H1 2019 Results

July 26th, 2019

verallia

1. Financial highlights and key initiatives

2. Financial results

3. Cash performance

4. Conclusion

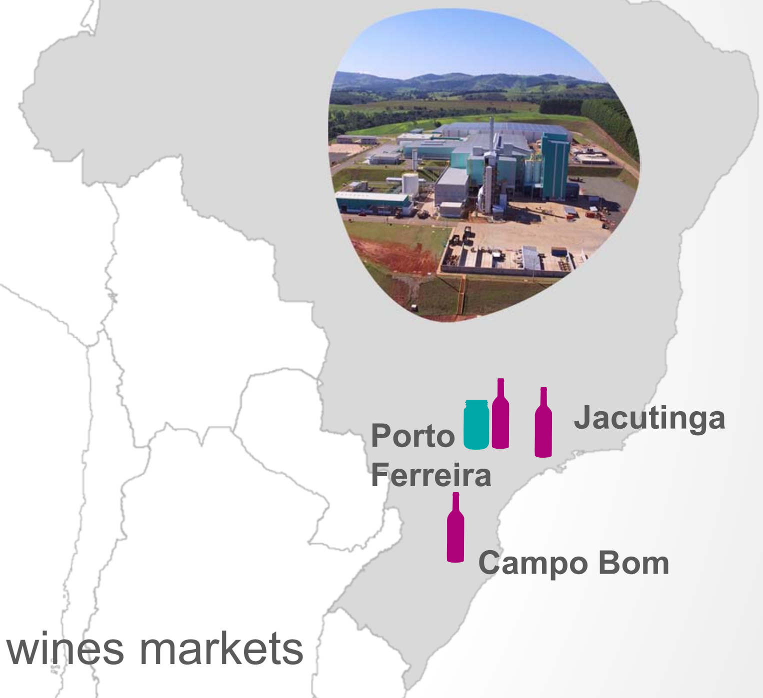
H1 2019 financial highlights: strong performance

- **Revenue:**
  - **Reported revenue** at **€1,329m** in H1 2019
  - **Robust growth in revenue, up 6.9%** (**up 9.6%** at constant exchange rates*) vs. H1 2018
- **Adjusted EBITDA:**
  - **Up 13.5% at €313m** (+16.6% at constant exchange rates*) vs. H1 2018
  - **Margin** reached **23.5%**, up 137 bps vs. H1 2018
  - **IFRS 16** impact: €11m on adj. EBITDA representing 80 bps of margin
- **Net income doubling to €75m** compared to €38m in H1 2018
- **Reduction in net debt to €1,690m** vs. €1,794m in H1 2018, i.e. **2.9x adjusted EBITDA** for the past 12 months
- The **Initial Public Offering of the Group on Euronext Paris in 2019** progressing as expected

(*) Excluding hyperinflation impact in Argentina (IAS 29).

OPENING OF THE JACUTINGA PLANT

- Relocation of our Sao Paulo plant to Jacutinga, State of Minas Gerais
- Greenfield project (€77m)
- Productivity improvement and industrial output optimization
- State-of-the-art plant
- 20 months of construction work
- Project on time, on cost



- 1 million amber and green bottles per day for beer, spirits and wines markets
- Official opening took place on July 4, 2019

A new version of “Virtual Glass” launched in Europe

- New **digital tool** aimed at facilitating Verallia’s customers new product development process
- At the forefront of **virtual reality** and **3D computing technologies**
- Generating very quickly **hyper-realistic renderings** of unprecedented quality in terms of image definition
- In a **few minutes**, customer can visualize glass packaging (bottles and jars) filled, labelled and encapsulated with a **realism never before achieved**

