PRESS RELEASE

9M 2019 results

Growth in revenue of 7.2% based on reported figures
Strong organic growth of 10.1%
Continuous improvement in adjusted EBITDA margin at 24.2%
2019 guidance upgrade for organic growth and adjusted EBITDA

Paris, 7 November 2019

Highlights

- **Success of the Group's IPO** on Euronext Paris and the associated **refinancing**
- **Sustained growth in revenue of 7.2% to €1,976m** (up 10.1% at constant exchange rates and scope) over nine months
- **Strong growth of 12.9% in adjusted EBITDA to €478m** (up 16.9% at constant exchange rates and scope) over nine months
- **Continuous improvement in adjusted EBITDA margin** at **24.2%**, up 122 bps compared to the first nine months of 2018
- **Decrease in leverage ratio to 2.7x** adjusted EBITDA for the last 12 months, versus 3.3x at the end of September 2018
- **2019 guidance upgrade for organic growth** and **adjusted EBITDA**

"We are very pleased with the third quarter results which allow us to post strong organic growth over the first nine months of the year. We have notably delivered double-digit organic growth in the third quarter which represents a slight acceleration compared to the first half of the year. Furthermore, Verallia's profitability continues to improve thanks to the operational leverage associated with volume growth, a positive inflation spread and the ongoing deployment of our operational excellence program. Confident in our profitable and sustainable growth strategy, we are upgrading our organic growth and adjusted EBITDA guidance for 2019." said **Michel Giannuzzi**, CEO of Verallia.

In the first nine months of the year, Verallia achieved a **revenue** of €1,976 million, compared to €1,843 million in the first nine months of 2018 and thus posted **growth of 7.2% in reported figures**.
The impact of the **exchange rates variation** was -2.7% over nine months, primarily linked to the continued depreciation of the Argentine peso not being offset by hyperinflation, which is plagued by the current political and economic instability.

At **constant exchange rates and scope** and excluding hyperinflation in Argentina (IAS 29), revenue increased by **10.1%** over the first nine months of the year, with the third quarter and posting organic growth of 10.6%, slightly accelerating compared to the first half of the year. The growth in revenue is primarily the result of three key factors: the volume expansion across all geographic regions, the increases in selling prices carried out at the start of the year to mitigate the surge of costs (primarily energy and raw materials) as well as hyperinflation in Argentina and last, the improvement of the product mix, thus confirming the *premiumisation* of our product range.
Over the **first nine months of the year**, strong growth in consolidated revenue was driven by the dynamism of all market segments.

Adjusted EBITDA recorded a strong growth of **12.9%** (16.9% at constant exchange rates and scope) over the first nine months of the year, reaching **€478m**. This improvement results primarily from the operational leverage associated with the sustained volume growth. This positive impact on adjusted EBITDA is nevertheless partly offset by the destocking that took place from the beginning of the year aimed at supporting the strong growth performance and thus reducing the absorption of fixed costs. Furthermore, the combination of the improvement in the product mix and selling price increases allowed the Group to generate a positive spread[1]. Finally, the continued implementation of the operational performance improvement plan led to a net reduction in production costs of €29m over the first nine months of 2019. The impact on adjusted EBITDA of applying IFRS 16 amounted to €16m over the first nine months of 2019.

The **adjusted EBITDA margin** thus increased by 122 basis points, 80 basis points of which are linked to the impact of IFRS 16, reaching **24.2%** compared to 23.0% over the first nine months of 2018.

During the first nine months of the year, Verallia continued to **deleverage.** Net debt thus reached €1,627m at the end of September 2019, i.e. **2.7x adjusted EBITDA for the past 12 months**, versus 3.3x at the end of September 2018 and 2.9x at the end of June 2019. In addition, the refinancing carried out as part of the Group's IPO took place as planned on 7 October 2019. As a result of this transaction, the average cost of financing (before taxes) was reduced to around 2%, leading to a future decrease of €20m in annual financial charges. In addition, as at 30 September 2019, Verallia continues to enjoy a high level of **liquidity**, at **€496m** (see glossary).

Finally, given the good business dynamics over the third quarter of 2019 and at the beginning of the fourth quarter as well as the Group's ability to generate profitable and sustainable growth, Verallia is **upgrading its 2019 organic growth** and **adjusted EBITDA guidance**. For the year ending 31 December 2019, the Group is now aiming for:

- A consolidated revenue **organic growth[2]** ***between 8% and 10%*** instead of organic growth between 6% and 8% initially;
- An **adjusted EBITDA[3]** ***above*** **€610m**, compared to *around* €610m initially.

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

[2] At constant exchange rates and constant scope.

[3] Excluding the impact of the management share ownership plan set up as part of the IPO.

