VERALLIA GROUP CONSOLIDATED FINANCIAL STATEMENTS -

31 DECEMBER 2022

Statement of consolidated financial position

(in € million)	Notes	31 December 2022	2021
ASSETS			
Goodwill	9	783.9	530.2
Other intangible assets	10	313.1	372.2
Property, plant and equipment	11	1,609.0	1,351.1
Investments in associates	3.3	5.9	5.1
Deferred tax	8.2	27.5	64.7
Other non-current assets	13	186.3	152.1
Non-current assets		**2,925.7**	**2,475.4**
Short-term portion of non-current assets		1.3	1.3
Inventories	14.1	536.8	404.3
Trade receivables	14.2	250.4	121.6
Current tax receivables	14	5.4	1.2
Other current assets	14.2	392.3	318.5
Cash and cash equivalents	15	330.8	494.6
Current assets		**1,517.0**	**1,341.5**
Total Assets		**4,442.7**	**3,816.9**
EQUITY & LIABILITIES			
Share capital	16.1	413.3	413.3
Consolidated reserves		590.1	333.1
Equity attributable to shareholders		**1,003.4**	**746.4**
Non controlling interests		64.0	53.3
Equity		**1,067.4**	**799.7**
Non-current financial liabilities and derivatives	17	1,562.2	1,569.0
Provisions for pensions and other employee benefits	19	87.4	117.5
Deferred tax	8.2	226.0	263.8
Provisions and other non-current financial liabilities	18	23.2	21.3
Non-current liabilities		**1,898.8**	**1,971.6**
Current financial liabilities and derivatives	17	200.9	197.2
Current portion of provisions and other non-current financial liabilities	18	54.3	39.5
Trade payables	14.3	740.6	521.4
Current tax liabilities	14	44.3	23.6
Other current liabilities	14.3	436.4	263.9
Current liabilities		**1,476.5**	**1,045.6**
Total Equity and Liabilities		**4,442.7**	**3,816.9**

Consolidated statement of income

(in € million)	Note	Year ended 31 December 2022	2021
Revenue	5.1	**3,351.5**	**2,674.0**
Cost of sales	5.2	(2,527.1)	(2,042.4)
Selling, general and administrative expenses	5.2	(194.4)	(173.9)
Acquisition-related items	6.1	(65.6)	(59.7)
Other operating income and expenses	6.2	(6.1)	(4.9)
Operating profit		**558.3**	**393.1**
Net financial income (expense)	7	**(80.7)**	**(56.8)**
Profit (loss) before tax		**477.6**	**336.3**
Income tax	8.1	(122.1)	(89.4)
Share of net profit (loss) of associates	3.3	0.2	2.4
Net profit (loss) for the year		**355.6**	**249.3**
Attributable to shareholders of the Company		***342.0***	***242.6***
Attributable to non-controlling interests		***13.6***	***6.7***
Basic earnings per share (in €)	16.4	**2.92**	**2.01**
Diluted earnings per share (in €)	16.4	**2.92**	**2.01**

Consolidated statement of comprehensive income

(in € million)	Note	Year ended 31 December 2022	2021
Net profit (loss) for the year		**355.6**	**249.3**
Items that may be reclassified to profit or loss			
Translation differences		(7.0)	1.7
Changes in fair value of cash flow hedges		(17.0)	342.8
Deferred tax on items that may subsequently be reclassified to profit or loss	8.2	6.5	(93.4)
Total		**(17.5)**	**251.1**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit liability (asset)	19.1	25.9	11.8
Deferred tax on items that will not be reclassified to profit or loss	8.2	(7.3)	(3.2)
Total		**18.6**	**8.6**
Other comprehensive income (loss)		**1.1**	**259.7**
Total comprehensive income (loss) for the year		**356.7**	**509.0**
Attributable to shareholders of the Company		*354.9*	*502.2*
Attributable to non-controlling interests		*1.8*	*6.8*

Consolidated statement of cash flows

(in € million)	Note	Year ended 31 December 2022	2021
Net profit (loss) for the year		**355.6**	**249.3**
Share of net profit (loss) of associates, net of dividends received	3.3	(0.2)	(2.4)
Depreciation, amortisation and impairment of assets		295.9	281.1
Gains and losses on disposals of assets	6.2	(1.3)	6.4
Interest expense on financial liabilities	17.7	29.4	32.0
Unrealised gains and losses on changes		10.8	0.4
Gain/loss on net monetary position (IAS 29, Hyperinflation)		18.4	9.7
Unrealised gains and losses on changes in the fair value of derivatives		2.1	5.0
Change in inventories	14	(92.8)	(16.9)
Change in trade receivables, trade payables and other receivables and payables	14	50.9	107.2
Current tax expense	8.1	135.5	107.9
Taxes paid	14	(105.9)	(91.4)
Changes in deferred taxes and provisions		0.8	(46.8)
Net cash flows from operating activities		**699.2**	**641.5**
Acquisition of property, plant and equipment and intangible assets	10 & 11	(367.0)	(256.3)
Increase (decrease) in debt on fixed assets	14	75.2	(10.7)
Acquisitions of subsidiaries, net of cash acquired		(247.9)	(0.2)
Deferred payment related to the acquisition of a subsidiary		(0.4)	—
Capital expenditures		**(540.1)**	**(267.2)**
Disposals of property, plant and equipment, intangible assets included related costs		4.5	(3.5)
Disposals		**4.5**	**(3.5)**
Increase in loans, deposits and short-term borrowings		(12.3)	(2.6)
Reduction in loans, deposits and short-term borrowings		7.9	1.8
Changes in loans and deposits	13	**(4.4)**	**(0.8)**
Net cash flows from (used in) investing activities		**(540.0)**	**(271.5)**
Capital increase (reduction)	16	13.0	15.7
Dividends paid		(122.7)	(114.2)
(Increase) decrease in treasury stock		(8.4)	(221.1)
Transactions with shareholders of the parent company		**(118.1)**	**(319.6)**
Capital increases of subsidiaries subscribed by third parties		—	—
Dividends paid to non-controlling interests by consolidated companies		(2.7)	(1.5)
Transactions with non-controlling interests		**(2.7)**	**(1.5)**
Increase (reduction) in bank overdrafts and other short-term borrowings	17	(1.7)	2.9
Increase in long-term debt	17	6.8	1,039.1
Reduction in long-term debt	17	(172.3)	(1,041.0)
Financial interest paid		(28.1)	(31.4)
Change in gross debt		**(195.3)**	**(30.4)**
Net cash flows from (used in) financing activities		**(316.1)**	**(351.5)**
Increase (reduction) in cash and cash equivalents		**(156.9)**	**18.5**
Impact of changes in foreign exchange rates on cash and cash equivalents		(6.9)	0.0
Impact of changes in fair value on cash and cash equivalents		—	—
Opening cash and cash equivalents		**494.6**	**476.2**
Closing cash and cash equivalents		**330.8**	**494.6**

Consolidated statement of change in equity

(in € million)	Note	Number of shares	Share capital	Share premium	Treasury shares	Translation reserve	Hedging reserve	Other reserves and retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
As of 31 December 2020		**123,272,819**	**416.7**	**168.2**	**—**	**(149.0)**	**(3.6)**	**106.0**	**538.3**	**39.5**	**577.8**
Other comprehensive income						3.5	340.3	(84.2)	259.6	0.1	**259.7**
Net profit (loss) for the year								242.6	242.6	6.7	**249.3**
Total comprehensive income for the year						**3.5**	**340.3**	**158.4**	**502.2**	**6.8**	**509.0**
Capital increase for the Group Savings Plan _ Verallia SA	16.1	616,364	2.0	13.7		—			15.7		**15.7**
Distribution of Dividends (per share : 0.95 euro)	16.1	—	—	—				(114.2)	(114.2)	(2.2)	**(116.4)**
Purchase of shares					(221.1)			—	(221.1)	—	**(221.1)**
Cancellation of Treasury shares		(1,600,000)	(5.4)	(43.4)	48.8						
Sales of treasury shares					7.2			(7.2)	—	—	**—**
Share-based compensation								8.6	8.6	(0.2)	**8.4**
IAS 29 Hyperinflation							—	14.1	14.1	9.4	**23.5**
Change in non-controlling interests						—		—	—	—	**—**
Other								2.8	2.8	—	**2.8**
As of 31 December 2021		**122,289,183**	**413.3**	**138.5**	**(165.1)**	**(145.5)**	**336.7**	**168.5**	**746.4**	**53.3**	**799.7**
Other comprehensive income						4.7	(16.9)	25.1	12.9	(11.8)	**1.1**
Net profit (loss) for the year								342.0	342.0	13.6	**355.6**
Total comprehensive income for the year						**4.7**	**(16.9)**	**367.1**	**354.9**	**1.8**	**356.7**
Capital increase for the Group Savings Plan _ Verallia SA	16.1	611,445	2.1	10.9					13.0		**13.0**
Distribution of Dividends (per share : 1.05 euro)	16.1							(122.7)	(122.7)	(1.5)	**(124.2)**
Purchase of shares					(8.4)				(8.4)		**(8.4)**
Cancellation of Treasury shares		(611,445)	(2.1)	(15.5)	17.6						
Sales of treasury shares					4.1			(4.1)			
Share-based compensation								5.7	5.7	—	**5.7**
IAS 29 Hyperinflation								27.6	27.6	18.5	**46.1**
Change in non-controlling interests							2.5	(15.8)	(13.3)	(8.1)	**(21.4)**
Other								0.1	0.1		**0.1**
As of 31 December 2022		**122,289,183**	**413.3**	**133.9**	**(151.8)**	**(140.8)**	**322.3**	**426.4**	**1,003.4**	**64.0**	**1,067.4**

Contents

Note 1 – Information on the Group

1.1 Incorporation and creation

1.1.1 Company name

At 31 December 2022, the Company's name is "Verallia" and has been since 20 June 2019.

1.1.2 Place of registration and registration number

The Company is registered in the Nanterre Trade and Companies Register under number 812 163 913.

LEI: 5299007YZU978DE0ZY32

1.1.3 Date of incorporation and term 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 governing laws

The Company's registered office is located at 31 Place des Corolles, Tour Carpe Diem, Esplanade Nord, 92400 Courbevoie, France.

At 31 December 2022, the Company is a société anonyme (limited company) governed by French law.

1.2 Operations

With industrial operations in 12 countries, Verallia is the world's third-largest producer of glass packaging for beverages and food products.

The acquisition of Allied Glass on 8 November 2022 expands the Group's North European manufacturing footprint by giving it a foothold in the United Kingdom and thus bolsters its position in the premium glass bottles segment catering to the spirits market.

Allied Glass is a leading player in the United Kingdom's premium glass packaging market with more than £160.4 million of revenue generated in 2022.

The Group produced approximately 17 billion glass bottles and jars in 2022.

The Group boasts a sound position in Western and Eastern Europe, as well as in Latin America.

At 31 December 2022, its main subsidiaries are located in the following countries: France, Italy, Germany, the United Kingdom, Spain, Portugal, Argentina and Brazil. Verallia employs more than 10,000 people worldwide and operates 34 glass production facilities.

1.1.2 Highlights

Changes in governance

Michel Giannuzzi stood down from his role as the Company's Chief Executive Officer at the end of the General Meeting on 11 May 2022, having announced on 6 December 2021 that he wished to do so and for the purposes of governance best practice. Michel Giannuzzi remains Chairman of the Board of Directors while Patrice Lucas, who joined the Group on 1 February 2022 as Deputy Chief Executive Officer, has been appointed Chief Executive Officer and become a member of the Board of Directors.

2022 employee shareholding offer

On 23 June 2022, Verallia issued 611,445 new ordinary shares, corresponding to 0.5% of its share capital and voting rights, as part of a capital increase reserved for employees. In order to offset the dilutive impact of this transaction, Verallia simultaneously carried out a capital reduction by cancelling 611,445 treasury shares.

Share buyback programme

As part of its capital allocation strategy and after finalising the acquisition of Allied Glass, Verallia decided to launch a share buyback programme and entrusted an investment services provider with a share buyback mandate for a maximum amount of €50 million over a period running from 7 December 2022 to November 2023.

Verallia intends to cancel all the shares bought back.

Squeeze-out of Verallia Deutschland minority shareholders by Verallia Packaging

On 5 December 2022, Verallia Packaging finalised the delisting of its subsidiary Verallia Deutschland AG, previously listed on the regulated market of the Frankfurt stock exchange and on the regulated markets of the Munich and Stuttgart stock exchanges.

The resolution required to buy out the minority shareholders was adopted at Verallia Deutschland AG's Annual General Meeting on 24 August 2022.

Verallia Deutschland AG was valued at €620.06 per bearer share by two independent valuers. One of the valuers was commissioned by the court in Stuttgart.

A shareholder brought an action before the regional court in Stuttgart to determine whether the valuation is appropriate.

Conflict between Ukraine and Russia

The Group has little exposure to Ukraine; it has one plant located in the west of the country and revenue generated in the country accounted for less than 2% of the Group's total revenue at 31 December 2022. When the conflict began at the end of February 2022, the Group decided to halt production at its local plant while keeping its two furnaces in hot condition. Since then, at the request of its local customers and local teams, one of the two furnaces has resumed production, mainly to produce food jars, while the other has been turned off, emptied, and cooled down in order to keep it in good condition. The Group decided to allow all its staff in Ukraine to keep their jobs and their salaries and has thus continued to pay the associated costs.

Russia, meanwhile, accounted for less than 4% of the Group's revenue at 31 December 2022, which it generates primarily from a local operation in the country. Exports and new investments have been stopped. These activities are considered essential to the food supply chain, so the Group has decided to maintain its operations in Russia.

The conflict between Russia and Ukraine has pushed energy prices and inflation sharply upwards. Verallia has an energy price hedging strategy that minimises its exposure to price fluctuations. Verallia's policy for managing its selling prices and industrial performance is enabling it to cope with the inflation.

Acquisition of Allied Glass

On 8 November 2022, the Group finalised the acquisition of all the shares held by the Tonic Topco Limited company in the Allied Glass group for £206 million, i.e. €235.5 million.

This acquisition expands the Group's North European manufacturing footprint by giving it a foothold in the United Kingdom and bolsters its position in the premium glass bottles segment catering to the spirits market.

Headquartered in Leeds, Allied Glass is a leading player in the premium glass packaging market in the United Kingdom, where it generates over 95% of its revenues, with four furnaces located in West Yorkshire and more than 600 employees.

The acquisition of Allied Glass was financed from Verallia's available cash.

The transaction was finalised a few days before the closing date on 31 December 2022.

Verallia incorporated Allied Glass's balance sheet on the acquisition date of 8 November 2022 and its activity starting from that date using the full consolidation method.

Because the acquisition was finalised so close to the closing date of 31 December 2022, the final purchase price has not yet been allocated.

Consequently, the difference between the total amount paid and the carrying amount of the assets and liabilities acquired, other than inventory measured at fair value, has been recognised in full as goodwill in the provisional amount of €250.7 million.

The impact of this acquisition on full-year 2022 revenue and operating profit should come to respectively €188.2 million and €30.1 million.

Calculation of preliminary Goodwill :

(in € million)	
Acquisition price relating to the takeover	235.5
Assets and liabilities acquired	(15.2)
Preliminary Goodwill	250.7

The provisional opening balance sheet at 8 November 2022 is shown below:

(In € million)	Asets and liabilities acquired before adjustments	Adjustments	Asets and liabilities acquired after adjustments
ASSETS			
Property, plant and equipment	94.4		94.4
Non-current assets	**94.4**		**94.4**
Inventories	34.5	8.1	42.6
Trade receivables	31.7		31.7
Current tax receivables	1.9		1.9
Other current assets	5.5		5.5
Cash and cash equivalents	11.1		11.1
Current assets	**84.7**	**8.1**	**92.8**
Total Assets	**179.2**	**8.1**	**187.3**
EQUITY & LIABILITIES			
Consolidated reserves	(21.3)	6.1	(15.2)
Equity	**(21.3)**	**6.1**	**(15.2)**
Non-current financial liabilities and derivatives	106.4		106.4
Provisions for pensions and other employee benefits	—		—
Deferred tax	7.3	2.0	9.3
Provisions and other non-current financial liabilities	—		—
Non-current liabilities	**113.7**	**2.0**	**115.7**
Current financial liabilities and derivatives	38.2		38.2
Current portion of provisions and other non-current financial liabilities	—		—
Trade payables	25.6		25.6
Current tax liabilities	—		—
Other current liabilities	22.9		22.9
Current liabilities	**86.8**		**86.8**
Total Equity and Liabilities	**179.2**	**8.1**	**187.3**
Gross debt	**144.6**		**144.6**
Net cash flow	**11.1**		**11.1**
Net debt	**133.5**		**133.5**

Note 2 – Basis of preparation of the consolidated financial statements

2.1 Declaration of compliance and applicable framework

The Verallia Group's consolidated financial statements for the period ended 31 December 2022 have been prepared in accordance with international accounting standards (IFRS) as published by the IASB (International Accounting Standards Board) and adopted in the European Union in compliance with European Regulation No. 1606/2002 of 19 July 2002. They were approved by the Board of Directors on 15 February 2023.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations. This reporting framework can be found on the European Commission's website[1].

The consolidated financial statements are presented in millions of euros, with amounts rounded up or down to the nearest million. So rounding differences may appear between different financial statements. In addition, adjustments may have been made in the notes to the financial statements in respect of prior periods in order to conform to the presentation of the current year with no impact on the financial statements.

The terms "Verallia", "the Group" or "the Verallia Group" refer to the Verallia SA company together with its consolidated subsidiaries.

The accounting principles applied are identical to those applied to the consolidated financial statements at 31 December 2021 except for the following standards, amendments and interpretations applied starting from 1 January 2022:

[1] https://ec.europa.eu/info/index_en

Amendments to IAS 16 : Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 : Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS3 : Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS - 2018-2020 Cycle	1 January 2022

The amendments to IFRS 3 and annual improvements to IFRS standards - 2018-2020 cycle had no material impact on the financial statements.