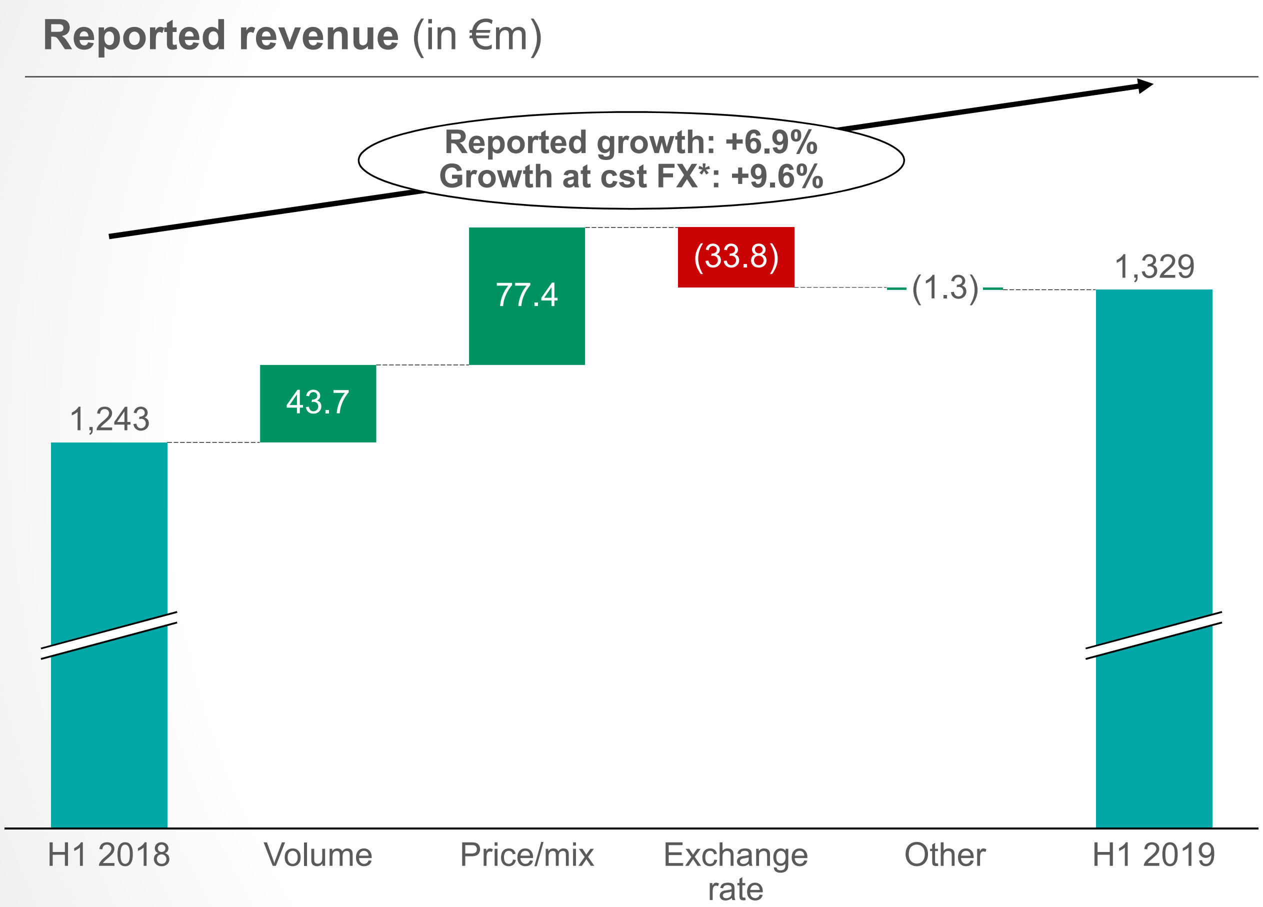
1. Financial highlights and key initiatives