The other objectives for 2019 remain unchanged:

- The Group still plans to achieve an adjusted net financial debt/adjusted EBITDA[1] ratio of around 2.7x as of 31 December 2019;
- In addition, the Group intends to pursue its disciplined capital expenditure policy by maintaining recurring investments at around 8% of its annual consolidated revenue (excluding capitalization of the right of use associated with the application of IFRS 16) for the year ending 31 December 2019;
- Finally, subject to the approval of the Company's Annual General Shareholders' Meeting, the Group expects to distribute an annual dividend in 2020 to the amount of €100m for the year ending 31 December 2019.

An analysts' conference call will be held on Thursday 7 November 2019 at 18h00 CET and an audio webcast service (live and replay) along with the results presentation will be available on www.verallia.com

Financial calendar

- 20 February 2020: financial results for Q4 and the financial year 2019 - *Press release after market close and presentation/conference call the following morning.*
- 28 April 2020: financial results for Q1 2020 - *Press release after market close and conference call the same evening.*
- 10 June 2020: Annual General Shareholders' Meeting.
- 30 July 2020: results for H1 2020 - *Press release after market close and presentation/ conference call the following morning.*
- 29 October 2020: financial results for Q3 2020 - *Press release after market close and conference call the same evening.*

About Verallia – An independent Group, Verallia is the world's third-largest manufacturer of glass containers for food and beverages, and proposes innovative, customized and environmentally friendly solutions.
€2.4 billion in revenue, with 16 billion bottles and jars produced in 2018. Around 10,000 employees and 32 glass production facilities in 11 countries.
For more information: www.verallia.com

Verallia Investor Relations contact

Alexandra Baubigeat Boucheron - alexandra.baubigeat-boucheron@verallia.com

Press contacts

Verallia - Marie Segondat - marie.segondat@verallia.com
Brunswick - Benoit Grange, Hugues Boëton - verallia@brunswickgroup.com **- +33 1 53 96 83 83**

APPENDICES

Key figures during the first nine months

In € million	9M 2018	9M 2019
Revenue	**1,843.0**	**1,976.4**
Reported growth		*+7.2%*
Organic growth		*+10.1%*

Adjusted EBITDA	**423.0**	**477.8**
Adjusted EBITDA margin	*23.0%*	*24.2%*

Net debt as of 30 September (i)	**1,772.0**	**1,627.0**
Last twelve months adjusted EBITDA	**541.3**	**602.3**
Net debt / last twelve months adjusted EBITDA	*3.3x*	*2.7x*

(i) Excluding the shareholder loan between Verallia SA and Horizon Intermediate Holdings, its former parent company.

Key figures during Q3

In € million	Q3 2018	Q3 2019
Revenue	**599.6**	**647.0**
Reported growth		*+7.9%*
Organic growth		*+10.6%*

Adjusted EBITDA	**147.6**	**165.0**
Adjusted EBITDA margin	*24.6%*	*25.5%*

Reminder of the 2020-2022 outlook:

"Over the 2020-2022 period, assuming moderate inflation in raw material and energy costs and an effective tax rate going down from 30% to 26%, the Group aims to achieve the following:

- A consolidated revenue organic growth[1] at a compound annual growth rate (CAGR) of between 3% and 5%, based on (i) growth in demand in the markets in which the Group operates, (ii) ongoing improvement to the mix due to premiumisation trends in its product range and (iii) an increase in the Group's selling prices to reflect inflation in production costs. The Group also expects to benefit from past and future investments to increase its production capacity;
- An adjusted EBITDA[2] margin exceeding 25% in 2022, mainly due to (i) the growth in sales volumes and the improvement in associated operating leverage, (ii) the continuation of its dynamic pricing policy aimed at offsetting cost increases and (iii) the ongoing implementation of the performance action plan and the reduction of production costs;
- The continuation of its disciplined investment policy aimed at maintaining recurring capex[3] at around 8% of consolidated annual revenue;
- A net financial debt/adjusted EBITDA[2] ratio of between 2x and 3x;
- An annual dividend payout ratio exceeding 40% of consolidated net income, with an annual amount of at least €100 million, subject to approval by Verallia's General Shareholders' meeting."

[1] At constant exchange rates and constant scope.
[2] Excluding the impact of the management share ownership plan set up as part of the IPO.
[3] Excluding capitalization of the right of use associated with the application of IFRS 16.

Evolution of revenue per nature in € million during the first nine months

In € million	
Revenue 9M 2018	**1,843.0**
Organic growth	*+185.9*
Exchange rate	*-50.0*
Other	*-2.5*
Revenue 9M 2019	**1,976.4**

Evolution of adjusted EBITDA per nature in € million during the first nine months

In € million	
Adjusted EBITDA 9M 2018 (i)	**423.0**
Activity contribution	*+96.4*
Cost inflation	*-55.9*
Productivity (ii)	*+28.5*
Exchange rate	*-16.9*
Other	*+2.6*
Adjusted EBITDA 9M 2019 (i)	**477.8**

(i) Adjusted EBITDA corresponds to operating profit adjusted for certain expenses and/or income of a non-recurring nature or likely to distort the interpretation of the Group's performance, such as depreciation and amortisation, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal effects, closing and carve-out expenses, and other items.
(ii) Performance Action Plan ("PAP") of €33m partly offset by -€4m of industrial variances.

