (NEU CP)		400.0	EUR							39.0	39.0
Other borrowings										30.2	30.2
Total short-term debt									**-**	**69.2**	**69.2**
Total borrowings									**1 767.1**	**98.8**	**1 865.8**

At 31 December 2019

(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 RCF1		500.0	EUR	Euribor + 1,35%	1.35%	07/10/2024	Revolving	3.0		-	
Term Loan A (floor 0%)		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									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									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 (NEU CP)		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**

16.3 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)	Period ended	
	30 June 2020	31 December 2019
Total fixed-rate borrowings	1 365.9	1 512.1
Total variable-rate borrowings	499.9	297.8
Total borrowings	**1 865.8**	**1 809.9**

16.4 Debt repayment schedule

The debt maturity profile of the Group's financial liabilities and derivatives is as follows:

(in € million)	Period ended	
	30 June 2020	31 December 2019
Less than one year	98.8	225.9
Between one and five years	1 756.2	1 559.8
More than five years	10.8	24.2
Total borrowings	**1 865.8**	**1 809.9**

At 30 June 2020, borrowings of under a year consisted primarily of €39 million of Neu CP (negotiable commercial paper) versus €188 million at 31 December 2019.

16.5 Change in debt

The change in financial debt is as follows:

(in € million)	31 December 2019	Cash inflows	Cash outflows	Discount effects and other*	Interest expense	Change in the scope of consolidation	Translation differences	30 June 2020
Non-current financial liabilities and derivatives	**1 584,0**	**201,2**	**(1,1)**	**(12,8)**	**0,0**	**-**	**(4,2)**	**1 767,1**
Current financial liabilities and derivatives (excluding interest)	222,4	-	(142,8)	10,9	0,9	0,80	(2,2)	90,0
Interest on long-term debt	3,5	-	(12,5)	-	17,7	-	0,1	8,8
Current financial liabilities and derivatives	**225,9**	**-**	**(155,3)**	**10,9**	**18,6**	**0,80**	**(2,1)**	**98,8**
Total financial liabilities	**1 809,9**	**201,2**	**(156,4)**	**(1,9)**	**18,6**	**0,80**	**(6,3)**	**1 865,9**

* 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	(129,9)	
Increase in long-term debt	201,2	
Reduction in long-term debt		(13,1)
Financial interest paid		(13,4)
Total	**71,3**	**(26,5)**

NB: the current portion of long-term debt (due within less than a year) is presented in the balance sheet under current liabilities, whereas the statement of cash flows does not distinguish between current and non-current items.

NOTE 17 – PROVISIONS AND OTHER NON-CURRENT FINANCIAL LIABILITIES

The change in provisions in the first half of 2020 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 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**
Changes during the period								
Additions	0.4	1.0	18.6	-	6.3	26.3	-	26.3
Reversals (unused)	(0.1)	-	(0.2)	-	-	(0.3)	-	(0.3)
Reversals (used)	(0.5)	(0.1)	(1.0)	-	(4.7)	(6.3)	-	(6.3)
Other (reclassifications and translation differences)	(0.1)	(0.2)	(1.6)	(3.9)	(0.4)	(6.2)	0.3	(5.9)
Total changes	**(0.3)**	**0.7**	**15.8**	**(3.9)**	**1.2**	**13.5**	**0.3**	**13.8**
As of 30 June 2020								
Current portion	2.0	2.6	23.8	-	39.9	68.3	-	68.3
Non-current portion	5.8	11.1	1.0	-	6.4	24.3	16.3	40.6
Total provisions	**7.8**	**13.7**	**24.8**	-	**46.3**	**92.6**	**16.3**	**108.9**

Provisions for restructuring and personnel expenses increased mainly due to the costs incurred by the transformation plan carried out in France (**Note 6.2**).

NOTE 18 – PROVISIONS FOR PENSIONS AND SIMILAR LIABILITIES

Provisions for pensions and other employee benefits break down as follows:

(in € million)	Notes	Period ended	
		30 June 2020	31 December 2019
Annuities payable to plan beneficiaries		77.4	80.8
Flat-rate compensation		41.4	42.1
Post-employment medical benefits		5.8	5.9
Provisions for pensions and other liabilities	**18.1**	**124.6**	**128.8**
Other long-term benefits	18.2	4.2	4.2
Provisions for pensions and other employee benefits		**128.8**	**133.0**

18.1 Pension liabilities and other post-employment benefit liabilities

18.1.1 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 %)	Period ended	
	30 June 2020	31 December 2019
Discount rate	0.8% to 1.0%	0.7% to 0.9%
Salary increases including long-term inflation	1.8% to 2.5%	1.8% to 2.5%
Long-term inflation rate	1.5%	1.5%

18.1.2 Change in pension liabilities and other post-employment benefit liabilities

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)	Notes	Period ended	
		30 June 2020	31 December 2019
Provisions for pensions and other post-employment benefit liabilities	18	124.6	128.8
Pension plan surpluses		(4.1)	(4.1)
Net pension liabilities and other post-employment benefit liabilities		**120.5**	**124.7**

18.2 Other long-term benefits

At 30 June 2020, provisions for other long-term employee benefits primarily included long-service awards payable by the subsidiaries in France amounting to €2.4 million (€2.3 million at 31 December 2019) and bonuses amounting to €1.5 million in Germany (€1.5 million at 31 December 2019).

Defined benefit pension liabilities are generally calculated on an actuarial basis according to the same method as for pension liabilities.