2. Financial results

3. Cash performance

4. Conclusion

Solid revenue growth supported by volume, mix and prices in all segments

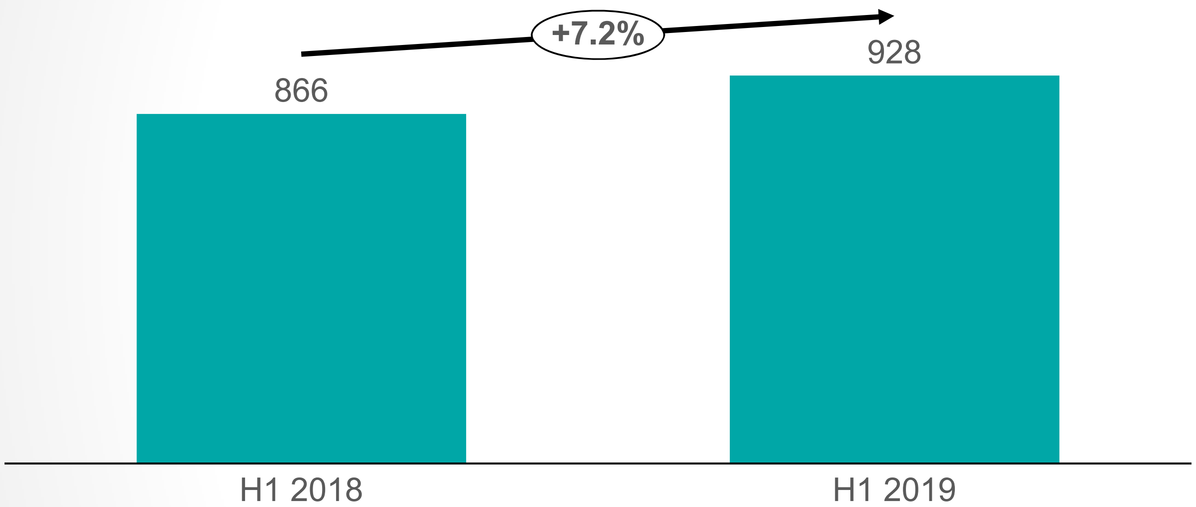


- Still **negative exchange rates** impact due to continued **depreciation of the Argentine peso** against the euro
- **Significant volume improvement**
- **Full impact of selling price increases** mainly to pass on the rise in energy and raw material costs
- **Mix improvement**: increasing premiumization of our product range
- **All segments growing over 7% at constant FX**, with particular strong growth in LaTam
- **Growth at constant FX over 9%** YoY in both Q1 and Q2

(*) Excluding hyperinflation impact in Argentina (IAS 29).

SWE*: volumes well-oriented and strong momentum in wine

Reported revenue (no exchange rates impact - in €m)

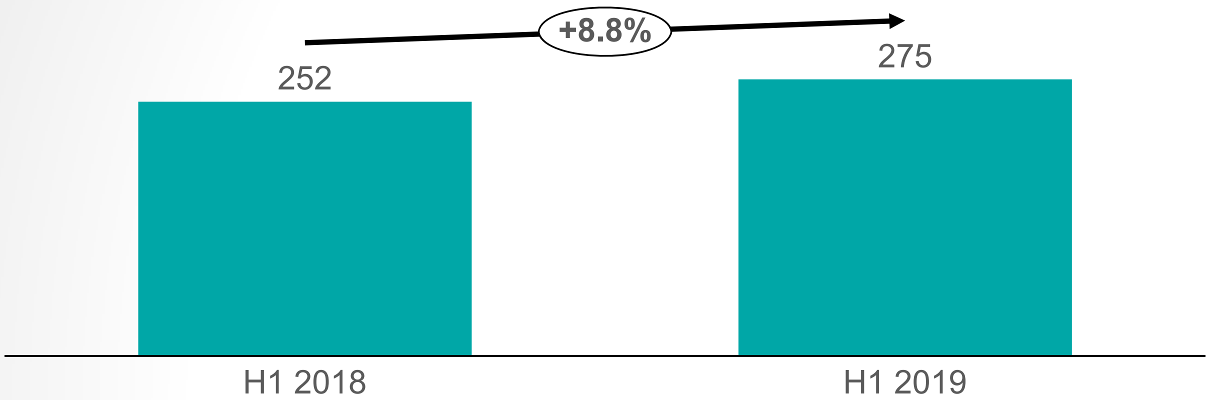


- **Volumes well-oriented**
- General **rise in prices,** to compensate cost inflation especially on the energy
- **Strong momentum in the still and sparkling wine markets,** in which Verallia enjoys leading positions