At 31 December 2022, the Group completed its review of the impacts resulting from the amendments to IAS 16 "Proceeds before intended use" and to IAS 37 "Onerous contracts: cost of fulfilling a contract". These amendments have no impact on the Group's past financial statements.

The Group examined the accounting impacts of the IFRS IC decision published in April 2021 "Configuration or Customisation Costs in a Cloud Computing Arrangement" (IAS 38 "Intangible assets") regarding the recognition of such costs. The accounting impact is non-significant at Group level, so no restatements were made to its financial statements.

The Group did not apply the following new standards, amendments and interpretations, which were not yet effective:

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS PUBLISHED BUT NOT YET EFFECTIVE OR EARLY ADOPTED BY THE GROUP	
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8 : Definition of accounting estimates	1 January 2023
Amendments to IFRS 17 : Application of IFRS 17 and IFRS 9—Comparative Information	1 January 2023
Amendments to IAS 1: Disclosure of accounting methods	1 January 2023
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024

2.2 Estimates and judgements

In preparing consolidated financial statements, Management relies on estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses, as well as the information presented in the notes. These estimates and assumptions are reviewed on a regular basis to ensure that they are reasonable in light of the Group's history, economic conditions and the information available to the Group.

The Group has factored climate risks into its year-end assumptions and incorporated their potential impact into its financial statements. The risks factored in are described in Notes 11, 12, 14.4, 17.2.1, 18.1.2, 18.1.4 and 19.3.1 to the financial statements.

Actual results may differ from the estimates used. Major sources of estimation uncertainty may result in significant adjustments made to the amounts of assets and liabilities in the subsequent year. Besides making use of estimates, the Group's Management must exercise judgement in selecting and/or applying the most appropriate accounting treatment for certain transactions and activities and in defining the terms of its application.

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

Management's main judgements and estimates	Note
Assessment of the recoverable value of goodwill and fixed assets	3.1 & 9 & 12
Measurement of provisions and other financial liabilities	18.1
Measurement of defined benefit obligations and plan assets	19.1

2.3 Valuation principles

The consolidated financial statements were prepared on a historical cost basis with the exception of:

- certain financial assets and liabilities measured using the fair value model (Note 21);
- defined benefit plan assets (Note 19.1).

ACCOUNTING PRINCIPLES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The methods used to measure the fair value of financial and non-financial assets and liabilities as defined above are classified according to the following three fair value levels:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measured using inputs other than quoted prices in active markets that are observable either directly (price) or indirectly (price-derived data).
- Level 3 : fair value inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.4 Transactions in foreign currencies

ACCOUNTING PRINCIPLES

The Group's presentation currency is the euro, which is also the functional currency of the Group's parent company. Each Group entity determines its own functional currency, and all its financial transactions are then measured in that currency.

The financial statements of subsidiaries that have a functional currency other than the presentation currency are translated using the closing rate method:

- assets and liabilities, including goodwill and fair value adjustments in the context of acquisition accounting, are translated into euros at the closing rate, i.e. the daily rate on the closing date;
- statement of income and cash flow items are translated into euros at the average rate for the period, unless significant differences are recognised.

The resulting foreign currency translation differences are recognised in other comprehensive income, with a corresponding entry in the translation reserve in shareholders' equity. When a foreign entity is sold, the cumulative amount of foreign currency translation differences in equity relating to that entity is reclassified to profit or loss.

Transactions denominated in foreign currency are converted into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the closing rate, and the resulting translation differences are recognised in the statement of income in financial income or expense. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the day of the transaction.

Differences arising from the translation of borrowings, loans or advances that are substantially part of the net investment in a foreign entity are recognised in other comprehensive income, with a corresponding entry in the translation reserve in equity, and reclassified to profit or loss on disposal of the net investment.

Hyperinflation in Argentina

In 2018, Argentina was considered a "hyperinflationary" economy within the meaning of IFRS, rendering IAS 29 "Financial reporting in hyperinflationary economies" applicable.

Accordingly, the Group has applied IAS 29 since 1 January 2018. Adoption of IAS 29 requires the restatement of the non-monetary assets and liabilities, equity and statement of income of the Group's Argentine subsidiary in order to reflect the change in the purchasing power of its functional currency. The gain or loss on the net monetary position is included in financial income or expense. Moreover, the financial information for the Group's Argentine subsidiary is translated into euros by applying the exchange rate prevailing on the closing date of the relevant period.

On 20 March 2020, the IASB Interpretations Committee published its position with respect to accumulated translation differences in a hyperinflationary economy. The Group therefore transferred the translation differences accumulated on its Argentine subsidiary at 1 January 2018 to the translation reserve.

The rates selected for the main currencies were as follows:

	2022		2021	
	Closing rate	Average rate	Closing rate	Average rate
Brazilian real (EUR/BRL)	5.65	5.44	6.29	6.38
Argentine peso (EUR/ARS)*	189.21	136.66	116.20	112.32
Pound Sterling (EUR/GBP)	0.88	0.85	n/a	n/a
Russian rouble (EUR/RUB)	77.96	72.15	84.07	87.21
Ukrainian hryvnia (EUR/UAH)	38.95	33.96	30.92	32.30

- In accordance with IAS 29, all financial information is translated at the closing rate for subsidiaries located in a country considered to be "hyperinflationary" (applicable to Argentina since 2018).

Note 3 – Consolidation method and scope of consolidation

ACCOUNTING PRINCIPLES

Basis of consolidation

The consolidated financial statements include the assets and liabilities, income and cash flows of the Company and its subsidiaries. All balances and reciprocal transactions between companies controlled by the Group are eliminated.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed or entitled to variable returns because of its relationship with the entity and has the ability to affect those returns because of the power it holds over it. The interests acquired in these entities are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases to be exercised. See Note **3.3** for more information on associates.

3.1 Changes in the scope of consolidation

ACCOUNTING PRINCIPLES

Business combinations

Business combinations are accounted for in accordance with IFRS 3 "Business combinations" using the acquisition method.

Goodwill corresponds to:
- the fair value of the consideration transferred; plus
- the amount recognised for any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of any pre-existing equity interest in the acquired company; less
- the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

When the difference is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration for the acquisition is measured at fair value, which is the sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred or assumed, and the equity securities issued in exchange for the acquisition of control of the acquired company. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at fair value. Subsequent changes in the fair value of the contingent consideration corresponding to debt instruments are recognised in profit or loss.

Acquisition-related costs are recorded as expenses when incurred and recognised in "Items related to acquisitions" in the consolidated statement of income.

At the acquisition date, the Group recognises identifiable assets acquired and liabilities assumed (identifiable net assets) in the subsidiary, based on their fair value at that date (with some exceptions). The assets and liabilities recognised may be adjusted for a maximum of 12 months from the acquisition date, based on new information gathered on the facts and circumstances existing at the acquisition date.

For business combinations resulting in less than a 100% interest, the non-controlling interest in the acquired company (i.e. any interest that gives its holders the right to a share of the net assets of the acquired company), as at the acquisition date, is measured:
- either at fair value, so that a portion of the goodwill recognised at the time of the combination is allocated to the non-controlling interest (the "full goodwill" method);
- or based on the share of the identifiable net assets of the acquired company, so that only goodwill attributable to the Group is recognised (the "partial goodwill" method).

The method applied is selected depending on factors specific to each transaction.

Changes in equity interests (%) in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a gain or loss of control are accounted for as equity transactions – in other words, as transactions with shareholders acting in that capacity. The difference between the fair value of any consideration paid and the carrying amount of the share of the subsidiary's net assets acquired or disposed of is recorded in equity.

Commitments to purchase non-controlling interests

Commitments to purchase non-controlling interests result in the recognition in the financial statements of a liability in "Provisions and other non-current financial liabilities", which is the present value of the estimated exercise price of the put option on non-controlling interests, with a corresponding reduction in non-controlling interests and equity attributable to owners of the parent company for the balance, if any. Any subsequent change in the fair value of the liability is recognised through an adjustment to equity.

Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or group of assets through its sale rather than its use, the asset in question is presented separately on the "Assets held for sale" line in the statement of financial position, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Liabilities related to such assets, if any, are also presented on a separate line of the statement of financial position ("Liabilities related to assets held for sale").

Assets classified as such are measured at the lesser of the carrying amount or the fair value, less the cost of selling them. Assets classified as assets held for sale cease to be depreciated from the date they qualify for classification as assets held for sale.

A discontinued operation is either a component of the Group from which it has separated or an activity that is classified as held for sale and:

- which represents a separate major line of business or geographical area of operations; and
- is part of a single, coordinated plan to dispose of a separate line of business or geographical area of operations; or
- is an activity acquired exclusively for resale.

When an activity is classified as a discontinued operation, the income statement and the cash flows statement are restated as if the activity had met the criteria for an activity that was discontinued from the start of the comparative period.

In these financial statements, no non-current assets meet the criteria for classification as assets held for sale and no operations were sold during the year.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

To determine the fair value of assets and liabilities at the acquisition date, the Group makes estimates using several methods with the help of independent valuation experts. These estimates are based on a number of assumptions and assessments.

The significant assumptions used to determine the allocation of fair value include the following valuation methods: the cost approach, the revenue approach and the market approach. These methods are based on cash flow projections and related discount rates, sector indices, market prices for replacement cost and comparable market transactions.

3.1.1 Changes in 2022

There were no significant changes made to the scope of consolidation other than the buyout of Verallia Deutschland's minority shareholders by Verallia Packaging and the acquisition of Allied Glass described in Note 1.2.1 "Highlights".

3.1.2 Changes in 2021

There were no significant changes in the scope of consolidation.

3.2 List of the main consolidated companies

Entity	Country	% interest as of 31 December 2022	2021	Consolidation method
Verallia SA	France	100.0 %	100.0 %	Parent company
Verallia Deutschland	Germany	100.0 %	96.8 %	Full consolidation
Rayen-Cura	Argentina	60.0 %	60.0 %	Full consolidation
Verallia Brasil	Brazil	100.0 %	100.0 %	Full consolidation
Verallia Chile	Chile	100.0 %	100.0 %	Full consolidation
Verallia Spain	Spain	99.9 %	99.9 %	Full consolidation
Société Charentaise de Décor	France	100.0 %	100.0 %	Full consolidation
Verallia France	France	100.0 %	100.0 %	Full consolidation
Verallia Packaging	France	100.0 %	100.0 %	Full consolidation
Verallia Italia	Italy	100.0 %	100.0 %	Full consolidation
Verallia Polska	Poland	100.0 %	100.0 %	Full consolidation
Verallia Portugal	Portugal	99.9 %	99.9 %	Full consolidation
Kavminsteklo Zao	Russia	99.2 %	95.9 %	Full consolidation
Zao Kamyshinsky Steklotarny ZA	Russia	96.5 %	93.3 %	Full consolidation
Verallia UK	United Kingdom	100.0 %	— %	Full consolidation
Verallia Ukraine	Ukraine	100.0 %	96.8 %	Full consolidation

3.3 Investments in equity-accounted companies

ACCOUNTING PRINCIPLES

Associates

Associates are companies over which the Group exercises significant influence, i.e. the power to participate in financial and operating policy decisions, but without exercising control or joint control over such policies. They are recognised in the consolidated financial statements using the equity method.

Equity method

Under the equity method, an investment in an associate must initially be recognised at the acquisition cost and then adjusted based on the Group's share of the profit or loss and, where applicable, its share of the associate's other items of comprehensive income as well as dividends. Goodwill is included in the carrying amount of the investment. Any losses or reversals of the value of investments and any gains or losses on the sale of investments in companies accounted for under the equity method are presented under "Share of net income of associates" in the statement of income.

Gains from transactions with equity-accounted entities are eliminated via a corresponding entry of equity-accounted securities in proportion to the Group's interest in the Company. Losses are eliminated in the same way as gains, but only insofar as they are not indicative of impairment.

The Group holds several interests in associates, none of which is of a significant size individually:

Entity	Country	Main % interest as of 31 December		
		2022	2021	Consolidation method
Vetreco SRL	Italy	40.0 %	40.0 %	Equity method
Cogeneradores Vidrieros	Spain	25.8 %	25.8 %	Equity method
Verre Recycling	Germany	40.0 %	40.0 %	Equity method

Changes in investments in associates break down as follows:

(in € million)	Year ended 31 December	
	2022	2021
Opening		
Gross amount	5.1	2.0
Impairment	—	—
Investments in associates – Net amount	**5.1**	**2.0**
Changes during the year		
Translation differences	—	—
Transfers, share issues and other movements	0.6	0.7
Dividend paid	—	—
Share of profit (loss) of associates	0.2	2.4
Total changes	**0.8**	**3.1**
Closing		
Gross amount	5.9	5.1
Impairment	—	—
Investments in associates – Net amount	**5.9**	**5.1**

The table below presents the main financial information concerning investments in associates (presented at 100%):

(in € million)	Year ended 31 December	
	2022	2021
Equity	13.3	13.2
Total assets	61.5	50.7
Total revenue	96.0	54.5
Net profit (loss) for the year	**(1.0)**	**5.5**

Note 4 – Segment information

ACCOUNTING PRINCIPLES

Definition of operating segments

In accordance with IFRS 8 "Operating segments", segment reporting must reflect the operating segments for which results are regularly reviewed by the chief operating decision-maker (CODM) in order to make decisions about resources to be allocated to the segments and to assess their performance.

4.1 Basis for segmentation

In accordance with the provisions of IFRS 8 "Operating segments", the Group has identified the following 3 operating segments corresponding to the geographical areas in which the assets are located:

- **Southern and Western Europe**, comprising production plants located in France, Italy, Spain and Portugal. Verallia's operations in this region are focused mainly on bottles of still and sparkling wines and spirits containers, market segments characterised by export-driven growth;

- **Northern and Eastern Europe**, comprising sites located in Germany, the United Kingdom, 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 and the premium spirits market;
- **Latin America**, comprising sites located in Brazil, Argentina and Chile. The Group's activities in Latin America are focused mainly on bottles for still wines, a market segment dominated by exports, as well as beer bottles, particularly in Brazil.

The above operating segments correspond to the reporting segments in the absence of consolidation by the Group.

This sector breakdown reflects the Group's management organisation set up at the time of the initial public offering in 2019 and its internal reporting system as submitted to the Board of Directors, which is Verallia's chief operating decision-maker (CODM). The management organisation and internal reporting system remain unchanged following the takeover of Allied Glass. This reporting method makes it possible to assess the performance of the operating segments, based on adjusted EBITDA, and to decide on the allocation of resources, particularly investments.

4.2 Key performance indicators

The Group uses the following aggregates to assess the performance of the operating segments presented:

- revenue, corresponding to the revenue presented in the consolidated financial statements;
- capital expenditure, corresponding to the Group's acquisitions of property, plant and equipment and intangible assets;
- adjusted EBITDA, an indicator for monitoring the underlying performance of businesses adjusted for certain non-recurring expenses and/or income liable to distort the Company's performance.

Adjusted EBITDA is calculated on the basis of 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:

		Year ended 31 December	
(in € million)	Notes	2022	2021
Net profit (loss) for the year		**355.6**	**249.3**
Net financial income		80.7	56.8
Income tax		122.1	89.4
Share of net result of associates		(0.2)	(2.4)
Operating profit		**558.3**	**393.1**
Depreciation, amortisation and impairment	A	295.9	281.1
Restructuring costs		(0.8)	(2.7)
IAS 29, Hyperinflation (Argentina)		4.3	(4.8)
Management share ownership plan and associated costs	B	6.2	10.1
Acquisition fees and additional price	C	5.1	—
Other		(3.5)	1.3
Adjusted EBITDA		**865.5**	**678.1**

A. Includes depreciation and amortisation of intangible assets and property, plant and equipment, and amortisation of intangible assets acquired through business combinations.

B. Corresponds to share-based compensation plans and associated costs.

C. In 2022, corresponded mainly to the costs of acquiring Allied Glass and the contingent consideration on the disposal of shares in Thierry Bergeon Embouteillage.

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	Year ended 31 December 2022 Northern and Eastern Europe	Southern and Western Europe	Latin America	Eliminations	Group total
Revenue from activities with external customers	5.1	695.3	2,236.4	419.8	—	3,351.5
Inter-segment revenue		12.1	8.8	0.0	(20.9)	—
Total segment revenue		**707.4**	**2,245.2**	**419.8**	**(20.9)**	**3,351.5**
Adjusted EBITDA	**4.2**	**146.5**	**554.5**	**164.6**	**—**	**865.5**
o/w impact of IFRS 16		*1.6*	*16.3*	*1.5*	—	*19.4*
Capital expenditure*		**73.3**	**209.6**	**84.1**	**—**	**367.0**

*Excluding rights of use under IFRS 16

(in € million)	Notes	Year ended 31 December 2021 Northern and Eastern Europe	Southern and Western Europe	Latin America	Eliminations	Group total
Revenue from activities with external customers	5.1	537.6	1,832.2	304.2	—	2,674.0
Inter-segment revenue		23.4	2.3	0.1	(25.8)	—
Total segment revenue		**561.0**	**1,834.5**	**304.3**	**(25.8)**	**2,674.0**
Adjusted EBITDA	**4.2**	**117.1**	**452.8**	**108.2**	**—**	**678.1**
o/w impact of IFRS 16		*1.9*	*15.6*	*1.3*	—	*18.8*
Capital expenditure*		**51.0**	**165.3**	**39.9**	**—**	**256.2**

*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 the use expected to be made of its glass packaging (notion of "end market" as defined internally):

(in € million)	Year ended 31 December 2022	2021
Still wines	1,149.4	946.3
Sparkling wines	392.1	300.3
Spirits	413.0	302.9
Beers	415.4	339.9
Food	531.5	419.9
Soft drinks	358.9	290.3
Others	91.2	74.4
Revenue	**3,351.5**	**2,674.0**

4.5 Entity-level information

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

In addition, the geographical breakdown of non-current assets (other than goodwill, customer relationships and fair value adjustments to property, plant and equipment, financial instruments, deferred tax assets and post-employment benefit assets) is presented below.