NOTE 19 – FINANCIAL INSTRUMENTS

Classification and fair value measurement

Financial assets and liabilities are classified as follows:

(in € million)	Notes	30 June 2020 — Accounting categories: 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	Fair value measurement based on: Level 1: prices quoted on active markets	Level 2: significant observable inputs	Level 3: significant nonobservable inputs	Total financial instruments at fair value
Equity investments - nongroup			6.4				6.4			6.4	6.4
Loans, deposits and receipts		22.3					22.3		22.3		22.3
Trade receivables and related accounts (excluding current tax receivables)	13.2	171.3		8.9			180.2		180.2		180.2
Derivative instruments hedging financial risk					2.0		2.0		2.0		2.0
Derivative instruments hedging operating risk (*)	13.2					3.9	3.9		3.9		3.9
Cash and cash equivalents	14	351.7			36.5		388.2	374.5	13.7		388.2
Total financial assets		**545.3**	**6.4**	**8.9**	**38.5**	**3.9**	**602.9**	**374.5**	**222.1**	**6.4**	**602.9**
Term Loan A and revolving credit facility (unused)	*16*	(1 696.6)					(1 696.6)		(1 696.6)		(1 696.6)
Financial liabilities on finance leases	*16*	(42.7)					(42.7)		(42.7)		(42.7)
Other long-term liabilities	*16*	(43.1)		(5.8)			(48.9)		(48.9)		(48.9)
Total long-term debt		(1 782.4)	-	(5.8)	-	-	(1 788.2)	-	(1 788.2)	-	(1 788.2)
Derivative instruments hedging financial risk (**)						(8.6)	(8.6)		(8.6)		(8.6)
Total long-term debt and instruments		**(1 782.4)**	-	**(5.8)**	-	**(8.6)**	**(1 796.7)**	-	**(1 796.7)**	-	**(1 796.7)**
Negotiable commercial paper (NEU CP)	*16*	(39.0)					(39.0)		(39.0)		(39.0)
Other short-term liabilities	*16*	(27.1)		(3.1)			(30.2)		(30.2)		(30.2)
Total short-term debt		**(66.1)**	-	**(3.1)**	-	-	**(69.2)**	-	**(69.2)**	-	**(69.2)**
Derivative instruments hedging operating risk (*)	13.3					(42.3)	(42.3)		(42.3)		(42.3)
Trade payables and related accounts	13.3	(350.1)					(350.1)		(350.1)		(350.1)
Other payables and accrued liabilities	13.3	(307.1)					(307.1)		(307.1)		(307.1)
Total financial liabilities		**(2 505.6)**	**-**	**(8.9)**	**-**	**(50.9)**	**(2 565.3)**	**-**	**(2 565.3)**	**-**	**(2 565.3)**
Total		**(1 960.3)**	**6.4**	**-**	**38.5**	**(47.0)**	**(1 962.4)**	**374.5**	**(2 343.3)**	**6.4**	**(1 962.4)**

(*) 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 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 nonobservable inputs	Total financial instruments at fair value
Equity investments - nongroup			6.5				6.5			6.5	6.5
Loans, deposits and receipts		26.8					26.8		26.8		26.8
Trade receivables and related accounts (excluding current tax receivables)	13.2	165.0		10.9			175.9		175.9		175.9
Derivative instruments hedging financial risk					0.1		0.1		0.1		0.1
Derivative instruments hedging operating risk (*)	13.2					3.1	3.1		3.1		3.1
Cash and cash equivalents	14	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)	*16*	(1 490.7)					(1 490.7)		(1 490.7)		(1 490.7)
Financial liabilities on finance leases	*16*	(53.3)					(53.3)		(53.3)		(53.3)
Other long-term liabilities	*16*	(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 (**)						(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)	*16*	(188.2)					(188.2)		(188.2)		(188.2)
Other short-term liabilities	*16*	(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 (*)	13.3					(34.4)	(34.4)		(34.4)		(34.4)
Trade payables and related accounts	13.3	(383.6)					(383.6)		(383.6)		(383.6)
Other payables and accrued liabilities	13.3	(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.

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 20 – RELATED PARTIES

There was no material change in terms of transactions with related parties compared to those reported in the last consolidated annual financial statements.

NOTE 21 – CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

There was no material change compared to 31 December 2019.

NOTE 22 – EVENTS AFTER THE CLOSING DATE

The Company's General Shareholders' Meeting held on 10 June 2020 approved the payment of a dividend per share and decided to offer each shareholder, in respect of the dividend for the financial year ended 31 December 2019, the option between payment in cash or in newly issued shares in the Company, with each of these options being mutually exclusive.

On 7 July 2020, with shareholders having exercised their options, 3,813,878 new Company shares were issued.

The capital increase, the settlement-delivery of the new shares and their admission to trading on the regulated market of Euronext Paris, as well as the payment of the cash dividend, took place on 9 July 2020. At 9 July 2020, the Company's share capital therefore amounted to €416,662,128.22 and consisted of 123,272,819 ordinary shares with a nominal value of €3.38 each.

Shareholders having opted to receive the scrip dividend accounted for 86.93% of the Company's share capital. The cash dividend paid to shareholders who did not opt for payment of the dividend in new shares amounted to €13,144,250.40.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

Period from January 1st, 2020 to June 30, 2020

This is a free translation into English of the statutory auditors' review report issued in French language 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.

To the Shareholders,

VERALLIA SA

Tour Carpe Diem

31, Place des Corolles - Esplanade Nord

92400 Courbevoie

In compliance with the assignment entrusted to us by your Shareholders' Meeting and by the decision of the sole shareholder and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Verallia SA, for the six months ended June 30, 2020 ;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors on July 30, 2020 based on information available at that date in the evolving context of the Covid-19 crisis and difficulties in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRSs as adopted by the European union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements prepared on July 30, 2020 and subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris, July 30, 2020

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	BM&A
Itto El Hariri	Gilles Rabier