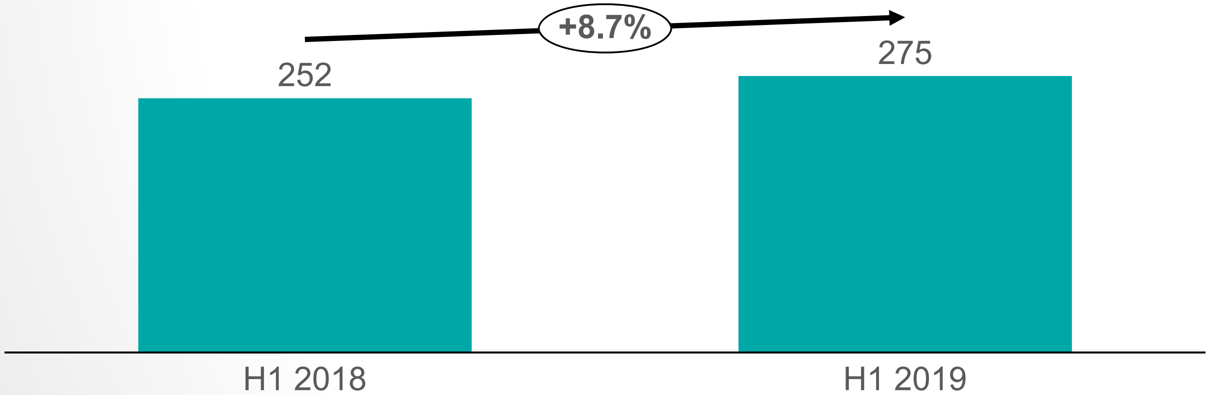
(*) Southern and Western Europe.

NEE*: good growth country wide

Reported revenue (in €m)



Revenue at constant exchange rates (in €m)

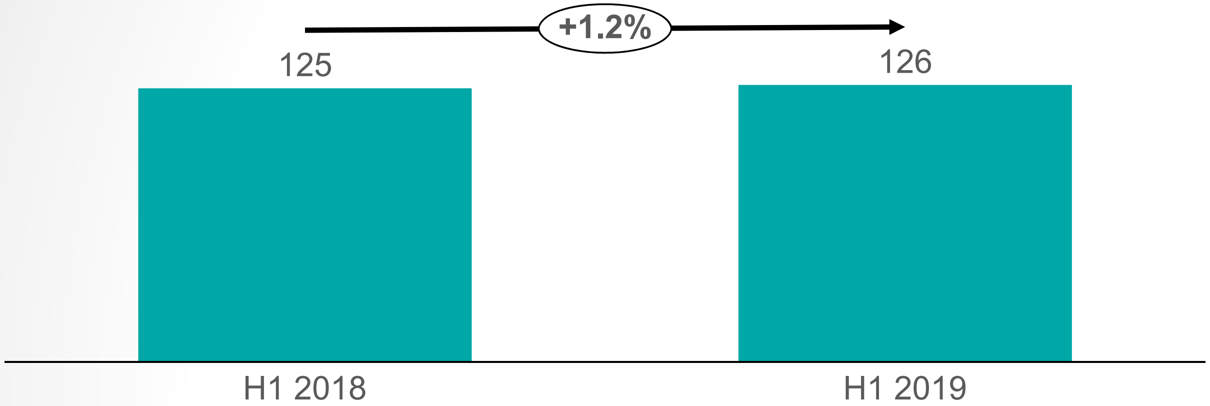


- **Volume growth country wide**
- **Selling price increases** implemented as expected, to compensate cost inflation especially on the energy
- **Negligible FX impact**