(in € million)	Year ended 31 December 2022	2021
France	313.8	303.4
Italy	375.4	340.7
Spain	222.9	212.1
Germany	205.3	187.1
Other countries	489.8	306.9
Total	**1,607.2**	**1,350.2**

The Group does not monitor customer relationships by country, so they were excluded from the analysis of non-current assets by country.

4.6 Information about the main customers

None of the Group's customers individually accounted for more than 10% of revenue in 2022 or 2021.

Note 5 – Operating income and expenses

5.1 Revenue

ACCOUNTING PRINCIPLES

Verallia's operations mainly concern the manufacture of glass packaging for beverages and food products (bottles and jars).

In accordance with commercial practices and norms in the Group's markets, commercial agreements with customers generally do not involve a commitment in respect of purchase volumes or significant penalties in the event of cancellation. In addition, no significant initial lump sum payments are made. Thus, each order combined with a possible framework agreement represents a contract within the meaning of IFRS 15. Contracts generally run for less than one year so, under the terms of IFRS 15, the order book is not presented. The costs of obtaining contracts are not material.

Each agreement contains a performance obligation corresponding to the delivery of bottles and jars. The revenue generated from the sale of bottles and jars is recognised when the control of the asset is transferred to the customer, i.e. when the product is shipped or delivered, according to Incoterms rules.

In its operations, the Group does not resort to any intermediaries when selling goods to its customers other than transport services. As a result, agent/principal analysis is not relevant.

Revenue is the amount receivable for goods provided in the normal course of business, excluding amounts collected on behalf of third parties, such as sales taxes, goods and services taxes, and value added taxes.

Moulds are recognised as property, plant and equipment insofar as their purchase does not constitute a separate performance obligation (no transfer of control to customers).

Contracts have no funding component since the time between revenue recognition and payment is generally short. As a result, the Group does not adjust the transaction price based on the time value of money. Moreover, contract assets and liabilities are not material.

Revenue by country of origin

	Year ended 31 December	
(in € million)	**2022**	**2021**
France	873.7	732.1
Italy	714.8	573.6
Spain	507.8	419.1
Germany	497.0	409.4
Other countries	758.2	539.8
Total revenue	**3,351.5**	**2,674.0**

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

5.2. Expenses by function and by nature

ACCOUNTING PRINCIPLES

Cost of sales

Cost of sales includes all costs directly or indirectly related to the products sold. The main components are the cost of raw materials, energy, wages and transport, and the depreciation of production equipment.

Selling, general and administrative expenses

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

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

		Year ended 31 December	
(in € million)	Notes	2022	2021
Raw materials, energy, transport and other production costs		(1,920.0)	(1,470.9)
Personnel expenses	A	(567.4)	(524.5)
Depreciation and amortisation	B	(234.1)	(220.9)
Total cost of sales and selling, general and administrative expenses	C	**(2,721.5)**	**(2,216.3)**

A. Personnel expenses include:

€2.9 million in 2022 and €3.1 million in 2021 in respect of costs relating to post-employment benefits (Notes 19.1 and 19.2);

€6.2 million in 2022 and €10.1 million in 2021 in respect of costs relating to share-based compensation plans (Note 19.3).

B. Includes amortisation of intangible assets and property, plant and equipment (Notes 10 and 11), with the exception of customer relationships which are recognised in "Acquisition-related items".

C. Includes research and development expenses of €6.1 million in 2022 and €3.6 million in 2021.

Note 6 - Other operating income and expenses

6.1 Acquisition-related items

ACCOUNTING PRINCIPLES

Acquisition-related items mainly cover the impact of the adjustments recognised in connection with the purchase price allocation (amortisation of assets exclusively recognised through business combinations, such as customer relationships), as well as acquisition costs including miscellaneous fees and due diligence costs in connection with actual or prospective acquisitions. These items are presented separately from "selling, general and administrative expenses" on account of their materiality.

(in € million)	Notes	Year ended 31 December	
		2022	2021
Acquisition and M&A costs	A	(5.1)	0.5
Amortisation of intangible assets acquired through business combinations	B	(60.5)	(60.2)
Acquisition-related items		**(65.6)**	**(59.7)**

A. In 2022, corresponded mainly to the costs of acquiring Allied Glass and the contingent consideration on the disposal of shares in Thierry Bergeon Embouteillage.

B. Represents the amortisation of customer relationships (original gross amount of €740 million in 2015) over a 12-year useful life.

6.2 Other operating income and expenses

ACCOUNTING PRINCIPLES

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

Other operating income and expenses break down as follows:

(in € million)	Notes	Year ended 31 December	
		2022	2021
Gains on disposals of assets		4.4	—
Reversals of asset impairment		—	—
Other income		**4.4**	**—**
Restructuring costs	A	0.8	2.7
Losses on disposals of assets and scrapped assets	B	(3.1)	(6.3)
Impairment of assets		(1.4)	(0.4)
Others	C	(6.8)	(0.9)
Other expenses		**(10.4)**	**(4.9)**
Other income and expenses – net		**(6.0)**	**(4.9)**

A. As 2021, the amount at 31 December 2022 corresponded to the re-estimation of the 2020 transformation plan carried out in France, including the costs related to the shutdown of a furnace and the accompanying measures on departure.

B. The impact in 2022 concerned scrapped assets in France and Germany. In 2021, this item consisted mainly of losses incurred following a fire in Argentina and scrapped assets in Germany.

C. In 2022, this item included mainly provisions for environmental risks

Note 7 – Financial income and expenses

ACCOUNTING PRINCIPLES

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

Financial income mainly comprises income from cash and cash equivalents.

(in € million)		Year ended 31 December	
	Note	2022	2021
Interest expense excluding lease liabilities	A	(34.9)	(35.9)
Interest expense related to lease liabilities		(1.4)	(1.5)
Amortisation of debt issuance costs, and other *		(17.1)	(11.0)
Financial income from cash and cash equivalents and other	B	20.3	16.0
Cost of net debt		**(33.1)**	**(32.4)**
Expenses related to financing	C	—	(7.0)
Foreign exchange gains and losses	D	(12.8)	(0.9)
Net interest expense related to pension plans and other benefits	19.1	(1.3)	(1.0)
Profit (loss) on net monetary position in Argentina (IAS 29)	2.4	(33.5)	(15.5)
Net financial income (expense)		**(80.7)**	**(56.8)**

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

A. Corresponds to interest expense on borrowings (described in Note 17).

B. In 2022, corresponded to financial income from investments, primarily in Argentina, and interest income from interest rate hedging instruments.

C. In 2021, corresponded to the accelerated amortisation of a portion of the Term Loan A upfront fees and to the early unwinding of a portion of the interest rate swaps following the partial reimbursement of €500 million of Term Loan A.

D. Corresponds mainly to local-currency foreign exchange impacts on the Brazilian and Chilean subsidiaries, and the effects of variations in foreign exchange derivatives.

Note 8 – Income tax

ACCOUNTING PRINCIPLES

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

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

The amount of current tax payable (or recoverable) is determined based on the best estimate of the amount of tax that the Group expects to pay (or recover) and reflecting any potential associated uncertainties.

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

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

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

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

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

Management's judgement is necessary to determine the extent to which tax losses can be recovered by the Group, resulting in the recognition of a deferred tax asset. In assessing the recognition of deferred tax assets, Management considers whether it is more likely than not that they will be used. Ultimately, deferred tax assets will be used if sufficient taxable income is available during periods in which temporary differences become deductible. Estimates of taxable profit and the use of tax loss carryforwards are based on the earnings forecast in the budget, the medium-term plan and, if necessary, supplementary estimates.

Furthermore, following the adoption by the EU Council on 15 December 2022 of the European directive relating to the implementation of pillar 2, the group is awaiting its transposition into French domestic law but does not anticipate any significant impact in view of the information available to date.

8.1 Income tax

The table below shows the breakdown of income tax expense:

	Year ended 31 December	
(in € million)	**2022**	**2021**
France	(13.1)	(12.5)
Outside France	(122.3)	(95.4)
Current tax	**(135.5)**	**(107.9)**
France	2.0	4.5
Outside France	11.3	14.0
Deferred tax	**13.3**	**18.5**
Total income tax	**(122.1)**	**(89.4)**

8.2 Analysis of deferred taxes on the balance sheet

In the consolidated balance sheet, changes in net deferred taxes are as follows:

(in € million)	Year ended 31 December	
	2022	**2021**
Opening	**(199.1)**	**(118.9)**
Deferred tax (expense)/benefit	13.3	18.5
Changes in deferred taxes related to actuarial gains and losses IAS19 and the fair value of cash flow hedge	(0.8)	(96.6)
Translation and hyperinflation adjustments	(3.2)	(1.0)
Change in scope	(9.3)	—
Other	0.6	(1.1)
Closing	**(198.5)**	**(199.1)**

The table below shows net deferred taxes by type:

(in € million)	Year ended 31 December	
	2022	**2021**
Deferred tax assets	27.5	64.7
Deferred tax liabilities	(226.0)	(263.8)
Net deferred tax	**(198.5)**	**(199.1)**
Pensions	8.7	16.6
Depreciation and amortisation, accelerated amortisation and regulated provisions	(158.2)	(167.5)
Tax loss carryforwards	11.0	19.8
Other *	(60.0)	(68.0)
Total	**(198.5)**	**(199.1)**

* Other: mainly corresponding to hedging instruments at 31 December 2022.

At 31 December 2022, deferred tax losses carried forward recognised as assets amounted to €11.0 million (€19.8 million at 31 December 2021) and were generated mainly in France. These tax losses can be carried forward indefinitely. Tax loss carryforwards began being used in 2020 and it is estimated that they will continue to be used for a period of two years.

Unrecognised deferred tax assets related to tax losses, in the amount of €5.9 million (€10.5 million at 31 December 2021), mainly concern Chile.

8.3 Tax proof

The reconciliation between the income tax shown in the consolidated statement of income and the theoretical tax that would be incurred based on the rate prevailing in the country where the parent company of the Group resides (France) is as follows:

	Notes	Year ended 31 December	
(in € million)		2022	2021
Profit (loss) before tax		**477.6**	**336.3**
Tax rate in France (%)		25.82 %	28.40 %
Theoretical tax expense		**(123.3)**	**(95.5)**
Difference in tax rates between countries	A	(4.5)	4.0
Non recognised deferred tax assets		3.8	2.3
Permanent differences	B	13.1	12.7
Tax not levied on taxable profits	C	(8.2)	(5.2)
Impact of changes in local tax rate		0.0	(1.3)
Withholding tax		0.1	(0.5)
Other	D	(3.1)	(5.9)
Total income tax		**(122.1)**	**(89.4)**

A. This item corresponds mainly to the impact of changes in the tax rate in France.

B. In 2022, this item corresponded mainly to the energy tax credit granted by the tax authorities in Italy and to the impact of hyperinflation in Argentina. In 2021, this item corresponded mainly to the remeasurement of assets following the tax measures introduced in Italy.

C. These taxes mainly include the CVAE tax in France and IRAP tax in Italy.

D. As in 2021, this item corresponds mainly to the recognition of provisions for tax risks.

8.4 Tax consolidation

The calculation of income tax expense takes into account specific local rules applicable to Verallia entities, including tax consolidation adopted by Verallia in France and Spain as well as in Germany under the country's Organschaft rules.

In France, Verallia SA is the head of the French tax group.

8.5 Uncertainty regarding tax treatment

Uncertain tax positions include risk estimations, litigation and disputes, be they actual or probable, regarding the calculation of income tax. Any of the Group's entities may be subject to a tax audit or even be asked by the local tax authorities to make adjustments. These requested adjustments along with any uncertain tax positions identified by the Group give rise to the recognition of a liability, the amount of which is reviewed regularly in accordance with the criteria set out in the IFRIC 23 interpretation "Uncertain tax positions".

Uncertain tax positions amounted to €13.3 million at 31 December 2022 (€11.3 million at 31 December 2021) and mainly concerned proposed rectifications, notifications of income tax adjustments and requests for information received from the tax authorities.

Note 9 – Goodwill

ACCOUNTING PRINCIPLES

At the acquisition date, goodwill is measured in accordance with the accounting standards applicable to business combinations, as described in Note 3.1.

For the purposes of impairment testing (Note 12), goodwill is allocated to the cash-generating unit (or group of cash-generating units) benefiting from the synergies of the business combination, depending on the level at which the return on investments is monitored for internal management purposes. A cash generating unit (CGU) is the smallest identifiable group of assets generating cash inflows that are largely independent of those generated by the entity's other assets. CGUs are defined on the basis of industrial organisation and correspond to countries.

In view of the Group's activities, goodwill is tested at the level of groups of CGUs corresponding to the Group's operating segments (Note 4).

Goodwill is not amortised but is tested for impairment at each year-end or whenever events or changes in circumstances indicate that it may be impaired.

Impairment losses affecting goodwill cannot be reversed. The methods applied by the Group to perform impairment tests are described in Note 12.

The change in the net value of goodwill is as follows:

(in € million)	Northern and Eastern Europe	Southern and Western Europe	Latin America	Total
As of 31 December 2021				
Gross amount	99.8	378.5	51.9	530.2
Net amount	**99.8**	**378.5**	**51.9**	**530.2**
Changes during the year				
Translation differences	(3.0)	0.0	6.0	3.0
Change in Group Structure	250.7	0.0	0.0	250.7
Total changes	**247.7**	**0.0**	**6.0**	**253.7**
As of 31 December 2022				
Gross amount	347.5	378.5	57.9	783.9
Net amount	**347.5**	**378.5**	**57.9**	**783.9**

Note 10 – Other intangible assets

ACCOUNTING PRINCIPLES

Other intangible assets mainly include customer relationships, patents, trademarks, software and development costs. They are carried at historical cost less accumulated amortisation and depreciation. Intangible assets acquired in a business combination are recorded at fair value at the acquisition date.

Customer relationships are measured using the multi-period excess earnings method, in accordance with IFRS 13 "Fair value measurement". The useful life of customer relationships is estimated based on the period during which the economic benefits of the asset are consumed. Customer relationships identified during the acquisition of Saint-Gobain's Glass Packaging Division in 2015 are being amortised on a straight-line basis over an estimated useful life of 12 years.

Costs incurred for in-house software development – mainly configuration, programming and testing costs – are recognised as intangible assets and are generally amortised over a period of 5 years.

Patents and purchased computer software are amortised over their estimated useful lives, not exceeding a period of 20 years for patents and 3 to 5 years for software.

Research costs are expensed in the year in which they are incurred. Process development costs meeting the recognition criteria of IAS 38 are included in intangible assets and amortised over their estimated useful lives (not exceeding 5 years) from the date of first sale of the products to which they relate.

Other intangible assets break down as follows:

(in € million)	Customer relationships	Software	Other	Total
As of 31 December 2021				
Gross amount	719.2	40.7	15.8	775.7
Cumulative amortisation and impairment	(369.6)	(31.1)	(2.8)	(403.5)
Net amount	**349.6**	**9.6**	**13.0**	**372.2**
Changes during the year				
Changes in scope and transfers	0.0	5.3	(2.1)	3.2
Acquisitions	0.0	0.8	1.0	1.8
Disposals	0.0	0.0	(0.8)	(0.8)
Translation differences	2.6	0.0	0.0	2.6
Amortisation and impairment	(60.5)	(4.8)	(0.6)	(65.9)
Total changes	**(57.9)**	**1.3**	**(2.5)**	**(59.1)**
As of 31 December 2022				
Gross amount	724.2	47.2	13.9	785.3
Cumulative amortisation and impairment	(432.5)	(36.3)	(3.4)	(472.2)
Net amount	**291.7**	**10.9**	**10.5**	**313.1**

Note 11 – Property, plant and equipment

ACCOUNTING PRINCIPLES

Property, plant and equipment

Property, plant and equipment is recorded at historical cost less any accumulated depreciation and impairment charges. This cost includes incidental expenses directly attributable to the acquisition. Property, plant and equipment acquired in a business combination is carried at its fair value on the acquisition date. Borrowing costs incurred for the construction and acquisition of property, plant and equipment requiring a long period of preparation before it can be used are included in the cost of the associated asset. Property, plant and equipment other than land is depreciated using the component approach on a straight-line basis over the estimated useful lives of:

Main plants and office buildings	30-40 years
Other buildings	15-25 years
Machinery and other production equipment	5-16 years
Vehicles	3-5 years
Furniture, accessories, computer and office equipment	4-16 years

Equipment notably includes the moulds used in the product manufacturing process. They are depreciated on the basis of "beaten costs", i.e. production units.

The Group is adapting and replacing its production facilities, for instance with furnaces that use new technologies, in a drive to rise to the planet's environmental challenges and reduce its CO2 emissions. Accordingly, the Group has not recognised any impairment losses on its existing production facilities or any impact on the useful life of its fixed assets.

Government grants for purchases of property, plant and equipment are recognised as deferred income under "Other current liabilities" and recorded in the statement of income as the asset is amortised.

Leases

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

So it was decided that certain logistics management contracts including materials handling and inventory management services as well as the rental of sites dedicated to Verallia contain a lease component in that the dedicated site corresponds to an identified asset, the Group obtains substantially all the economic benefits generated by this asset and it has the right to control the use of the dedicated site.

The Group records a right-of-use asset and a lease liability on the lease's start date. The right-of-use asset is initially measured at cost then, subsequently, at cost less any cumulative depreciation and any cumulative impairment losses. The amount may be adjusted according to certain cases of remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments outstanding at the lease's start date. The discount rate applied corresponds to the interest rate implicit in the agreement or, if that rate cannot be readily determined, at the incremental borrowing rate (based on terms and not maturities). It is the latter that the Group generally applies as its discount rate.

The lease liability is subsequently increased by the interest expense and reduced by the amount of rent paid. It is remeasured in the event of an amendment to future lease payments resulting from a change in an index or rate used to determine those payments, a new estimate of the amounts expected to be paid under a residual value guarantee or, where applicable, a remeasurement on the exercise of an option to purchase the underlying asset or extend the lease term or on the non-exercise of a termination option (which thus become reasonably certain).