Reconciliation of operating profit to adjusted EBITDA

In € million	9M 2018	9M 2019
Operating profit	**186.0**	**241.9**
Depreciation, amortisation and impairment (i)	217.7	211.9
Restructuring costs (ii)	4.5	2.8
Acquisition, M&A and IPO costs	0.2	8.3
IAS 29, Hyperinflation (Argentina) (iii)	0.0	2.1
Management equity plan related costs (iv)	3.5	6.5
Disposals and risks related to subsidiaries (v)	5.1	0.0
Closure project of Agua Branca (Brazil)	0.0	2.0
Others (vi)	6.0	2.4
Adjusted EBITDA	**423.0**	**477.8**

(i) Includes depreciation and amortisation of intangible assets and property, plant and equipment, amortisation of intangible assets acquired through business combinations and impairment of property, plant and equipment.
(ii) Corresponds to restructuring costs.
(iii) Following the strong increase of the cumulated inflation rate over several years in Argentina, the Group is required to apply IAS 29 (Hyperinflation) to its Argentina operations since the second half of 2018.
(iv) Corresponds to share-based compensation plan.
(v) Corresponds mainly to the effects related to the disposal of Alver in 2018.
(vi) Corresponds to various other non-recurring items.

Impact of IFRS 16 "Leases"

Verallia has applied IFRS 16 since January 1, 2019 using the simplified retrospective transition method. IFRS 16 (Leases) eliminates the distinction between operating and finance leases and requires the lessee to recognize an asset (the right to use the leased asset) and a financial liability to pay lease payments, subject to minor exceptions.

As a result of the adoption of IFRS 16, as of September 30, 2019, right of use assets were recognized for €49 million and an additional financial liability was recorded for €51 million.

In the income statement, IFRS 16 leads to a reduction in lease expenses recorded under adjusted EBITDA of €16 million, and an increase in depreciation & amortization of non-current assets and finance costs. Based on existing lease contracts as of January 1, 2019, the full-year improvement in adjusted EBITDA is estimated to be around €20 million in 2019.

The impact on net income attributable to owners of the Company is not material.

IAS 29: Hyperinflation in Argentina

Since the second half of 2018, the Group applied IAS 29 in Argentina. The adoption of IAS 29 requires the restatement of non-monetary assets and liabilities and of the income statement to reflect changes in purchasing power in the local currency, leading to a gain or loss on the net monetary position included in finance costs.

Financial information of the Argentinian subsidiary is converted into euros using the closing exchange rate for the relevant period.

In the first 9 months, the net impact on revenue is €(6.7) million. The hyperinflation impact has been excluded from Group adjusted EBITDA as shown in the table "Reconciliation of operating profit to adjusted EBITDA".

GLOSSARY

Organic growth: corresponds to revenue growth at constant exchange rates and scope. Revenue growth at constant exchange rates is calculated by applying the average exchange rates of the comparative period to revenue for the current period of each Group entity, expressed in its reporting currency.

Adjusted EBITDA: This is a non-IFRS financial measure and the definition of the term used by the Group may not be comparable to similar terms used by other companies. Adjusted EBITDA corresponds to operating profit adjusted for certain expenses and/or income of a non-recurring nature or likely to distort the interpretation of the Group's performance, such as depreciation and amortisation, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal effects, closing and carve-out expenses, and other items.

Capex: Short for "capital expenditure", this represents purchases of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demand or to environmental and health and safety constraints, or to increase the Group's capacity. It excludes the purchase of securities.

Recurring capex: Recurring Capex represent acquisitions of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demands and to environmental, health and safety requirements. It mainly includes furnace renovation and maintenance of IS machines.

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

Cash conversion: refers to the ratio between cash flows and adjusted EBITDA. Cash flows refers to adjusted EBITDA less Capex.

The segment Southern and Western Europe comprises production plants located in France, Spain, Portugal and Italy. It is also denominated as "SWE".

The segment Northern and Eastern Europe comprises production plants located in Germany, Russia, Ukraine and Poland. It is also denominated as "NEE".

The segment Latin America comprises production plants located in Brazil, Argentina and Chile.

Liquidity: Calculated as the Cash + Undrawn Revolving Credit Facility - Outstanding Commercial Papers.

Disclaimer

Certain information included in this press release are not historical facts but are forward-looking statements. These forward-looking statements are based on current beliefs, expectations and assumptions, including, without limitation, assumptions regarding present and future business strategies and the environment in which Verallia operates, and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results or other events, to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include those discussed or identified under Chapter 3 "Facteurs de Risques" in the Registration Document dated 4 September 2019, approved by the AMF under number I. 19-031 and available on the Company's website (www.verallia.com) and the AMF's website (www.amf-france.org). These forward-looking information and statements are not guarantees of future performances.

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