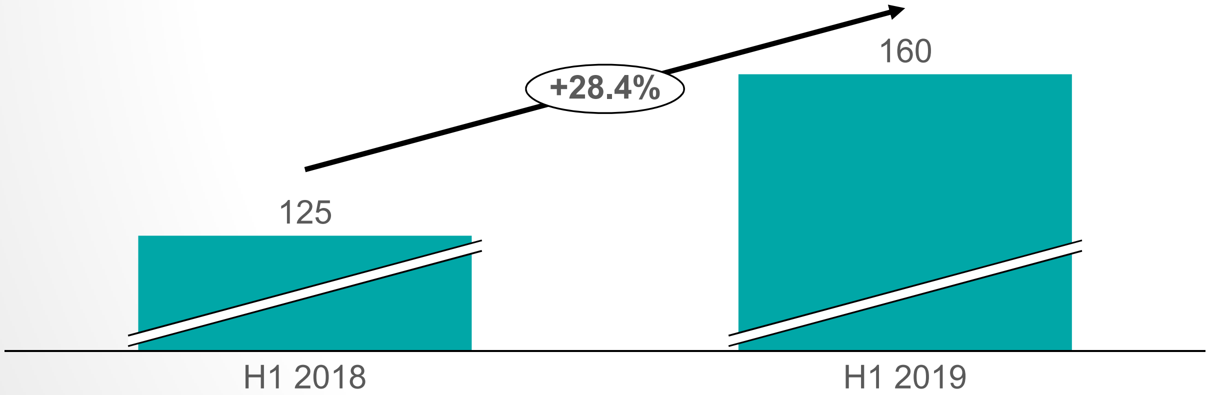
(*) Northern and Eastern Europe.

Latin America: +28.4%* growth offset by negative exchange rates impact

Reported revenue (in €m)



Revenue(*) at constant exchange rates (in €m)