The Group has opted to analyse assets and liabilities together in order to determine its deferred taxes. A deferred tax liability was thus recognised for the net amount of taxable and deductible temporary differences.

The Group's main leases cover warehouses, offices, forklift trucks and other industrial equipment, and vehicles, with the Group owning substantially all its property, plant and equipment. They are essentially fixed-rent agreements (possibly with index clauses).

Lease terms for warehouses and offices vary by country.

The Group takes the following into account when assessing the reasonable certainty of renewal or termination options being exercised:

- the financial conditions for the optional periods (attractive rents);
- with regard to property, their location (strategically located near Group factories and/or client sites) and any alterations made to the layout;
- in some cases, the Group's operational plans and their impact on the use of a leased property.

For equipment and vehicles, rental periods generally range from 3 to 6 years.

Property, plant and equipment breaks down as follows:

(in € million)	Note	Year Ended 31 December 2022	Year Ended 31 December 2021
Assets owned	A	1,555.4	1,305.6
Assets leased	B	53.6	45.6
Property, plant and equipment		**1,609.0**	**1,351.2**

The property, plant and equipment owned by the Group breaks down as follows:

(in € million)	Land	Buildings	Machinery and equipment	Assets in progress	Total
As of December 31, 2021					
Gross amount	64.6	316.1	2,158.1	128.5	2,667.3
Cumulative depreciation and impairment	(0.9)	(136.0)	(1,223.7)	(1.1)	(1,361.7)
Net amount	**63.7**	**180.1**	**934.4**	**127.4**	**1,305.6**
Changes during the period					
Changes in scope and other	—	16.9	63.3	(2.2)	78.0
Acquisitions	1.2	4.2	53.7	306.1	365.2
IAS 29, Hyperinflation	1.1	12.3	17.1	0.8	31.3
Disposals	(0.2)	0.0	(2.3)	(0.7)	(3.2)
Translation differences	(0.3)	(3.3)	(4.1)	(2.8)	(10.5)
Depreciation and impairment	(0.1)	(19.0)	(191.9)	0.0	(210.9)
Transfers	0.1	26.9	164.7	(191.7)	0.0
Total changes	**1.8**	**38.0**	**100.5**	**109.5**	**249.9**
As of December 31, 2022					
Gross amount	66.4	429.1	2,571.5	238.1	3,305.1
Cumulative depreciation and impairment	(1.0)	(211.0)	(1,536.5)	(1.2)	(1,749.7)
Net amount	**65.4**	**218.1**	**1,035.0**	**236.9**	**1,555.4**

Rights of use break down as follows:

(in € millions)	Buildings	Machinery and equipment	Others	Total
Net carrying amount as of 31 December 2021	**33.6**	**11.9**	**0.1**	**45.6**
Additions during the period	11.2	4.5	—	15.7
Reductions during the period	(3.1)	(0.1)	—	(3.2)
Change in Group Structure	8.4	5.5	—	13.9
Depreciation during the period	(11.2)	(7.1)	(0.1)	(18.4)
Net carrying amount as of 31 December 2022	**38.9**	**14.7**	**—**	**53.6**

Note 12 – Impairment of goodwill and fixed assets

The carrying amounts of goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually and whenever events or changes in circumstances indicate that they may be impaired. Other fixed assets are tested for impairment whenever events or changes in circumstances indicate that they may be impaired. Such events or situations are related to material and adverse changes affecting the economic environment and the assumptions or objectives identified at the time of acquisition.

Fixed assets are tested at the level of the 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. The breakdown of goodwill generated at the time of the acquisition of Compagnie de Saint-Gobain's packaging activities in 2015 was based on the contribution of each group of CGUs to EBITDA.

When the carrying amount of CGUs or groups of CGUs exceeds their recoverable amount, an impairment loss is recognised and allocated first to the carrying amount of any goodwill allocated to the groups of CGUs.

The recoverable amount of the CGUs or groups of CGUs is the greater of the fair value net of exit costs and the value in use, which is measured against their expected future discounted cash flows.

Impairment losses recorded against goodwill cannot be reversed through profit or loss. For property, plant and equipment and other intangible assets, impairments recognised in previous periods may be reversed, taking into account the depreciation adjustment, if there is an indication that the loss of value no longer exists and that the recoverable amount of the asset is greater than its carrying amount.

Following Russia's invasion of Ukraine and its impact on commodity, energy and transport costs, the Verallia Group identified an indication of impairment on the CGUs corresponding to Ukraine and Russia and therefore also performed asset impairment tests on these two CGUs as well as its annual goodwill impairment tests on CGU groups.

Last of all, the Group finalised the acquisition of Allied Glass in the United Kingdom a few days before its closing date on 31 December 2022.

This acquisition has been incorporated into the Northern and Eastern Europe group of CGUs (Note 4.1). As explained in Note 1.2, the preliminary goodwill amounting to €250.7 million was unable to be allocated definitively.

There is no indication of impairment on this preliminary goodwill and it was therefore not included in the impairment test carried out on the Northern and Eastern Europe group of CGUs at 31 December 2022.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

The assumptions, judgements and estimates on which impairment tests are based are the main assumptions used to estimate recoverable amounts when calculating value in use (discount rate, perpetual growth rate, expected cash flows), all of which depend on an assessment of the economic and financial environment.

In addition, the assumptions used to calculate future cash flows take climate risk into consideration as well as the expenditure required to improve the circularity of Verallia's glass packaging and decarbonise its activities. The Group's commitments to invest in reducing CO2 emissions are included in its estimates for the coming years.

The Group has not recognised any asset impairment losses as a result of climate change.

The impairment tests were carried out based on revised future discounted cash flow projections reflecting the Group's current best estimate of the impact expected from the war in Ukraine.

At 31 December 2022, the recoverable amount of the CGU groups and CGUs corresponding to Ukraine and Russia was established on the basis of their value in use. No impairment losses were recognised on the goodwill and assets tested in financial years 2022 or 2021.

Cash flow projections

Projections of future cash flow correspond to the budget for the coming year, the strategic plan for the following two years and an extrapolation for years four and five.

The Group uses a number of macroeconomic assumptions to determine its cash flows: exchange rates, GDP growth, inflation, and variations in commodity, energy and packaging prices. As regards energy, the Group establishes its assumptions based on expected variations in underlying energy price data (Brent, TTF, NCG). These assumptions are determined using external data and by incorporating the hedging arrangements made.

In addition, the Group takes into account the schedule for maintenance stoppages (furnaces and machines) and for rolling out the Performance Action Plan (to improve its industrial performance).

The extrapolation carried out over two years (years four and five) for the purposes of the test is based on growth and margin rates and WCR that are relatively close to those of the last year of the Plan.

Cash flows beyond this five-year period are extrapolated using a constant perpetual growth rate determined on the basis of past performance and market growth forecasts.

Cash flow projections for the Ukraine and Russia CGUs and, consequently, for the Northern and Eastern Europe group of CGUs, were established over 10 years in order to factor in the uncertain geopolitical and economic climate.

The assumptions used to execute the plan are based on economic growth assumptions and consistent with past performance.

The Verallia Group reviewed its cash flow projections at 31 December 2022 taking into consideration the effects of the war in Ukraine, including rising energy prices, strains within supply chains and high inflation.

Main assumptions used to estimate the value in use of each group of CGUs

	Year ended 31 December	
	2022	2021
Southern and Western Europe		
Discount rate	8.0%	5.5 %
Perpetual growth rate	2.9%	1.5 %
Northern and Eastern Europe		
Discount rate	From 9,4% to 7,2%	5.1 %
Perpetual growth rate	2.9%	1.5 %
Ukraine - (Hryvnia)		
Discount rate	From 48,1% to 15,5%	—
Perpetual growth rate	6.0%	—
Russia - (Rouble)		
Discount rate	From 24,2% to 11,6%	—
Perpetual growth rate	5.0%	—
Latin America		
Discount rate	12.3%	11.4%
Perpetual growth rate	2.9%	1.5%

The discount rate is the segment's weighted average cost of capital (WACC) for each CGU or group of CGUs.

The discount rates and perpetual growth rates applied at 31 December 2022 were updated from their 31 December 2021 values. The perpetual growth rates applied at 31 December 2022 were impacted by the inflation prospects in the region or countries concerned. The WACC values applied also factor in these inflation prospects and the risks in each country.

Given the exceptional circumstances in Ukraine and Russia, different WACC values were established for each year of the forecast horizon for these two CGUs and for the Northern and Eastern Europe group of CGUs.

When carrying out impairment tests on the Latin America group of CGUs, uncertainty about the inflation rate applicable in Argentina over the long term and the proven capacity of Argentine entity Rayen Cura in 2022 to pass hyperinflation onto its selling prices prompted the Group to conduct impairment tests based on the euro, as it did in 2021. So, a perpetual growth rate of 2.9% was used.

Sensitivity analysis

The Group analysed the sensitivity of its impairment tests to the main assumptions used to determine the recoverable amount of each group of CGUs to which goodwill is allocated and of the assets tested, namely the discount rate and long-term growth rate used to determine terminal value and terminal-year cash flows as they represent a significant portion of the recoverable amount.

For 2022, and for the Southern and Western Europe and Latin America groups of CGUs, no impairment losses would be recorded in the event of a 1 percentage point increase in the WACC or a 0.5 percentage point reduction in the perpetual growth rate or a 10% decline in terminal-year cash flows.

For the Northern and Eastern Europe group of CGUs, Ukraine CGU and the Russia CGU, given the geopolitical climate in the region, the Group extended the criteria used in its sensitivity analysis. No impairment losses would be recorded in the event of a 2 percentage point increase in the WACC or a 1 percentage point reduction in the perpetual growth rate or a 10% decline in terminal-year cash flows.

Note 13 – Other non-current assets

The table below shows the breakdown of other non-current assets:

		Year ended 31 December	
(in € million)	Notes	2022	2021
Equity securities	21	7.6	6.2
Loans, deposits and guarantees	21	24.6	20.2
Pension plan surpluses	19.1.2	4.4	5.6
Other *		149.7	120.1
Total other non-current assets		**186.3**	**152.1**

* The line "Others" corresponds mainly to the fair value of energy hedging derivatives.

Loans, deposits and guarantees include reserves and escrow accounts for factoring agreements (Note 14.4). The table below shows changes in the net carrying amount of other non-current assets:

(in € million)	Equity securities	Loans, deposits and guarantees	Pension plan surpluses	Other	Total
As of 31 December 2021					
Gross amount	7.1	27.2	5.6	120.1	160.0
Impairment	(0.9)	(7.0)	—	—	(7.9)
Net amount	**6.2**	**20.2**	**5.6**	**120.1**	**152.1**
Changes during the year					
Increase (decrease)	1.4	4.4	—	—	5.8
Impairment	0.0	—	—	—	0.0
Translation differences	—	—	—	—	—
Transfers and other movements	—	—	(1.2)	29.6	28.4
Total changes	**1.4**	**4.4**	**(1.2)**	**29.6**	**34.2**
As of 31 December 2022					
Gross amount	8.5	31.6	4.4	149.7	194.2
Impairment	(0.9)	(7.0)	—	—	(7.9)
Net amount	**7.6**	**24.6**	**4.4**	**149.7**	**186.3**

Note 14 – Change in net working capital

The change in net working capital in 2022 and 2021 was as follows:

(in € million)	Notes	31 December 2021	Impact of cash flows	Foreign exchange and other	Change in scope	31 December 2022
Inventories	14.1	404.3	92.8	(2.9)	42.6	536.8
Operating receivables	14.2	212.8	164.5	(2.6)	34.8	409.5
Operating liabilities	14.3	(689.9)	(221.6)	2.4	(35.4)	(944.5)
Debts to suppliers of fixed assets		(80.7)	(75.2)	(0.3)	0.0	(156.2)
Operating working capital		**(153.5)**	**(39.5)**	**(3.4)**	**42.0**	**(154.4)**
Other receivables (non-operating) *	14.2	227.3	0.7	2.8	2.4	233.2
Other liabilities (non-operating)	14.3	(14.6)	(4.9)	(43.8)	(13.2)	(76.5)
Current tax assets and liabilities		(22.4)	(19.2)	0.8	1.9	(38.9)
Total working capital		**36.8**	**(62.9)**	**(43.6)**	**33.1**	**(36.6)**
Change in working capital		**125.5**				**(73.4)**

Reconciliation with the condensed consolidated statement of cash flows :	
Change in inventory	(92.8)
Change in trade receivables, trade payables and other receivables/payables	50.9
Current tax expense	135.5
Income taxes paid	(105.9)
Increase (decrease) in debt to suppliers of fixed assets	75.2
Total	**62.9**

- Other receivables (non-operating): the column "foreign exchange and other" corresponds mainly to the variation in the fair value of energy hedging derivatives.

14.1 Inventories

ACCOUNTING PRINCIPLES

Inventories are carried at the lesser of their acquisition cost or probable net realisable value. The cost of inventories includes purchase costs, production costs and other costs incurred to bring inventories to their current location and condition. It is generally determined using the weighted average cost method and, in some cases, the first-in, first-out method (FIFO). The probable net realisable value is the sale price in the ordinary course of business, less estimated completion and sale costs. Inventory acquired in a business combination is carried at its fair value on the acquisition date. The impact of underutilised capacity is excluded when measuring inventory.

Inventory can be impaired to reflect the loss in value of inventories. For inventories of finished products, the provision generally relates to inventories whose realisable value is lower than the net carrying amount, inventories not meeting marketing quality standards, and inventories whose slow turnover is liable to result in deterioration.

The change in net inventories is as follows:

(in € million)	31 December					
	2022			2021		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Raw materials	192.8	(24.5)	168.3	139.5	(19.4)	120.1
Inventories of work in progress	2.2	(1.6)	0.6	1.7	(1.6)	0.1
Finished goods	373.9	(6.0)	367.9	294.2	(10.1)	284.1
Total inventories	**568.9**	**(32.1)**	**536.8**	**435.4**	**(31.1)**	**404.3**

14.2 Trade receivables and other current assets

ACCOUNTING PRINCIPLES

Accounting

Trade receivables are initially recognised at fair value and then measured at amortised cost using the effective interest rate method, net of impairment losses (if any). As trade receivables are generally due within one year, their nominal value is close to their fair value.

On the other hand, receivables with recourse (receivables that are not guaranteed by the factor because they exceed the provisions of either the insurance or factoring arrangement) included in the factoring programme are managed based on the "hold to collect and sell" business model and are measured at fair value in the balance sheet with a corresponding entry in other comprehensive income.

Amortisation

The impairment policy for trade receivables and related accounts is described in Note 21.

Trade receivables - gross values, impairment and net values - break down as follows:

(in € million)	Year ended 31 December					
	2022			2021		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Trade receivables	**262.9**	**(12.5)**	**250.4**	**130.6**	**(9.0)**	**121.6**

The table below shows the ageing of trade receivables at 31 December 2022 and 2021:

(in € million)	Year ended 31 December	
	2022	2021
Accounts receivable not yet due	**239.0**	**114.2**
Accounts receivable past due	**11.4**	**7.4**
Under 30 days	9.0	5.3
Between 30 and 90 days	1.7	1.2
Beyond 90 days	0.7	0.9
Total trade receivables (net amounts)	**250.4**	**121.6**

The table below shows the breakdown of other current assets:

(in € million)	Year ended 31 December	
	2022	2021
Advances to suppliers	11.5	6.2
Prepaid social security contributions	0.4	0.6
Other taxes paid in advance and recoverable (other than income taxes)	76.2	55.2
Other operating receivables	70.8	29.3
Derivatives assets *	228.3	225.6
Other non-trade receivables	5.1	1.6
Other current assets	**392.3**	**318.5**

**Current derivative assets correspond mainly to the fair value of energy hedging derivatives. The non-current portion of these derivative assets is presented in "other non-current assets" in the amount of €123.1 million.*

14.3 Trade payables and other current liabilities

ACCOUNTING PRINCIPLES

Trade payables and other current liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Trade payables and related accounts, other payables and accrued liabilities are generally due within one year, such that their nominal value is close to their fair value.

Trade payables and other current liabilities break down as follows:

(in € million)	Year ended 31 December	
	2022	**2021**
Trade payables	**740.6**	**521.4**
Customer down payments	14.6	24.1
Debts on fixed assets	156.2	80.7
Grants received	14.5	10.6
Accrued personnel expenses	114.4	98.0
Tax liabilities (other than income tax)	15.2	10.2
Derivative liabilities	48.1	4.0
Other	73.6	36.3
Other current liabilities	**436.6**	**263.9**
Total trade payables and other current liabilities	**1,177.2**	**785.3**

14.4 Factoring

ACCOUNTING PRINCIPLES

Under a non-recourse factoring agreement, when the Group has transferred substantially all the risks and rewards of ownership of the receivables, the receivables are derecognised from the consolidated balance sheet.

In accordance with IFRS 9, transferred receivables are derecognised when the factoring agreement transfers the constructive rights to the cash flows and substantially all the associated risks and rewards (transfers of non-recourse receivables) to the assignee.

When trade receivables are sold with limited recourse and substantially all the risks and rewards of these receivables are not transferred, the receivables remain in the consolidated balance sheet. Cash inflows and outflows related to factoring agreements for which the Group does not derecognise receivables are presented on a net basis as cash flows related to financing activities. Contracts through which the Group derecognises receivables result in changes in trade receivables, which are recognised as cash flows from operating activities.

The pan-European factoring programme initially arranged with Eurofactor for a maximum amount of €400 million was refinanced during the course of 2022 for an amount that raised the ceiling to €500 million with CALF (Crédit Agricole Leasing et Factoring). This programme took effect on 1 December 2022 and will run for 3 years. In accordance with the Group's ESG framework, environmental criteria have been embedded into this financing arrangement.

The Group also has local lines in certain countries (primarily Italy and Argentina) giving it access to additional financing of up to €50 million.

(in € million)	Year ended 31 December	
	2022	**2021**
Assignment of receivables without recourse	324.9	334.8
Assignment of receivables with recourse	9.6	12.6
Total receivables assigned	**334.5**	**347.4**

Under its 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 under the contract that ran until 30 November 2022 and 1.5% of the receivables transferred starting from 1 December 2022.

The amounts thus recorded in "Other non-current assets" at 31 December 2022 and 31 December 2021 were €7.0 million and €12.3 million, respectively.

In addition, the Group has entered into various reverse factoring programmes offered by some of its clients and amounting to €45.3 million in 2022 and €28.7 million in 2021.

Note 15 – Cash and cash equivalents

ACCOUNTING PRINCIPLES

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits held with other banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

Statement of cash flow

The statement of cash flow is prepared using the indirect method on the basis of consolidated net income/loss and is broken down into three categories:

- cash flow from operating activities: including taxes, acquisition costs relating to takeovers and payments received as grants;
- cash flows from investing activities: in particular in the event of a takeover (excluding acquisition costs), a loss of control (including transaction costs), acquisitions and disposals of non-consolidated investments, associate companies and joint ventures, as well as acquisitions and disposals of fixed assets (including fees and deferred payments) other than right-of-use lease assets;
- cash flow from financing activities: including issuance and repayment of loans, issuance of equity instruments, shareholder equity transactions (including transaction costs and any deferred payments), interest paid (cash flows related to financial expense), treasury share transactions and dividends paid.

The balance of cash and cash equivalents is as follows:

	Year ended 31 December	
(in € million)	**2022**	**2021**
Cash	271.8	395.5
Cash equivalents	59.0	99.2
Total cash and cash equivalents	**330.8**	**494.6**

The Group has access to a portion of the cash held by certain subsidiaries through the payment of dividends or through inter-company loans. However, local constraints may delay or restrict this access, including monetary restrictions in some foreign jurisdictions.

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

Bank guarantees are disclosed in **Note 23.2.**

Note 16 – Equity

16.1 Share capital

The change in the number of shares and share capital was as follows:

(in €)	Number of shares	Face value	Share capital
As of 31 December 2021	**122,289,183**	**3.38**	**413,337,439**
Capital Increase / Issue of ordinary share (23 June 2022)	611,445	3.38	2,066,684
Cancellation of treasury shares (23 June 2022)	(611,445)	3.38	(2,066,684)
As of 31 December 2022	**122,289,183**	**3.38**	**413,337,439**

At 31 December 2022, the share capital amounted to €413,337,438.54 and consisted of 122,289,183 ordinary shares with a nominal value of €3.38 each.

16.1.1 Capital increase

On 23 June 2022, the Chief Executive Officer recognised the completion of a capital increase reserved for employees and corporate officers of a total nominal amount of €2,066,684.10 via the issue of 611,445 new ordinary shares combined with a share premium of €10,908,178.80.

16.1.2 Capital reduction

On 23 June 2022, the Company carried out a capital reduction by cancelling 611,445 treasury shares that it had previously bought back.

16.2 Treasury shares

16.2.1 Share buybacks

The Company bought back 5,517,943 treasury shares in 2021 and by 31 December 2022 held 5,031,208 treasury shares following the transactions described below:

- the final allocation of 142,290 shares to certain employees (managers) on 23 March 2022 under the shareholding plan;
- the cancellation of 611,445 shares;
- the buyback of 267,000 shares under the share buyback programmes launched in 2022.

Verallia decided to launch a share buyback programme and entrusted an investment services provider with a share buyback mandate for a maximum amount of €50 million over a period running from 7 December 2022 to November 2023. Verallia intends to cancel all the shares bought back. This share buyback programme falls under the delegation of authority granted by the General Meeting of Shareholders on 11 May 2022 under resolution 16.

16.2.2 Liquidity agreement

In 2019, Verallia signed an AMAFI liquidity agreement with Rothschild Martin Maurel for market-making purposes with respect to its own shares on the regulated market of Euronext Paris. The liquidity agreement took effect on 6 January 2020 for an initial term of 12 months, renewable by tacit agreement for successive 12-month periods.

At 31 December 2022, the liquidity account amounted to €3.4 million and the Company did not hold any treasury shares through this liquidity contract.

16.3 Translation reserve

The translation reserve increased by €4.7 million in 2022 following a €3.5 million increase in 2021.

As in 2021, this increase was primarily due to the appreciation of the Brazilian real.

16.4 Earnings per share

16.4.1 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 excluding treasury shares:

	Year ended 31 December	
	2022	**2021**
Group's share of net profit (loss) (in € million)	342.0	242.6
Number of shares	117,191,417	120,537,838
Basic earnings per share (in €)	**2.92**	**2.01**

16.4.2. 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 excluding treasury shares, after adjusting for the effects of all potential dilutive ordinary shares:

	Year ended 31 December	
	2022	**2021**
Group's share of net profit (loss) (in € million)	342.0	242.6
Diluted number of shares	117,300,110	120,662,776
Diluted earnings per share (in €)	**2.92**	**2.01**

The Group factored in the dilutive impact resulting from its performance share allocation plans.

Note 17 – Borrowings and financial liabilities

17.1 Net financial debt

Net financial debt includes all financial liabilities and derivatives on current and non-current financial liabilities, minus the amount of cash and cash equivalents.

The table below shows the change in net financial debt:

		Year ended 31 December	
(in € million)	Note	2022	2021
Financial debt - Non current	17.2	1,559.8	1,568.1
Financial debt - Current	17.2	201.3	197.1
Financial derivative instruments - net	17.2	(24.5)	(2.2)
Gross debt		**1,736.6**	**1,763.0**
Cash and cash equivalents	15	(330.8)	(494.6)
Net debt		**1,405.9**	**1,268.4**

17.2 Change in gross financial debt

17.2.1 Sustainability-linked bond issuance

At 31 December 2022, the Group had two sustainability-linked bonds which it has issued in 2021 in accordance with the Sustainability-Linked Bond Principles of the International Capital Markets Association: one of a total amount of €500 million with a 7-year maturity (maturing on 14 May 2028) and a coupon of 1.625% per annum[2], and the other of a total amount of €500 million with a 10-year maturity (maturing on 10 November 2031) and a coupon of 1.875% per annum[2].

The coupon rate could potentially be revised upwards starting from the first interest period following 31 December 2025 and until maturity, depending on the achievement of two sustainability performance targets:

- to reduce Verallia's annual CO2 emissions (scopes 1 and 2) to 2,625kt CO2 by 2025 (implying a 15% reduction from 2019 CO2 emission levels); and
- to increase the percentage of external cullet used in its production operations to 59% by 2025 (implying a 10-point increase from 2019).

Failure to meet either of these targets would potentially raise the coupon rate by 12.5 basis points for the issue in May 2021 and by 10 basis points for the second issue in November 2021.

17.2.2 Term Loan A

At 31 December 2022, the outstanding principal amount of Term Loan A was €500 million; this was identical to the amount at 31 December 2021. The term loan expires in October 2024.

The applicable margin was initially set in 2019 at Euribor + 175 basis points (floor rate of 0%) with an upward or downward adjustment mechanism (margin ratchet). The applicable margin over 2022 was 125 basis points, unchanged from 31 December 2021. Since August 2022, Term Loan A has been indexed to the 3-month Euribor rate.

17.2.3 Revolving credit facilities (RCF)

At 31 December 2022, the Group had one revolving credit facility for a maximum principal amount of €500 million (RCF1), which was arranged on 7 October 2019 to mature on 7 October 2024 and which remains fully undrawn.

17.2.4 Negotiable European Commercial Paper (NEU CP)

The outstanding amount issued at 31 December 2022 was €150.3 million.

The outstanding amount issued at 31 December 2021 was €150.2 million.

17.2.5 Instalment loan from Bpifrance, a Verallia shareholder (related party agreement)

In December 2021, the company entered into an instalment loan agreement for a total principal amount of €30 million with Bpifrance. The loan was fully drawn at 31 December 2021; it bears interest at a fixed rate of 0.40% per annum and has a 3-year maturity. The amount outstanding at 31 December 2022 was €22.5 million.

[2]Prospectus approved by the French Financial Markets Authority (Autorité des marchés financiers - AMF) on May 11, 2021 under visa 21-150 and on November 8, 2021 under visa 21-477 .

GROSS FINANCIAL DEBT AT 31 DECEMBER 2022

At 31 December 2022, the €500 million revolving credit facility had not been drawn.

(in € million)	Notes	Notional or maximum amount	Currency	Contractual interest rate	Effective interest rate	Final maturity	Type of facility	Deferred expenses and bond premiums	Carrying amount as of 31 December 2022		Total as of 31 December 2022
									Non-current	Current	
Sustainability-Linked Bond November 2021		500.0	EUR	1.875 %	2.07 %	10/11/2031	Maturity	7.6	492.4	1.3	493.7
Sustainability-Linked Bond May 2021		500.0	EUR	1.625 %	1.72 %	14/05/2028	Maturity	2.5	497.5	5.2	502.7
Revolving credit facility (floor 0%) RCF1		500.0	EUR	Euribor + 0,85%	0.85 %	07/10/2024	Revolving	1.1	—	—	—
Term Loan A (floor 0%)		500.0	EUR	Euribor + 1,25%	4.39 %	07/10/2024	Maturity	1.1	497.8	2.8	500.6
Lease liabilities	17.5								36.2	17.3	53.5
Other borrowings									35.9	15.6	51.5
Total long-term debt									***1,559.8***	***42.2***	***1,602.0***
Negotiable commercial paper (NEU CP)		400.0	EUR							150.3	150.3
Other borrowings										8.9	8.9
Total short-term debt										***159.1***	***159.1***
Total financial debt									**1,559.8**	**201.3**	**1,761.1**
Financial derivatives liability	20.2								2.5	(0.4)	2.0
Financial Debt and financial derivatives liability									**1,562.2**	**200.9**	**1,763.1**
Financial derivatives asset	20.2								(26.5)	—	(26.5)
Gross debt									**1,535.7**	**200.9**	**1,736.6**

GROSS FINANCIAL DEBT AT 31 DECEMBER 2021

At 31 December 2021, the €500 million revolving credit facility had not been drawn.

(in € million)	Notes	Notional or maximum amount	Currency	Contractual interest rate	Effective interest rate	Final maturity	Type of facility	Deferred expenses and bond premiums	Carrying amount as of 31 December 2021		Total as of 31 December 2021
									Non-current	Current	
Sustainability-Linked Bond November 2021		500.0	EUR	1.875 %	2.07 %	10/11/2031	Maturity	8.5	491.6	1.3	492.9
Sustainability-Linked Bond May 2021		500.0	EUR	1.625 %	1.72 %	14/05/2028	Maturity	2.9	497.0	5.2	502.2
Revolving credit facility (floor 0%) RCF1		500.0	EUR	Euribor + 0,85%	0.85 %	07/10/2024	Revolving	1.7	—	—	—
Term Loan A (floor 0%)		500.0	EUR	Euribor + 1,25%	1.47 %	07/10/2024	Maturity	1.7	496.6	0.8	497.4
Lease liabilities	17.5								33.1	14.2	47.3
Other borrowings									49.8	14.4	64.2
Total long-term debt									***1,568.1***	***35.9***	***1,604.0***
Negotiable commercial paper (NEU CP)		400.0	EUR							150.2	150.2
Other borrowings										11.0	11.0
Total short-term debt										***161.2***	***161.2***
Total financial debt									***1,568.1***	***197.1***	***1,765.2***
Financial derivatives liability	20.2								0.9	0.1	1.0
Financial Debt and financial derivatives liability									***1,569.0***	***197.2***	***1,766.2***
Financial derivatives asset	20.2								(3.2)	—	(3.2)
Gross debt									**1,565.8**	**197.2**	**1,763.0**

17.3 The Group's debt structure

The interest rates applicable to the Group's entire portfolio of financial liabilities, after incorporating derivative instruments, are as follows:

	Year ended 31 December	
(in € million)	2022	2021
Fixed-rate debt	1,594.3	1,744.9
Floating-rate debt	142.4	18.1
Gross debt	**1,736.6**	**1,763.0**

17.4 Debt repayment schedule

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

	Year ended 31 December	
(in € million)	2022	2021
Less than one year	200.9	197.2
Between one and five years	539.2	562.5
More than five years	996.6	1,003.4
Gross debt	**1,736.6**	**1,763.0**

At 31 December 2022, borrowings of under a year consisted primarily of NEU CP (negotiable commercial paper) in the amount of €150,3 million, and €150,2 million at 31 December 2021.

17.5 Lease liabilities

At 31 December 2022, lease liabilities amounted to €53.5 million.

(in € million)	Leases current Terms Debts	Leases non current Terms Debts	Lease debts
31 December 2021	**14.2**	**33.2**	**47.3**
Reductions during the period	(18.8)	—	(18.8)
Additions and modifications of contracts during the period	18.3	(5.7)	12.6
Capitalized Interests	1.4	—	1.4
Change in Group Structure	2.1	8.9	11.0
Other	—	—	—
31 December 2022	**17.3**	**36.3**	**53.5**

The maturity profile for lease liabilities is as follows:

(in € million)	Year ended 31 December 2022	Year ended December 31 2021
Less than one year	17.3	14.2
In one to five years	30.6	28.8
In more than five years	5.6	4.2
Total lease liabilities	**53.5**	**47.3**

17.6 Covenants

17.6.1 Senior facilities agreement

The Senior Facilities Agreement contains certain negative covenants, for instance the Group cannot:

- grant collateral;
- enable Group companies that are neither guarantors nor borrowers under the Senior Facilities Agreement to incur debt for a cumulative amount exceeding 20% of the Group's consolidated net debt;
- sell assets;
- conduct certain mergers, demergers, partial asset transfers and similar transactions; or
- make changes to the type of business conducted by the Group,

in each case subject to de minimis thresholds and exceptions usual in this type of financing.

The Senior Facilities Agreement also includes undertakings, for instance to maintain insurance policies, to comply with applicable laws, to keep the borrowings at least at the same rank as the unsecured financial indebtedness of the borrowers and guarantors under the Senior Facilities Agreement, to have certain of the Group's material subsidiaries accede as guarantors (caution solidaire) to the Senior Facilities Agreement and to ensure that the consolidated EBITDA of all Group members having acceded as guarantors to the Senior Facilities Agreement together accounts for at least 80% of the Group's consolidated EBITDA (as defined in the Senior Facilities Agreement).

Lastly, under the Senior Facilities Agreement, a leverage ratio should be complied with limiting the amount of financial indebtedness that the Group's members are in a position to incur. Therefore, the Group is required to keep its leverage ratio (total net debt/pro forma consolidated EBITDA) below or equal to 5x until the Senior Facilities Agreement expires; said leverage ratio is tested at the end of each half-year period.

At 31 December 2022, no payment default had occurred or was still ongoing under the Senior Facilities Agreement.

17.6.2 Sustainability-linked bond issuance

The prospectuses relating to each Sustainability-Linked bond issuance both include an undertaking, for the Company and for certain material Group subsidiaries, not to pledge their respective assets as guarantee for the payment obligations of the Company or of any of the aforementioned material subsidiaries under any future bond financial indebtedness, in the event where bond creditors under the Sustainability-Linked bonds would not be treated pari passu.

17.7 Change in debt

The change in financial debt in 2021 was as follows:

(in € million)	31 December 2021	Cash inflows	Cash outflows	Discount effects and other*	Interest expense	Change in the scope of consolidation	Translation differences	31 December 2022
Non-current financial liabilities and derivatives	**1,569.0**	**6.6**	**(103.4)**	**(19.4)**	**—**	**106.4**	**3.0**	**1,562.2**
Current financial liabilities and derivatives (excluding interest)	189.4	(1.5)	(70.4)	33.6	1.4	38.2	1.1	191.8
Interest on long-term debt	7.8	—	(26.7)	—	28.0	—	—	9.1
Current financial liabilities and derivatives	**197.2**	**(1.5)**	**(97.1)**	**33.6**	**29.4**	**38.20**	**1.1**	**200.9**
Financial liabilities and financial derivatives liability	**1,766.2**	**5.1**	**(200.5)**	**14.2**	**29.4**	**144.60**	**4.1**	**1,763.1**
Financial derivatives asset	(3.2)	—	—	(23.3)	—	—	—	(26.5)
Gross debt	**1,763.0**	**5.1**	**(200.5)**	**(9.1)**	**29.4**	**144.60**	**4.1**	**1,736.6**

* 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	(1.7)	
Increase in long-term debt	6.8	
Reduction in long-term debt		(172.3)
Financial interest paid		(28.2)
Total	**5.1**	**(200.5)**

Note 18 – Provisions and other non-current financial liabilities

The change in provisions in financial year 2022 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 2021								
Current portion	3.8	3.7	9.9	—	22.1	39.5	—	39.5
Non-current portion	2.7	10.9	1.0	—	5.8	20.4	0.9	21.3
Total provisions	**6.5**	**14.6**	**10.9**	**0.0**	**27.9**	**59.9**	**0.9**	**60.8**
Changes during the period								
Additions	6.5	11.4	5.7	—	29.6	53.2	0.5	53.7
Reversals (unused)	(1.2)	(4.8)	(2.8)	—	(7.1)	(15.9)	—	(15.9)
Reversals (used)	(1.7)	(0.6)	(5.0)	—	(13.0)	(20.3)	—	(20.3)
Other (reclassifications and translation differences)	(0.4)	0.6	(0.1)	—	0.0	0.1	(0.9)	(0.8)
Total changes	**3.2**	**6.6**	**(2.2)**	**0.0**	**9.5**	**17.1**	**(0.4)**	**16.7**
As of 31 December 2022								
Current portion	8.4	10.7	8.3	—	26.9	54.3	—	54.3
Non-current portion	1.3	10.5	0.4	—	10.5	22.7	0.5	23.2
Total provisions	**9.7**	**21.2**	**8.7**	**0.0**	**37.4**	**77.0**	**0.5**	**77.5**

The change in provisions for "Other risks" corresponds mainly to the provision relating to the Group's deficit with respect to its CO_2 allowances under Phase IV of the European emissions trading scheme. The settlement of forward purchases carried out in April 2022 resulted in an outflow of €12.9 million.