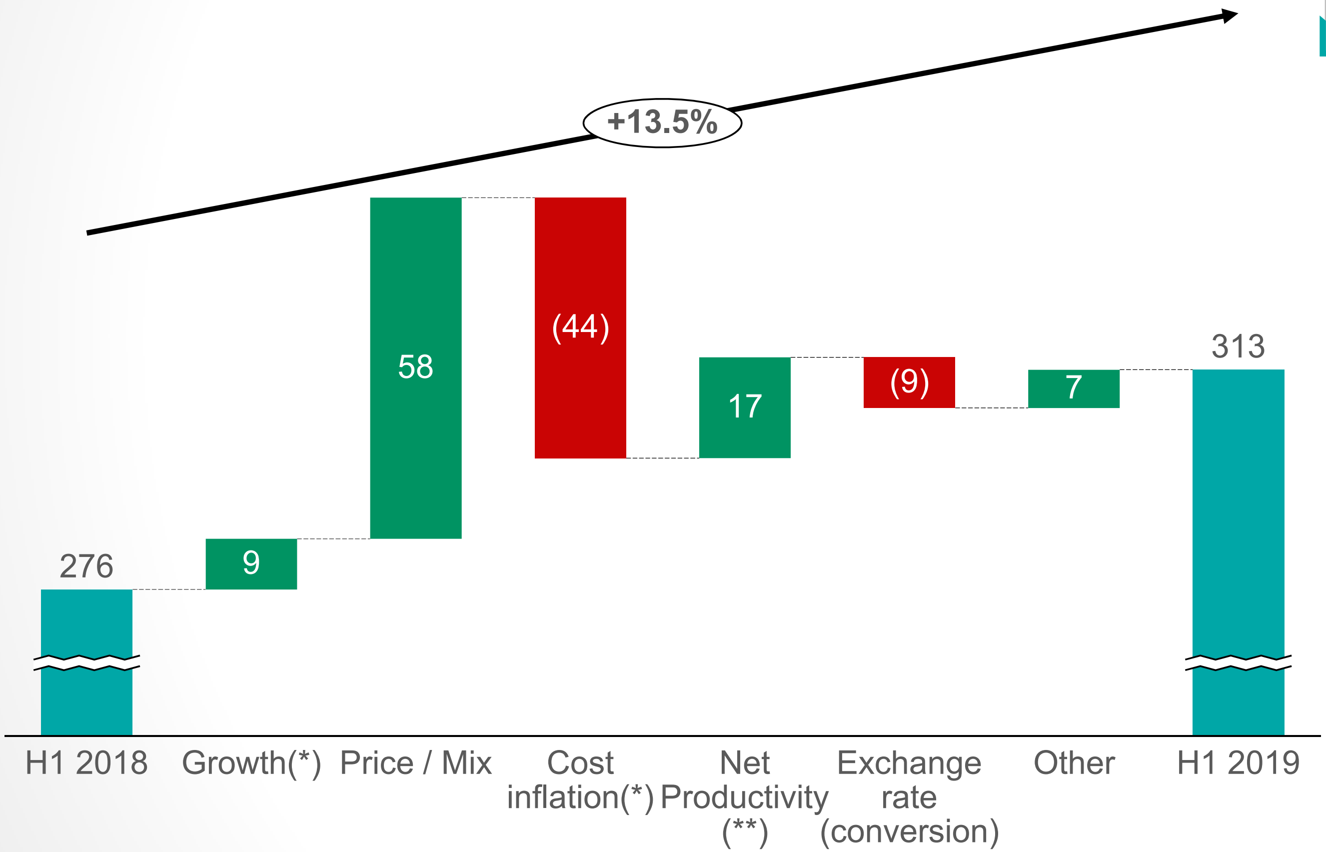


- **€34m negative exchange rate variations,** mostly coming from Argentina
- **Solid local market** in **Brazil**
- **Successful start-up** of **Jacutinga new plant** (State of Minas Gerais, Brazil)
- **Increasing selling prices** a consequence of a high inflationary environment in Argentina
- **Strong resilience** in **Argentina**

(*) At constant exchange rates and excluding hyperinflation impact in Argentina (IAS 29).

Significant adjusted EBITDA growth and margin expansion

Adjusted EBITDA (in €m)



Adjusted EBITDA margin

H1 2018		H1 2019
22.2%	+ 137 bps	23.5%

- **At constant exchange rates(***), adjusted EBITDA increased by 16.6%,** driven by
  - Robust revenue growth
  - Positive price/cost spread
  - PAP on track
- **"Growth": operating leverage partially offset by higher destocking**
- **"Other"** includes IFRS 16 impact of +€11m (80 bps of margin)
- **Significant adjusted EBITDA margin expansion reaching 23.5%, up 137 bps** vs. H1 2018

(*) For presentation purpose, the impact of inflation in Argentina has been reallocated from "Cost inflation" to "Price" (negative) bucket.
(**) PAP of €21m partly offset by €(4)m of industrial variances.
(***) Excluding hyperinflation impact in Argentina (IAS 29).

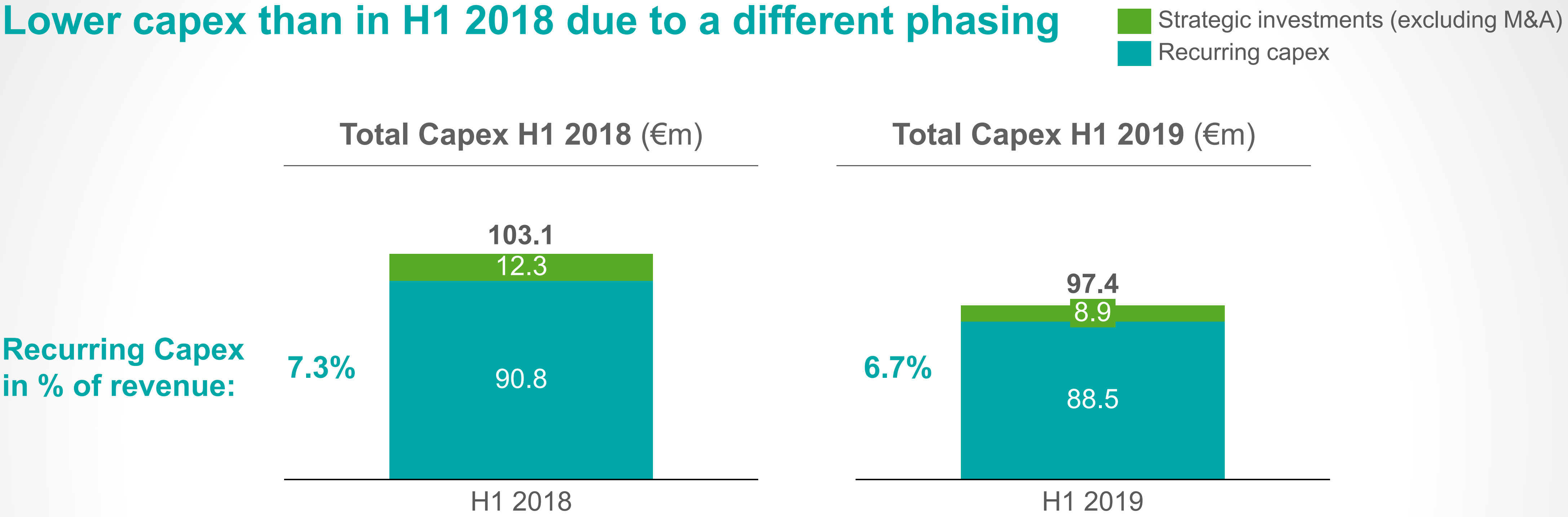
1. Financial highlights and key initiatives

2. Financial results

3. Cash performance

4. Conclusion

Lower capex than in H1 2018 due to a different phasing



- **H1 2019 total capex lower than last year mostly due to a different capex phasing than in 2018**
- **Recurring capex mostly include scheduled furnace repairs**, essentially in Europe
- **Successful start-up of the new plant in Brazil** (Jacutinga, Minas Gerais)
- **Discipline to maintain yearly recurring capex at ca. 8% of sales**(*)

(*) Excluding rights of use capitalization as per IFRS 16 accounting.

Improved operating cash flow and cash conversion

In €m	H1 2018	H1 2019
Adjusted EBITDA	**275.6**	**312.9**
Total capex	**103.1**	**97.4**
Cash conversion	**63%**	**69%**
Change in operating working capital(*)	**(54.8)**	**(21.6)**
Operating Free Cash Flow	**117.7**	**193.9**

- **High operating cash flow** thanks to
  - **Strong EBITDA growth**
  - **Lower capex cash-out** than in H1'18
  - Lower increase of the **operating working capital**
- **Very good level of cash conversion** thanks in part to **lower capex** than last year due to **different phasing** to 2018

(*) Including Capex payable variation.

Verallia's net debt: €1,689.5 million at June 30, 2019

In €m	Nominal amount or maximum amount drawable	Nominal rate	Final maturity	June 30, 2019
Term Loan B	1,125.0	Euribor +2.75%	29/10/2022	1,110.9
Term Loan C	550.0	Euribor +2.75%	01/08/2025	545.4
Revolving Credit Facility	325.0	Euribor +2.50%	29/10/2021	-
Commercial Papers	250.0			126.0
Other debt				147.7
Total borrowings				**1,930.0**
Cash				(240.5)
Net Debt				**1,689.5**

- **Interest rate swap put in place in 2018 to hedge a significant part of the Group's floating rate exposure**
- **Total available liquidity**(*) is at **€439.5 million at June 30, 2019**

(*) Calculated as the Cash + Revolving Credit Facility – Outstanding Commercial Papers.

Further deleveraging effort: from 3.4x to 2.9x between H1 2018 and H1 2019

In € million	30/06/2018	30/06/2019
LTM Adjusted EBITDA	525.7	590.0
Net Debt	1,793.8	1,689.5
Net Debt / LTM Adjusted EBITDA	**3.4x**	**2.9x**

- **2.9x ratio of net debt over LTM adjusted EBITDA in June 30, 2019**:
  - Net debt at €1,689.5 million including lease liability for €54.1 million
  - H1 Adjusted EBITDA at €590.0 million including €20 million of IFRS16 impact on a yearly basis
- **Continuous deleveraging** since 2017 driven by:
  - **Increase of LTM adjusted EBITDA**
  - **Decrease of net debt**

1. Financial highlights and key initiatives

2. Financial results

3. Cash performance

4. Conclusion

Conclusion

- **Strong first half illustrates our ability to deliver on our 3 main pillars:**
  - **Growth bringing operating leverage**
  - **Positive spread** (price increase versus cost inflation)
  - **Productivity improvement** thanks to the roll out of our **Performance Action Plan (PAP)**
- Contemplated **Initial Public Offering** of the Group on **Euronext Paris in 2019** is **making good progress**