18.1 Provisions and contingent liabilities

ACCOUNTING PRINCIPLES

A provision is made when (i) the Group has a legal or current implicit obligation towards a third party resulting from a past event, (ii) an outflow of resources will probably be necessary for the Group to extinguish the obligation, and (iii) the amount of the obligation can be reliably estimated.

Provisions primarily concern obligations associated with litigation, restructuring plans and other risks identified with respect to the Group's operations. Provisions with settlement dates that can be reliably estimated are discounted.

When a current obligation is unlikely to exist, the Group recognises a contingent liability unless there is little likelihood of an outflow of resources embodying an economic benefit.

Contingent liabilities assumed during a business combination are recognised at their fair value on the acquisition date.

In compliance with regulations on carbon dioxide (CO_2) emission allowances, and in light of the Group's allowances deficit, the Group accordingly recorded a provision.

When the Group is in deficit (CO_2 allowances to be surrendered for CO_2 emitted during the year in excess of the stock of CO_2 emission allowances allocated free of charge or purchased), it recognises a provision to cover the expected allowances deficit so as to be able to surrender the allowances in April of the following year. Measurement of the provision takes into account the price of forward purchases made for the following year and the spot price on 31 December of the current year for the balance not covered by forward purchases.

CO_2 emission allowances allocated free of charge or purchased are recognised in the Group's inventory of raw materials.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

Estimates primarily concern valuations of liabilities and contingent liabilities, especially provisions for litigation and other Group risks.

18.1.1 Provisions for claims, litigation and other

These provisions mainly concern provisions for claims, litigation and other commercial risks, primarily in France and Italy.

Litigation between Verallia Italia and Nelson Servizi

In December 2014, Verallia Italia, as a supplier, and Nelson Servizi, as a distributor, renewed their previously agreed distribution contract and established mutual undertakings to sell and buy bottles for the Cuban market for the years 2015, 2016 and 2017. In 2015, the Group decided to cease all commercial activity for the Cuban market starting from the second half of 2016. In response, Nelson Servizi suspended all payments to Verallia Italia.

Verallia Italia then informed Nelson Servizi that said distribution contract would be cancelled if Nelson Servizi did not settle its debts towards it. Nelson Servizi thus requested that Verallia Italia be ordered to pay damages amounting to €11 million.

In 2021, Verallia Italia was ordered to make a payment of €1.8 million and the corresponding provision was consequently reversed.

Verallia Italia has lodged an appeal against the court decision.

18.1.2 Provisions for environmental risks

Provisions for environmental risks cover the costs of environmental protection measures, asbestos-related costs and the costs of waste disposal relating to the reconstruction of furnaces.

Asbestos-related litigation

Charges of gross negligence (inexcusable fault)

In France, since the late 1990s, several former and current Group employees or their assignees have filed lawsuits against the Group's French subsidiary, Verallia France, for gross negligence after falling ill as a result of their alleged exposure to asbestos-containing materials.

At 31 December 2022, the amount provisioned in respect of these claims stood at €2.4 million.

Claims for anxiety-related damages

Lawsuits have been filed by Group employees or former employees for recognition of anxiety caused by their alleged exposure to asbestos-containing materials at the Group's French facilities.

At 31 December 2022, the amount provisioned for all such claims amounted to €1.5 million.

Decontamination of Canoas site in Brazil

Verallia Brasil owns a property located in the city of Canoas, Brazil.

The industrial activity on the site was stopped during 2011-2012, when the activity of domestic products line was discontinued.

There are still buildings and fixtures on the site that require demolition and decontamination of the land.

At 31 December 2022, the amount provisioned to cover the costs of demolition and decontaminating the land and related expenses amounted to €6,9 million.

18.1.3 Provisions for restructuring and personnel expenses

Provisions for restructuring and personnel expenses amounted to €8.7 million at 31 December 2022 and €10.9 million at 31 December 2021.

They mainly concern the transformation plan carried out in France, after it was decided not to rebuild the oldest of the three furnaces at the Cognac facility, and redundancy aid measures.

18.1.4 Provisions for other risks

Provisions for other risks mainly concern the provision relating to the Group's deficit with respect to its CO2 allowances for financial year 2022 under Phase IV (2021-2030) of the Quotas Directive.

With respect to the provision for CO2 allowance deficits, emission projections were calculated for Phase IV of the European scheme which started in 2021 and are based on the detailed estimates made periodically by the Group's industrial management. Management measures the Group's capacity utilisation according to market trends and any upgrades made to its production facilities.

Furthermore, the Group anticipates that the number of allowances that will be allocated to it free of charge during Phase IV will be lower than the number of allowances allocated to it free of charge during Phase III, and that in any event it will probably not be able to meet its obligations to surrender its carbon dioxide emission allowances, which will force it to continue its policy of acquiring allowances on the market in significant amounts.

In order to secure the prices at which it will have to buy allowances, the Group has already made forward purchases of carbon dioxide allowances on the market for a total amount at 31 December 2022 of €12.9 million.

The valuation of the provision is based on the price of forward purchases made by the Group and the spot price at the end of the year for the balance not covered by forward purchases.

For the year 2022, the Group's recorded deficit amounts to €18.6 million (€18.3 million in 2021).

18.1.5 Risks relating to associates

In 2013, Verallia Brasil, a Company subsidiary, set up a joint venture governed by Brazilian law (Industria Vidreira de Nordeste – "IVN") with a local partner, Ipiaram Empreendimentos e Participações Ltda (Ipiaram). Verallia Brasil held a majority stake in this joint venture, the purpose of which was to build and operate a glass manufacturing facility in the Brazilian state of Sergipe. The plant came onstream in 2015.

Verallia Brasil's shareholding was equity-accounted and then sold in October 2018.

In January 2017, Ipiaram launched arbitration proceedings with the International Chamber of Commerce (ICC) against Verallia Brasil regarding the interpretation of certain provisions in the partnership agreements signed by the two parties; Ipiaram felt entitled to exercise the undertakings to purchase granted by Verallia Brasil under these partnership agreements. At the closing date, these arbitration proceedings were still under way.

At 31 December 2019, Ipiaram's claim was estimated at 104 million Brazilian reals in total damages (i.e. approximately €18 million at 31 December 2022).

The Group deems it unnecessary to recognise any provisions in respect of this arbitration case given the decisions handed down by the court of arbitration and legal authorities.

18.2 Other non-current financial liabilities

ACCOUNTING PRINCIPLES

Other non-current financial liabilities primarily consist of put options granted to minority shareholders in subsidiaries and liabilities relating to the acquisition of securities in the Group's companies, including additional considerations for acquisitions made. Liabilities relating to the put options correspond to the present value of their estimated exercise price, with a corresponding decrease in interests not conferring control and in equity attributable to owners of the parent company. Any subsequent change in the fair value of the liability is recognised through an adjustment to equity.

In 2022, the change in other non-current liabilities corresponded to the contingent consideration on the shares in Thierry Bergeon Embouteillage.

Note 19 – Provisions for pensions and similar liabilities

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

		31 December	
(in € million)	Notes	2022	2021
Annuities payable to plan beneficiaries		53.5	74.4
Flat-rate compensation		27.0	33.8
Post-employment medical benefits		3.7	5.5
Provisions for pensions and other liabilities	**19.1**	**84.2**	**113.7**
Other long-term benefits	19.2	3.2	3.9
Provisions for pensions and other employee benefits		**87.4**	**117.5**

The Group's workforce breaks down as follows:

	31 December	
	2022	2021
Managers	1,081	1,004
Administrative employees	2,319	2,217
Other employees	6,924	6,393
Total	**10,324**	**9,614**

The workforce presented corresponds to the average number of people employed by the Group over the year. The total as at 31 December 2022 includes the Allied Group workforce.

19.1 Pension liabilities and other post-employment benefit liabilities

ACCOUNTING PRINCIPLES

Defined benefit plans

Defined benefit pension plans refer to plans where the Group is committed officially or through an implicit obligation to an amount or level of benefits and therefore bears the associated medium- or long-term risk.

After retiring, the Group's former employees are entitled to pension benefits in accordance with applicable laws and regulations in the respective countries in which the Group operates. Supplemental pension liabilities also apply in some of the Group's companies, in France and also in other countries. The group's liabilities with respect to pensions and retirement benefits are established at the end of the reporting period with the assistance of independent actuaries, on an actuarial basis, using the projected unit credit method which incorporates projected final salaries on retirement and economic conditions in each country. These liabilities can be funded by pension funds or plan assets, and a provision is recognised in the consolidated balance sheet for the portion not funded by assets.

The Group contributes to defined benefit plans which determine the level of retirement benefits an employee will receive on their retirement. These plans mainly concern Germany, Spain, Italy and France.

In France, employees receive retirement benefits depending on their years of service and their last salary on the date of their retirement. This flat-rate amount is determined according to the applicable collective agreement.

Retired former employees in Spain and Germany receive benefits other than retirement benefits, for instance for healthcare. The Group's obligations under these plans are calculated on an actuarial basis and provisions are recognised accordingly in the consolidated balance sheet.

Remeasurements of the net defined benefit liability (asset), comprising actuarial gains and losses, the return on plan assets (excluding amounts factored into the calculation of net interest on net liabilities) and the change in the effect of the asset ceiling (if any, excluding amounts factored into the calculation of net interest on net liabilities), are recognised immediately in "Other comprehensive income".

Provisions are also made, on an actuarial basis, for other long-term employee benefits such as long-service awards and bonuses in various countries. Actuarial gains and losses relating to these other long-term benefits are recognised immediately in the statement of income.

Interest expenses relating to these liabilities and returns on the corresponding plan assets are valued by the Group using the discount rate applied to estimate the liability at the start of the period and are recognised in financial income as "Net interest expense relating to pension plans and other benefits".

Defined contribution plans

Defined contribution pension plans are those for which the Group's only obligation is to pay a contribution but the Group has no obligation as regards the level of benefits paid.

Contributions into defined contribution plans are expensed as incurred.

ESTIMATES AND ASSUMPTIONS USED BY MANAGEMENT

The present value of defined benefit pension liabilities depends on a certain number of factors that are determined on an actuarial basis using assumptions about population growth and financial/economic factors. The assumptions used to calculate defined benefit pension liabilities and net pension costs include the discount rate and the rate of future salary growth. Management takes advice from external consultants and actuaries to establish these estimates and assumptions. Any material change in these assumptions could result in a material change in the personnel expenses recognised in the consolidated statement of income and in the remeasurements recognised in other comprehensive income offset against equity.

19.1.1 Main economic and financial assumptions used to measure defined benefit pension liabilities and plan assets

Pension liabilities and other post-employment benefit liabilities are calculated on an actuarial basis using the projected unit credit method applied to estimated final salaries.

i. 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:

	Year ended 31 December	
(In %)	**2022**	**2021**
Discount rate	3,7% to 3,8%	0.9% to 1.2%
Salary increases including long-term inflation	1.8% to 2.3%	1.8% to 2.3%
Long-term inflation rate	2.0 %	1.5 %

ii. Sensitivity analysis

The sensitivity analyses carried out imply the following outcomes for defined benefit pension liabilities:

	Year ended 31 December	
(in € million)	**2022**	**2021**
Impact of 0.5% increase in discount rate	(6.1)	(9.0)
Impact of 0.5% decrease in discount rate	6.0	10.1
Impact of 0.5% increase in inflation rate	5.3	8.4
Impact of 0.5% decrease in inflation rate	(5.5)	(7.8)

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

i. Net carrying value of the provision

The table below shows defined benefit pension liabilities relating to the Group's pension liabilities and other post-employment benefit plans along with the corresponding plan assets:

		Year ended 31 December	
(in € million)	Notes	2022	2021
Provisions for pensions and other post-employment benefit liabilities	19	84.2	113.7
Pension plan surpluses		(4.4)	(5.6)
Net pension liabilities and other post-employment benefit liabilities		**79.8**	**108.0**

ii. Liability analysis

The total amount of the Group's pension liabilities and other post-employment benefit liabilities breaks down as follows:

	31 December 2022					31 December 2021				
(in € million)	Spain	Germany	Other Western European countries	Other	Total	Spain	Germany	Other Western European countries	Other	Total
Average duration (in years)					**10.8**					**13.3**
Defined benefit liabilities - funded plans	27.7		0.1		27.8	35.0		0.1		35.1
Defined benefit liabilities - unfunded plans	3.2	53.6	26.9	0.5	84.2	5.0	74.4	33.6	0.7	113.7
Fair value of plan assets	(31.1)		(1.1)		(32.2)	(39.6)		(1.2)		(40.8)
Deficit (Surplus)	**(0.2)**	**53.6**	**25.9**	**0.5**	**79.8**	**0.4**	**74.4**	**32.5**	**0.7**	**108.0**
Asset ceiling					**—**					**—**
Net pension liabilities and other post-employment benefit liabilities					**79.8**					**108.0**

iii. Plan assets

Plan assets primarily consist of insurance policies. They are invested in low-risk assets.

v. Change in pension liabilities and other post-employment benefit liabilities

Changes in pension liabilities and other post-employment benefit liabilities break down as follows:

(in € million)	Notes	Pension liabilities and other post-employment benefit liabilities	Fair value of plan assets	Net pension liabilities and other post-employment benefit liabilities
As of 31 December 2020		**167.9**	**(41.7)**	**126.2**
Fluctuations during the year				
Current service cost		3.1	—	3.1
Net interest expense	7	1.6	(0.6)	1.0
Reductions/settlements		(0.1)	—	(0.1)
Past service cost		0.1	—	0.1
Contributions to the pension plan		—	0.1	0.1
Translation differences		—	—	—
Employee benefit expenses recognised in the income statement		**4.7**	**(0.5)**	**4.2**
Payment of benefits		(9.6)	2.7	(6.9)
Business combination		—	—	—
Remeasurement of net liabilities (net assets)		(10.6)	(1.3)	(11.9)
Other		(3.6)	—	(3.6)
Total movements during the year		**(19.1)**	**0.9**	**(18.2)**
As of 31 December 2021		**148.8**	**(40.8)**	**108.0**
Fluctuations during the year				
Current service cost		2.9	—	2.9
Net interest expense	7	(5.5)	6.9	1.4
Reductions/settlements		—	—	—
Past service cost		—	—	—
Contributions to the pension plan		—	—	—
Translation differences		(0.1)	—	(0.1)
Employee benefit expenses recognised in the income statement		**(2.7)**	**6.9**	**4.2**
Payment of benefits		(9.1)	2.6	(6.5)
Business combination		—	—	—
Remeasurement of net liabilities (net assets)		(25.0)	(0.9)	(25.9)
Other		—	—	—
Total movements during the year		**(36.8)**	**8.6**	**(28.2)**
As of 31 December 2022		**112.0**	**(32.2)**	**79.8**

**Impact of IFRIC/IAS 19.*

19.2 Other long-term benefits

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

At 31 December 2022, provisions for other long-term employee benefits primarily included long-service awards payable by the subsidiaries in France amounting to €1.7 million (€2.1 million at 31 December 2021) and bonuses amounting to €1.1 million in Germany (€1.4 million at 31 December 2021).

19.3 Share ownership plans

19.3.1 Share ownership plans

The Group's compensation policy is aimed at retaining and motivating talented employees, and at involving managerial staff in its performances, mainly through a long-term incentive plan in the form of bonus share awards subject to performance criteria linked to the Group's long-term strategy.

Accordingly, bonus share award plans subject to performance criteria have been set up since 2019.

The March 2020 Plan was ultimately allocated with 142,290 shares delivered on 23 March 2022 based on fulfilment of the performance criteria in percentage terms by the end of the plan.

On 23 February 2021, the Board of Directors decided, in accordance with the authorisation granted by the Combined General Shareholders' Meeting of 10 June 2020, to set up two new performance share allocation plans, one covering a two-year period spanning 2021 to 2022 (the "2021-2022 Plan") and the other covering a three-year period spanning 2021 to 2023 (the "2021-2023 Plan"). After taking these two new plans into consideration, the Board of Directors also decided to cancel the third tranche of performance shares under the 2019-2021 Plan.

The final allocation of shares awarded under the 2021-2022 Plan and 2021-2023 Plan will go ahead with no discount applied subject to (a) the continued employment of the employee or executive concerned and (b) financial and non-financial performance criteria being met. The 2021-2022 Plan and 2021-2023 Plan are consistent with latest market practices, for instance in terms of the performance criteria applied.

At 31 December 2022, the number of potential ordinary shares under these two plans was 457,766.

In accordance with the authorisation granted by the Combined General Shareholders' Meeting of 10 June 2020 under resolution 22, the Board of Directors decided on 16 February 2022 to set up a new performance share allocation plan spread over a period of three years running from 2022 to 2024 (the "2022–2024 Plan").

The final allocation of shares awarded under the 2022-2024 Plan will go ahead with no discount applied, subject to (a) the continued employment of the employee or executive concerned and (b) financial and non-financial performance criteria being met, for instance regarding CO2 emissions. The 2022–2024 Plan will be aligned with any changes in market practices, in particular in terms of the performance criteria applied.

At 31 December 2022, the number of potential ordinary shares under this new plan was 255,000.

19.3.2 Accounting impacts

Fair values applied to these share ownership plans were measured taking the features of these plans into account. Expenses incurred in relation to these plans and associated costs recognised in the consolidated statement of income totalled €6.2 million for the financial year ended 31 December 2022. Expenses incurred in relation to these plans and associated costs recognised in the consolidated statement of income totalled €10.1 million for the financial year ended 31 December 2021.

19.4 Group savings plans

The Group has set up a Group savings plan (PEG) for all its French employees and an International Group savings plan (PEGI) for those located in the other countries in which it operates.

On 23 June 2022, the Company carried out a capital increase reserved for employees under the Group Savings Plan (PEG) and International Group Savings Plan (PEGI). Employees subscribed to the operation either via the Verallia FCPE (employee investment fund) in the case of those located in France, Brazil, Poland and Portugal, or directly in the case of those located in Germany, Spain, Italy and Chile.

The number of shares subscribed under this capital increase was 611,445.

At 31 December 2022, it was recorded that employee shareholders - whether direct shareholders or shareholders through the Verallia FCPE - held 3.8 % of Verallia's share capital.

Note 20 – Financial risk management

The Group's financial risk management strategy aims to secure liquidity for the Group and minimise the impact of volatility in interest rates, commodity prices including energy and exchange rates on its costs and cash flows, while maintaining the financial flexibility the Group needs to successfully roll out its commercial strategies.

20.1 Liquidity risk

In a crisis scenario, the Group might not be able to obtain the financing or refinancing needed to cover its investment plans from the credit or equity markets, or it might not be able to do so on acceptable terms.

The Group's overall exposure to liquidity risk is managed by the Group's Treasury and Financing Department.

The table below shows the contractual deadlines applicable to the Group's financial liabilities, including its interest payments.

		31 December 2022					
(in € million)	Note	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Current and non-current portion of long-term debt (including interest)	17	1,602.0	1,773.3	68.3	571.2	81.7	1,052.3
Other liabilities, including derivative financial instruments	17	2.0	—	—	—		
Short-term debt	17	159.1	159.1	159.1			
Total borrowings	17	**1,763.1**	**1,932.5**	**227.4**	**571.2**	**81.7**	**1,052.3**
Trade payables and related accounts	14.3	740.6	740.6	740.6			
Other payables and accrued liabilities, including commodity derivative financial instruments	14.3	436.5	436.5	424.7	0.6	11.2	
Total financial liabilities		**2,940.2**	**3,109.6**	**1,392.7**	**571.8**	**92.8**	**1,052.3**

At 31 December 2022, the Group had one revolving credit facility, RCF1, of €500 million fully undrawn.

		31 December 2021					
(in € million)	Note	Carrying amount	cash flows	1 year	1 to 2 years	2 to 5 years	5 years
Current and non-current portion of long-term debt (including interest)	17	1,604.0	1,784.8	59.5	53.4	594.0	1,077.9
Other liabilities, including derivative financial instruments	17	1.0	1.0	1.0	—		
Short-term debt	17	161.2	161.2	161.2			
Total borrowings	17	**1,766.2**	**1,947.1**	**221.7**	**53.4**	**594.0**	**1,077.9**
Trade payables and related accounts	14.3	521.4	521.4	521.4			
Other payables and accrued liabilities, including commodity derivative financial instruments	14.3	263.9	263.9	263.7	—	0.1	
Total financial liabilities		**2,551.5**	**2,732.3**	**1,006.9**	**53.5**	**594.2**	**1,077.9**

At 31 December 2021, the Group had one revolving credit facility, RCF1, of €500 million fully undrawn.

20.2 Market risks

20.2.1 Interest rate risk

The Group's overall exposure to debt-related interest rate risk is managed by its Treasury and Financing Department. The subsidiaries using derivative instruments generally do so with Verallia Packaging as the counterparty. The Group's policy is to secure the cost of its medium-term debt by managing the risk of an increase in interest rates, while at the same time optimising it.

At 31 December 2022, the Group had a large portion of its exposure to a rise in the Euribor rate hedged through interest rate options (caps) of a nominal value of €370 million.

In October 2022, the Group supplemented its existing interest rate hedges of €200 million by purchasing spread caps for a nominal value of €170 million with maturities spread over 2025 and 2026.

At 31 December 2021, the Group had a large portion of its exposure to a rise in the Euribor rate hedged through interest rate swaps of a nominal value of €500 million and maturing at the end of August 2022. The Group had also purchased interest rate caps taking effect from August 2022 (when the existing swaps were scheduled to expire) for a nominal value of €200 million.

	31 December 2022		31 December 2021	
Interest rates	**Notional amount in currency millions**	**Fair value**	**Notional amount in currency millions**	**Fair value**
Interest rate swap	0.0	0.0	500.0	(1.0)
Interest rate CAP	370.0	22.6	200.0	2.9
Total interest rate derivative financial instruments		**22.6**		**1.9**

Interest rate derivatives: derivative instruments hedging interest rate risk are referred to as cash flow hedging instruments.

Hedges are set up in such a way as to align the main characteristics of the underlying with those of the derivatives, so the inefficiency to be recorded is non-significant for the periods presented herein.

With interest rates (3-month Euribor) in positive territory at the end of 2022, a change of 50 basis points in interest rates on a forward-looking basis at the closing date would have an impact of €3.5 million on earnings. The situation was not the same in 2021 when interest rates were still negative.

(in € million)	2022	2021
Impact of 50 base point (bp) increase	(3.4)	—
Impact of 50 base point (bp) decrease	3.5	—

20.2.2 Currency risk

Currency risk includes the following:

- Transaction risk: occurring during the normal course of business. The Group mostly operates locally, and most of its receivables and payables are denominated in the subsidiary's functional currency.
- Financial risk: occurring during the normal course of business for certain financial liabilities denominated in a currency other than the functional currency.

	31 December 2022	
Foreign exchange - devise	**Notional amount in currency millions**	**Fair value**
Currency derivatives - EUR/CLP	10,1/9 732,4	(0.3)
Currency derivatives - EUR/USD	10,9/11,2	0.5
Currency derivatives - EUR/GBP	284,2/249,8	2.6
Currency derivatives - EUR/ARS	2,1/461,4	(0.1)
Currency derivatives - EUR/BRL	52,4/308,7	(0.3)
Currency derivatives - USD/ARS	6,6/1 566,7	(0.6)
Currency derivatives - USD/BRL	17,9/99,0	(0.4)
Currency derivatives - USD/EUR	1,4/1,3	0.0
Total currency derivative financial instruments		**1.4**

	31 December 2021	
Foreign exchange - devise	**Notional amount in currency millions**	**Fair value**
Currency derivatives - EUR/CLP	20,9/21 214,8	0.3
Currency derivatives - EUR/USD	7,8/9,1	(0.1)
Currency derivatives - EUR/GBP	7,4/6,4	(0.1)
Currency derivatives - EUR/ARS	5,2/677,1	(0.2)
Currency derivatives - EUR/BRL	1,4/9,0	0.0
Currency derivatives - USD/ARS	8,7/1 085,3	(0.6)
Currency derivatives - USD/BRL	6,50/34,6	0.0
Total currency derivative financial instruments		**(1.0)**

- Currency derivatives: derivative instruments hedging commercial transactions are referred to as fair value hedging instruments and cash flow hedging instruments. Derivative instruments hedging financial transactions are referred to as fair value hedging instruments.
- Translation risk: occurring as a result of the consolidation in euros of the financial statements of subsidiaries that have a different functional currency. Any fluctuation in the exchange rates of these currencies against the euro has an impact on the Group's equity. The Group's main exposures are to the Argentine peso, the Brazilian real, the Russian rouble and the Ukrainian hryvnia.

2022	**Groups's equity**	
(in € million)	**Euro appreciation +10%**	**Euro depreciation -10%**
Brazilian real	(17.9)	21.8
Argentine peso	(10.0)	12.2
Russian rouble	(9.1)	11.1
Ukrainian hryvnia	(2.1)	2.6
Pound sterling	(5.2)	6.3

2021	**Groups's equity**	
(in € million)	**Euro appreciation +10%**	**Euro depreciation -10%**
Brazilian real	(15.6)	19.1
Argentine peso	(7.0)	8.6
Russian rouble	(7.0)	8.5
Ukrainian hryvnia	(2.8)	3.4

20.2.3 Risk related to commodity prices

The Group is exposed to variations in the prices of the commodities, including energy, that it uses in its operational activities. The Group may sometimes limit its exposure to fluctuations in energy prices by using swaps to hedge some of its energy purchases. Energy hedges (excluding purchases at fixed prices negotiated directly with suppliers by the Purchasing Department) are arranged, as far as possible, by the Group's Treasury and Financing Department in accordance with the instructions received from the Group's Purchasing Department and in keeping with the directives established by the Board of Directors.

	31 December 2022	
Commodities	**Notional amount in currency millions**	**Fair value**
Commodity derivatives fuel swaps (€)	23.6	(2.4)
Commodity derivatives gas swaps (€)	452.5	227.9
Commodity derivatives electricity swaps (€)	145.5	78.7
Total commodity derivative financial instruments		**304.2**

	31 December 2021	
Commodities	**Notional amount in currency millions**	**Fair value**
Commodity derivatives fuel swaps (€)	8.0	0.1
Commodity derivatives gas swaps (€)	150.5	258.8
Commodity derivatives electricity swaps (€)	63.1	81.0
Total commodity derivative financial instruments		**339.9**

- Energy derivatives: derivative instruments hedging the risk of fluctuations in energy prices are referred to as cash flow hedging instruments. Hedges are set up in such a way as to align the main characteristics of the underlying with those of the derivatives, so the inefficiency to be recorded is non-significant for the periods presented herein.

20.2.4 Financial counterparty risk

The Group may be exposed to the risk of a default by one of the banking counterparties that manages its cash or any of its other financial instruments. Such a default could result in a financial loss for the Group. Application of IFRS 13 "Fair value measurement", requiring the incorporation of counterparty risk when measuring derivative instruments, had no material impact on the Group's financial statements at 31 December 2022 and 2021.

Note 21 – Financial instruments

ACCOUNTING PRINCIPLES

Initial recognition and measurement

Trade receivables are initially recognised when they are created. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, in the case of an item not measured at fair value through profit or loss (FVTPL), the transaction costs that are directly attributable to its acquisition or issue. A trade receivable with no significant financing component is initially measured at its transaction price.

Classification and subsequent measurement

Financial assets

At initial recognition, a financial asset is classified as having been measured either at amortised cost, at fair value through other comprehensive income (FVOCI) with a distinction made between debt instruments and equity instruments, or at fair value through profit or loss (FVTPL).

Financial assets are not reclassified after initial recognition unless the Group changes its economic model for managing financial assets, in which case all financial assets affected are reclassified on the first day of the first financial year following the change in economic model.

A financial asset is measured at amortised cost if it meets the following two conditions and is not designated as at FVTPL:

- it is held as part of a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets the following two conditions and is not designated as at FVTPL:

- it is held as part of a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

At initial recognition of an equity instrument that is not held for trading, the Group has the irrevocable option to present subsequent adjustments to the fair value of this instrument in other comprehensive income. This choice is made for each instrument.

All financial assets not classified as being measured at amortised cost or at FVOCI using the method described above are measured at FVTPL. This includes all derivative financial assets (see below). At initial recognition, the Group has the irrevocable option to designate a financial asset that would otherwise meet the conditions to be measured at amortised cost or at FVOCI as being at FVTPL, if this designation makes it possible to eliminate or significantly reduce an accounting mismatch that would otherwise have arisen.

Financial assets – assessing whether contractual cash flows are solely payment of principal and interest

For the purposes of this assessment, the term "principal" is defined as being the fair value of the financial asset at initial recognition. "Interest" is defined as being the consideration of the time value of money, the credit risk associated with the principal amount outstanding during a particular period of time, and other basic lending risks and costs (for example, liquidity risk and administrative expenses), as well as the profit margin.

The Group takes into consideration the instrument's contractual terms when assessing whether contractual cash flows are solely payment of principal and interest.

Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are then measured at their fair value. Net gains and losses, including any interest income or dividends, are recognised through profit or loss. However, see Note 20 for derivative instruments designated as hedging instruments.
Financial assets at amortised cost	These assets are then measured at amortised cost using the effective interest method. Impairment losses are deducted from the amortised cost. Interest income, currency gains and losses, and impairment losses are recognised through profit or loss. Any gains or losses from derecognition are recognised through profit or loss.
Debt instruments at FVOCI	These assets are then measured at their fair value. Interest income calculated using the effective interest method, currency gains and losses, and impairment losses are recognised through profit or loss. Other net gains and losses are recognised through other comprehensive income. At derecognition, cumulative gains and losses in other comprehensive income are reclassified to profit or loss.
Equity investments at FVOCI	These assets are then measured at their fair value. Dividends are recognised as income in profit or loss, unless the dividend clearly corresponds to the recovery of some of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

In accordance with IFRS 9, financial liabilities are classified as being measured at amortised cost or at FVTPL. A financial liability is classified as being at FVTPL if it is considered to be held for trading, whether it is a derivative or was designated as such at initial recognition. Financial liabilities at FVTPL are measured at fair value and the resulting net gains and losses, including any interest expense, are recognised through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and currency gains and losses are recognised through profit or loss. Any gains or losses resulting from derecognition are also recognised through profit or loss.

Please refer to Note 20 for financial liabilities designated as hedging instruments.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the financial asset.

The Group carries out transactions through which it transfers assets recognised in its balance sheet but retains all or substantially all the risks and rewards of ownership of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or they expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at its fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

When a financial liability measured at amortised cost is modified without being derecognised, a gain or loss is recognised through profit or loss. The calculated gain or loss corresponds to the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Derivative financial instruments and hedge accounting under IFRS 9

The Group holds derivative financial instruments to hedge currency risk, interest rate risk, commodity risk and energy risk. Embedded derivatives are separated from the host contract and considered separately if the host contract is not a financial asset and if certain criteria are met.
Derivatives are first measured at their fair value. Subsequent to initial recognition, derivative instruments are measured at their fair value and changes therein are generally recognised in profit or loss.

The Group designates certain derivative instruments as being hedging instruments to hedge the variability of cash flows relating to highly probable forecast transactions resulting from movements in exchange rates, interest rates, commodity prices or energy prices. At inception of a designated hedging relationship, the Group documents the risk management objective and the strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether variations in cash flows from the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined using the present value, as from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.
If a hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount that has been accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount that has been accumulated in the hedging reserve is reclassified to profit or loss in the same period(s) as when the hedged forecast future cash flows affect profit or loss.

If the hedge no longer meets hedge qualifying criteria or if the hedging instrument is sold, expires, is terminated or exercised, hedge accounting is then discontinued prospectively. If hedge accounting of cash flow hedges ceases to apply, the amount that has been accumulated in the hedging reserve remains recognised in equity until, in the case of the hedging of a transaction giving rise to the recognition of a non-financial item, it is included in the cost of the non-financial item on its initial recognition or, in the case of other cash flow hedges, until it is reclassified to profit or loss in the same period(s) as when the hedged forecast cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

Impairment of receivables

The Group recognises impairment losses for expected credit losses (ECL) for:
- financial assets measured at amortised cost; and
- contract assets.

Impairments for losses on trade receivables and contract assets are measured at an amount equal to full lifetime ECL.

To determine whether the credit risk of a financial asset has increased significantly since initial recognition, and to estimate ECL, the Group considers reasonable and supportable information that is relevant and available and does not involve undue cost or effort. This consists of quantitative and qualitative information and analyses based on the Group's past experience and on an informed credit assessment, including prospective information.

Impairments for losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off if the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to recovery procedures in accordance with the Group's credit policy.

ESTIMATES AND ASSUMPTIONS MADE BY MANAGEMENT

As indicated above, the Company uses estimates to determine impairments for trade receivables.

Classification and fair value measurement

Financial assets and liabilities are classified as follows:

		31 December 2022									
		Accounting categories						Fair value measurement based on:			
(in € million)	Notes	Amortised cost	other comprehensive income – equity instruments	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	13		7.6				7.6			7.6	7.6
Loans, deposits and receipts	13	26.0					26.0		26.0		26.0
Trade receivables and related accounts (excluding current tax receivables)	14.2	290.5		0.0			290.5		290.5		290.5
Derivative instruments hedging financial risk	20.2					26.5	26.5		26.5		26.5
Derivative instruments hedging operating risk (*)	14.2 & 20.2					352.2	352.2		352.2		352.2
Cash and cash equivalents	15	271.8			59.0		330.8	328.4	2.3		330.8
Total financial assets		**588.3**	**7.6**	**0.0**	**59.0**	**378.7**	**1,033.5**	**328.4**	**697.5**	**7.6**	**1,033.5**
Sustainability-Linked Bond November 2021	17	(493.7)					(493.7)	(388.3)			(388.3)
Sustainability-Linked Bond May 2021	17	(502.7)					(502.7)	(429.0)			(429.0)
Term Loan A and revolving credit facility (unused)	17	(500.6)					(500.6)		(500.6)		(500.6)
Financial liabilities on finance leases		(53.5)					(53.5)		(53.5)		(53.5)
Other long-term liabilities	17	(51.5)		—			(51.5)		(51.5)		(51.5)
Total long-term debt		**(1,602.0)**	**—**	**—**	**—**	**—**	**(1,602.0)**	**(817.4)**	**(605.5)**	**—**	**(1,422.9)**
Derivative instruments hedging financial risk (**)	20.2					(2.0)	(2.0)		(2.0)		(2.0)
Total long-term debt and financial derivatives liability		**(1,602.0)**		**—**		**(2.0)**	**(1,604.0)**	**(817.4)**	**(607.6)**		**(1,424.9)**
Negotiable commercial paper (NEU CP)	17	(150.3)					(150.3)		(150.3)		(150.3)
Other short-term liabilities	17	(8.8)		—			(8.8)		(8.8)		(8.8)
Total short-term debt		**(159.1)**	**—**	**—**	**—**	**—**	**(159.1)**		**(159.1)**		**(159.1)**
instruments hedging operating risk (*)	14.3 & 20.2					(48.1)	(48.1)		(48.1)		(48.1)
and related accounts	14.3	(740.6)					(740.6)		(740.6)		(740.6)
Other payables and accrued liabilities	14.3	(388.4)					(388.4)		(388.4)		(388.4)
Total financial liabilities		**(2,890.1)**	**—**	**—**	**—**	**(50.1)**	**(2,940.2)**	**(817.4)**	**(1,943.8)**		**(2,761.1)**
Total		**(2,301.8)**	**7.6**	**—**	**59.0**	**328.6**	**(1,906.7)**	**(489.0)**	**(1,246.2)**	**7.6**	**(1,727.6)**

* All commodity swaps are designated as cash flow hedges.