Appendices

GLOSSARY

- **At constant exchange rates:** Measures referred to as being calculated at constant exchange rates are intended to present the relevant information at constant exchange rates between the two comparable periods (applying the previous period's exchange rates to the current period's figures). Figures presented at constant exchange rates are not presented in accordance with IFRS.
- **Adjusted EBITDA:** This is a non-IFRS financial indicator. Adjusted EBITDA is defined as profit or loss for the period before income taxes, net finance costs, depreciation and amortization and other items. Such items include: impairment of fixed assets, restructuring costs, acquisition and other transaction-related costs, carve-out costs, share in results of associates net of EBITDA contribution, costs related to management equity plans, gains and losses on disposals, impact of hyperinflation, and other exceptional, unusual or non-recurring items adjusted according to their nature.
- **Capex (capital expenditure):** Purchases of property, plant and equipment as well as intangible assets that are necessary to maintain the value of an asset, to adapt to market demands or environmental, health and safety standards, or to step-up significantly our industrial capacity. M&A transactions are excluded.
- **Recurring capex:** Purchases of property, plant and equipment as well as intangible assets necessary to maintain the value of an asset and/or to adapt to market demands or environmental, health and safety standards.
- **Strategic investments:** Acquisitions of strategic assets that step-up significantly our industrial capacity or business reach (e.g., acquisitions of companies, plants or equivalent, greenfield or brownfield investments).
- **Cash conversion:** Adjusted EBITDA less capex, divided by adjusted EBITDA.
- **Operating cash flow:** Adjusted EBITDA less capex, plus changes in operating working capital including changes in amounts payable on fixed assets.
- **The segment Southern and Western Europe** comprises France, Spain, Portugal and Italy. It is also denominated as "SWE".
- **The segment Northern and Eastern Europe** comprises Germany, Russia, Ukraine and Poland. It is also denominated as "NEE".
- **The segment Latin America** comprises Brazil, Argentina and Chile.
- **Liquidity:** Calculated as the Cash + Revolving Credit Facility - the used portion of the Commercial Papers.

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 June 30, 2019, right of use assets were recognized for €53 million and an additional financial liability was recorded for €54 million.

In the income statement, IFRS 16 will lead to a reduction in lease expenses recorded under EBITDA of €11 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 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 first-half 2019, the net impact on revenue is €5.6 million and €(0.3) million on EBITDA. The hyperinflation impact has been excluded from Group adjusted EBITDA as shown in the table “Reconciliation of net income to adjusted EBITDA”.

Adjusted EBITDA: Reconciliation to net income

In € million	H1 2018	H1 2019
Net income	**37.7**	**74.8**
Finance costs – net	52.9	44.1
Income tax	21.8	42.8
Depreciation and amortization (i)	146.1	141.2
Restructuring costs	3.8	1.9
Acquisition and other transaction related costs	0.0	0.0
Fabe (Brazil) closure project	0.0	1.6
Hyperinflation (IAS 29)	0.0	(0.3)
Share in result of associates net of EBITDA contribution	0.5	0.1
Management equity plan related costs	2.3	5.4
Gains and losses on disposal / risks on subsidiaries	5.0	0.0
Other exceptional items	5.5	1.5
Adjusted EBITDA	**275.6**	**312.9**

(i) Includes the amortization of intangible assets acquired through business combinations. In H1 2019, this amount includes also the impact of IFRS 16 for €11 million.

DISCLAIMER

Certain information included in this presentation 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 forward-looking information and statements are not guarantees of future performances.

Forward-looking statements speak only as of the date of this presentation and Verallia expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements included in this presentation to reflect any change in expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Such forward-looking statements are for illustrative purposes only.

This presentation includes only summary information and does not purport to be comprehensive. No reliance should be placed on the accuracy or completeness of the information or opinions contained in this presentation.

Some of the financial information contained in this presentation is not directly extracted from Verallia's accounting systems or records and is not IFRS (International Financial Reporting Standards) accounting measures. It has not been independently reviewed or verified by Verallia's auditors.

This presentation does not contain or constitute an offer of securities for sale or an invitation or inducement to invest in securities in France, the United States or any other jurisdiction.