** Interest rate caps taken out by the Group are designated as cash flow hedges.

	31 December 2021										
		Accounting categories						Fair value measurement based on:			
	Notes	Amortised cost	through other comprehensive income – equity instruments	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	13		6.2				6.2			6.2	6.2
Loans, deposits and receipts	13	21.5					21.5		21.5		21.5
Trade receivables and related accounts (excluding current tax receivables)	14.2	84.8		12.6			97.4		97.4		97.4
Derivative instruments hedging financial risk	20.2					3.2	3.2		3.2		3.2
Derivative instruments hedging operating risk (*)	14.2 & 20.2					342.7	342.7		342.7		342.7
Cash and cash equivalents	15	395.5			99.2		494.6	485.9	8.8		494.6
Total financial assets		**501.9**	**6.2**	**12.6**	**99.2**	**345.9**	**965.7**	**485.9**	**473.6**	**6.2**	**965.7**
Sustainability-Linked Bond November 2021	17	(492.9)					(492.9)	(504.3)			(504.3)
Sustainability-Linked Bond May 2021	17	(502.2)					(502.2)	(512.6)			(512.6)
Term Loan A and revolving credit facility (unused)	17	(497.4)					(497.4)		(497.4)		(497.4)
Financial liabilities on finance leases		(47.3)					(47.3)		(47.3)		(47.3)
Other long-term liabilities	17	(55.3)		(8.9)			(64.2)		(64.2)		(64.2)
Total long-term debt		**(1,595.1)**	**—**	**(8.9)**	**—**	**—**	**(1,604.0)**	**(1,016.9)**	**(608.9)**	**—**	**(1,625.8)**
Derivative instruments hedging financial risk (**)	20.2			—		(1.0)	(1.0)		(1.0)		(1.0)
Total long-term debt and financial derivatives liability		**(1,595.1)**		**(8.9)**		**(1.0)**	**(1,605.0)**	**(1,016.9)**	**(609.9)**		**(1,626.8)**
Negotiable commercial paper (NEU CP)	17	(150.2)					(150.2)		(150.2)		(150.2)
Other short-term liabilities	17	(7.3)		(3.7)			(11.0)		(11.0)		(11.0)
Total short-term debt		**(157.5)**		**(3.7)**			**(161.2)**		**(161.2)**		**(161.2)**
Derivative instruments hedging operating risk (*)	14.3 & 20.2					(4.0)	(4.0)		(4.0)		(4.0)
Trade payables and related accounts	14.3	(521.4)					(521.4)		(521.4)		(521.4)
Other payables and accrued liabilities	14.3	(259.8)					(259.8)		(259.8)		(259.8)
Total financial liabilities		**(2,533.9)**	**—**	**(12.6)**	**—**	**(5.0)**	**(2,551.5)**	**(1,016.9)**	**(1,556.4)**		**(2,573.3)**
Total		**(2,032.1)**	**6.2**	**—**	**99.2**	**340.9**	**(1,585.8)**	**(531.1)**	**(1,082.8)**	**6.2**	**(1,607.7)**

* 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 22 – Related parties

ACCOUNTING PRINCIPLES

Under IAS 24 "Related party disclosures", a related party is a person or an entity that is related to the reporting entity.

It can be any of the following:

- a person or company that has control over the Group;
- a Group associate;
- a joint venture;
- a member of the Company's key management personnel (or a member of that person's family).

A related party transaction is a transfer of resources, services or obligations between the Group and this related party.

22.1 Transactions with associates

The scope of associates is defined in Note 3.3.

The amounts shown in the Group's accounts relating to associates are as follows:

		Year ended 31 December	
	(in € million)	**2022**	**2021**
Statement of financial position	Non-current assets	2.4	—
	Current assets	1.4	3.2
	Non-current liabilities	—	—
	Current liabilities	7.8	1.5
Income statement	Revenue	—	—
	Cost of sales	54.9	25.9
	Financial income	0.1	—

Transactions were carried out in normal market conditions, that is in conditions similar to those that would usually apply between independent parties.

22.2 Transactions with shareholders

22.2.1 Loan taken out with Bpifrance

In its efforts to extend its average debt maturity profile, continue diversifying its sources of funding and obtain competitive funding costs, the Group reached an instalment loan agreement for a total principal amount of €30.0 million on 16 December 2021 with Bpifrance (an affiliate of Bpifrance Participations, which is a shareholder in the Group, and of Bpifrance Investissement, which is a member of the Group's Board of Directors).

The loan was fully drawn at 31 December 2021; it carries interest at an annual fixed rate of 0.40% and has a maturity of 3 years. Its purpose is to finance and/or refinance the working capital requirement and/or investment expenditure of the Company and its subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code.

Verallia Packaging, a wholly owned subsidiary of the Company, stands as joint and several guarantor for the repayment of the amounts due under this loan.

The amount outstanding at 31 December 2022 was €22,5 million.

22.2.2 Partnership with Bpifrance

In 2021, an agreement was reached between Verallia Packaging, a subsidiary of the Company, and Bpifrance, an affiliate of Bpifrance Participations (which is a shareholder in the Company) and of Bpifrance Investissement (which is a member of the Company's Board of Directors), amounting to a total of €100,000. The purpose of this agreement was to provide Bpifrance with financial and logistical support to organise its "BIG Tour" event running from 16 July 2021 to 20 August 2021 and its "Bpifrance Inno Génération" event held on 7 October 2021.

The contract was renewed for €200,000; and covers the "Big Tour" from 5 March 2022 to 26 November 2022 and the "Big Inno" held on 6 October 2022.

22.2.3 Services contract

The Group has no services contracts with its shareholders.

22.3 Transactions with key management personnel

The Group's key management personnel are its Management team, which includes the following:

- the Chairman
- the Chief Executive Director
- the Chief Financial Officer
- segment Directors
- the Human Resources Director
- the Director of Operations
- the CSR Director & General Counsel

The compensation of key management personnel shown in the statement of income for the period (including employer contributions and social security contributions on bonus share awards) is as follows:

	Year ended 31 December	
(in € million)	**2022**	**2021**
Short-term employee benefits	6.9	7.2
Post-employment benefits	—	0.2
Other long-term benefits	—	—
Termination benefits	—	—
Share-based payment	2.6	3.5
Total	**9.6**	**10.9**

The compensation of members of the Board of Directors (attendance fees) corresponds to the amounts recorded in the statement of income over the period.

Attendance fees allocated to non-executive officers in respect of their mandates at the Company amounted to €0.4 million in 2022, as they did in 2021.

Note 23 – Contractual obligations and off-balance sheet commitments

23.1 Commitments of operating activities

(in € million)	Notes	Year ended 31 December 2022	2021
OPERATING COMMITMENTS GIVEN			
Non-cancellable purchase commitments	23.1.1	1,067.3	523.5
Other operating commitments given	23.1.2	11.8	8.6
Total operating commitments given		**1,079.0**	**532.1**
OPERATING COMMITMENTS RECEIVED			
Commitments received	23.1.3	**73.6**	**67.2**

23.1.1 Non-cancellable purchase commitments

Non-cancellable purchase commitments include firm orders for property, plant and equipment as well as purchase commitments for commodities and services.

(In € million)		2022	Payments due		
			Less than 1 year	1 to 5 years	More than 5 years
Non-cancellable purchase commitments					
- Non-current assets	A	194.6	170.1	20.5	4.0
- Commodities and energy	B	805.7	685.1	116.0	4.6
- Services		53.5	48.2	5.2	—
- Other		13.5	12.3	1.2	—
Total		**1,067.3**	**915.8**	**142.9**	**8.58**

(In € million)		2021	Payments due		
			Less than 1 year	1 to 5 years	More than 5 years
Non-cancellable purchase commitments					
- Non-current assets	A	104.4	83.1	21.4	—
- Commodities and energy	B	349.8	263.0	86.7	—
- Services		59.5	45.3	14.2	—
- Other		9.8	8.0	1.8	—
Total		**523.5**	**399.5**	**124.0**	**0.0**

A. Corresponds mainly to purchase commitments made for the building and rebuilding of furnaces.

B. Includes CO_2 emission allowances futures qualifying for the "own use" exemption.

23.1.2 Other operating commitments given

Other operating commitments given consist primarily of guarantees relating to the environment.

23.1.3 Operating commitments received

Operating commitments received amounted to €73.6 million at 31 December 2022 and to €67.2 million at 31 December 2021. They consist primarily of guaranteed receivables and operating commitments.

23.2 Financing commitments

The Group's main commitments with respect to its borrowings and financial liabilities are described in Note 17.

The Group had current assets pledged as collateral in the amount of €63 million at 31 December 2022 versus €45.0 million at 31 December 2021. They consist mainly of bank guarantees and tangible collateral.

When the Company issued its sustainability-linked bonds on 14 May 2021 and 10 November 2021, Verallia Packaging granted subscribers to the sustainability-linked bonds two joint and several guarantees in accordance with the terms and conditions stipulated in each of the prospectuses provided by the Company for this purpose. These guarantees will be automatically and fully lifted if the facilities made available under the Senior Facilities Agreement of 17 July 2019 between the Company and Verallia Packaging are (i) refinanced and the refinancing debt is borrowed without any guarantee or surety provided by the Company or, as the case may be, (ii) fully transferred and taken on by the Company without any guarantee in accordance with the terms and conditions stipulated in the Senior Facilities Agreement.

Other financial commitments given amounted to €9.4 million at 31 December 2022 versus €20.8 million in 2021. These commitments consist mainly of letters of comfort for local loan guarantees.

The Group also received financial commitments in the amount of €502.5 million at 31 December 2022 versus €559.7 million in 2021. These commitments consist primarily of a €500 million credit facility (RCF1). See Note 17 for more information.

On 7 October 2019, as part of the process of listing the Company's shares for trading on the regulated market of Euronext Paris, the Group refinanced the facilities that had been made available to it under the facilities agreement signed on 7 August 2015, primarily by drawing on the term loan (Term Loan A) made available to Verallia Packaging under the facilities agreement signed on 17 July 2019 by the Company in its capacity as the parent company, Verallia Packaging in its capacity as the borrower and guarantor, and an international banking syndicate (the "Senior Facilities Agreement").

The Senior Facilities Agreement provides two lines of credit for a total principal amount of €2.0 billion, broken down as follows:

- a term loan (Term Loan A) in euros of an initial principal amount of €1,500.0 million, with a maturity of five years starting from 7 October 2019 and repayable via a bullet payment. At 31 December 2022, the outstanding amount of Term Loan A was €500.0 million, following two early repayments of €500.0 million each made in May and November 2021, and the margin was 1.25% per annum; and
- a revolving credit facility of a maximum principal amount of €500.0 million with a maturity of five years starting from 7 October 2019. At 31 December 2022, the revolving credit facility of €500.0 million remained fully undrawn.

Under the Senior Facilities Agreement, the Company stands as joint and several guarantor ("Guarantor") for the payment and repayment obligations of Verallia Packaging and the Group's other companies that adhered to the Senior Facilities Agreement as guarantors (i.e. Verallia France, Verallia Italia, Verallia Brasil, Verallia Spain, Verallia Portugal and Verallia Deutschland), for a maximum principal amount of €2.0 billion (plus interest, fees and commissions) and within the legal and contractual limits set out in Article 22.13 (Limitation of Liabilities of French Guarantors) of the Senior Facilities Agreement.

Note 24 – Audit fees

	PricewaterhouseCoopers				BM&A and partners				Total			
	Amount (before tax)		%		Amount (before tax)		%		Amount (before tax)		%	
(in € million)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Audit, certification and review of parent company and consolidated financial statements	**1.3**	**1.2**	**93 %**	**80 %**	**0.5**	**0.5**	**100 %**	**83 %**	**1.8**	**1.7**	**95 %**	**81 %**
Verallia SA	*0.4*	*0.3*	*29 %*	*20 %*	*0.3*	*0.3*	*60 %*	*50 %*	*0.7*	*0.6*	*37 %*	*29 %*
Fully-consolidated subsidiaries	*0.9*	*0.9*	*64 %*	*60 %*	*0.2*	*0.2*	*40 %*	*33 %*	*1.1*	*1.1*	*58 %*	*52 %*
Services other than certification of financial statements	**0.1**	**0.3**	**7 %**	**20 %**	**0.0**	**0.1**	**— %**	**17 %**	**0.1**	**0.4**	**5 %**	**20 %**
Verallia SA	*0.1*	*0.2*	*7 %*	*13 %*	*0.0*	*0.1*	*0 %*	*17 %*	*0.1*	*0.3*	*5 %*	*14 %*
Fully-consolidated subsidiaries	*0.0*	*0.1*	*— %*	*7 %*	*0.0*	*0.0*	*0 %*	*— %*	*—*	*0.1*	*— %*	*5 %*
TOTAL	**1.4**	**1.5**	**100 %**	**100 %**	**0.5**	**0.6**	**100 %**	**100 %**	**1.9**	**2.1**	**100 %**	**100 %**

Non-audit services provided by the Statutory Auditors to Verallia and its subsidiaries relate mainly to procedures involving acquisition projects and audit procedures carried out as an independent third party on consolidated social, environmental and corporate information.

Note 25 – Events after the closing date

No significant events occurred after the close on 31 December 2022.

Statutory Auditors' report on the consolidated financial statements

(For the year ended 31 December 2022)

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the General Annual Meeting

Opinion

In compliance with the engagement entrusted to us by your General annual meeting and by the decision of the sole shareholder, we have audited the accompanying consolidated financial statements of Verallia for the year ended 31 December 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (Code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period
from 1 January 2022 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the recoverable amount of goodwill

Description of risk

The carrying amount of goodwill at 31 December 2022 was €784 million and is recognised as indicated in Note "3.1 - Changes in scope" and Note "9 - Goodwill".

As indicated in Note "1.2.1 Highlights" section "Acquisition of Allied Glass" on November 8, 2022, Verallia acquired 100% of the capital of Allied Glass in the UK which resulted in the recognition of a preliminary goodwill as of December 31, 2022 (€251 million).

Management conducts impairment tests, as described in Note "12 - Impairment of goodwill and non-current assets" at least once a year and whenever there is an indication of impairment. Impairment indicators may correspond to events or situations related to material and adverse changes affecting the economic environment and the assumptions or objectives identified at the time of acquisition.

Goodwill is tested at the level of groups of cash-generating units (CGUs) corresponding to the operating segments as defined by the Group. An impairment loss is recognised when the carrying amount of a group of CGUs exceeds its recoverable amount.

We deemed the measurement of the recoverable amount of these assets to be a key audit matter due to the potentially significant nature of any impairment and the high level of judgement and estimation required by management for this assessment. Management's judgement is based on assumptions relating to future trends in sales, renewal investments and changes in working capital requirements linked to the operation of these assets, as well as the determination of an appropriate discount rate applied to future cash flows.

How our audit addressed this risk

We assessed the appropriateness and relevance of the approach used by management to determine the groups of CGUs at the level of which goodwill impairment tests are performed.

Regarding measurement of goodwill related to acquisition in 2022 of Allied Glass group :

- We gained understanding of the Share Purchase Agreement as well as, where applicable, the other legal agreements signed;
- We examined the compliance of the consolidation method used with the accounting standards;
- We assessed the determination of the acquisition price made by Management;
- We checked the revaluation of inventories at fair value as part of the preliminary allocation of the acquisition price carried out by Management as of December 31, 2022;
- We verified the appropriateness of the information provided in the Note "1.2.1 Highlights" section "Acquisition of Allied Glass" to the consolidated financial statements.

In addition, we gained an understanding of and examined the procedure implemented by Group management to conduct impairment tests.

We also assessed the appropriateness of the model used to calculate the value in use based on the discounted cash flow method and reviewed, by sampling, the calculations made by management.

We verified the consistency of the cash flow projections by comparing them with:

- management's most recent estimates, as presented to the Board of Directors during the budget process,
- the cash flow projections used in the previous impairment tests for the years 2023 to 2026, and
- historical projections for 2022 and the performance for that year.

We interviewed management to analyse the main assumptions used in the impairment tests and to obtain explanations to enable us to corroborate these assumptions.

With the assistance of our valuation experts, we performed an independent analysis of certain key assumptions used by management in its tests and analyses, including the discount rate and the perpetual average annual growth rate of future cash flows, with reference to both external market data and analyses of comparable companies.

We also compared sensitivity analyses to certain key variables in the valuation model to assess the materiality of potential impacts on the assets' recoverable amount.

We also examined the appropriateness of the disclosures provided in Note "12 - Impairment of goodwill and non-current assets" to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on other legal and regulatory requirements

Format of the presentation of the financial statements intended to be included in the annual financial report

We also proceeded, in accordance with the professional standard on the diligence of the statutory auditors relating to the annual and consolidated financial statements presented according to the single European electronic information format, to the verification of compliance with this format defined by the European Regulation Delegate No. 2019/815 of December 17, 2018 in the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in I of Article L.451-1-2 of the Monetary and Financial Code, prepared under the responsibility of the Chairman and CEO. With regard to consolidated accounts, our due diligence includes checking that the markup of these accounts complies with the format defined by the aforementioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the single European electronic information format.

Due to the technical limits inherent in the macro-tagging of the consolidated financial statements according to the single European electronic information format, it is possible that the content of certain tags in the appended notes may not be reproduced identically to the consolidated financial statements attached to this report.

It is not our responsibility to verify that the consolidated financial statements which will be effectively included by your company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Verallia in the Articles of Association dated 18 June 2015 for PricewaterhouseCoopers Audit and by a decision of the sole shareholder of 24 July 2019 for BM&A.

At 31 December 2022, PricewaterhouseCoopers Audit and BM&A were in the eighth consecutive year and the fourth year of their engagement, respectively, and the fourth year since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 15 February 2023

The Statutory Auditors

PricewaterhouseCoopers Audit	BM&A
Nicolas Brunetaud	Eric Seyvos