

GLASS PACKAGING

VERALLIA GROUP: stable and growing despite uncertain markets

A financial statement from the Group highlights the successes, problems and stabilities as well as potential sectors for growth amidst a constantly evolving packaging market

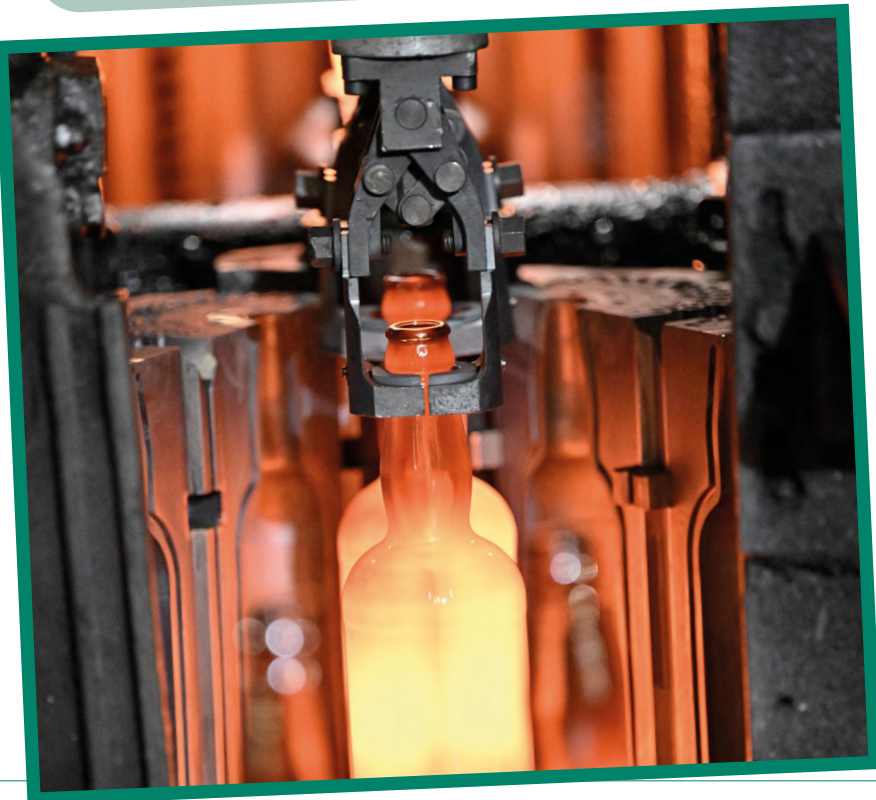
Verallia Group has issued its Universal Regulation Document covering their global operations across every sector of the glass packaging market. The report's projections for the future remain positive while also acknowledging the many challenges facing the Group in the months ahead.

GENERAL TRENDS

The Group's report suggests that glass packaging has benefited from favourable trends, led by increasing appreciation of glass by consumers. It highlights a shift away from alternative materials, in particular plastic. Glass is also preferred for upmarket products, making it better suited for sparkling wines, spirits and still wines, products in which Verallia Group has a strong presence. Specialty beers are also turning to glass to emphasise their premium positioning.

According to the document, 2023 brought a drop in demand due to a decline in end-user consumption in an uncertain economic environment, and a destocking phenomenon throughout the downstream value chain. However, the Group feels this slowdown doesn't alter the fundamental demand for glass.

Volumes sold by the Group



in 2023 fell back in line with the global trend, with a sharper contraction in beer and more resilient activity in food jars, soft drinks and sparkling wines. The impact – on an annual basis – of the price increases implemented in 2022 to pass on the sharp rise in costs to its customers enabled the Group to record organic growth of 21.4 percent (14.3 percent excluding Argentina) in 2023.

The acquisition of Allied Glass (since renamed Verallia UK), the UK's leading producer of premium bottles for spirits, enabled the Group to strengthen its exposure to the premium segment and to the fast-growing high-end gin and whisky markets.

The Group's revenue for the year ended 31 December 2023 was as follows:

countries, and by new consumers in the United States, the United Kingdom and emerging markets (mainly Brazil and China). These trends impact exports from historical producing countries like France, Spain and Italy as well as from the producers of the "New Winemaking World," such as Argentina, Chile, Australia and South Africa.

The three most significant countries for the Group in terms of revenue, France, Spain and Italy, are the main exporters of still and sparkling wines in the world. The impact of strong inflation and a difficult geopolitical environment affected business for everyone in 2023, particularly in still wines.

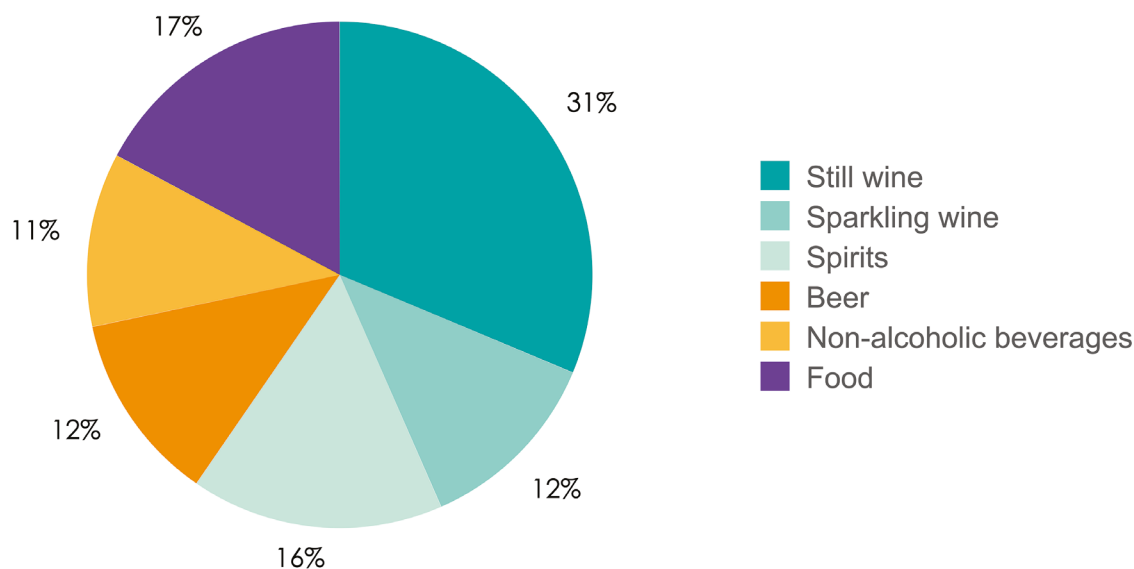
Glass is the preferred material for packaging still wines and

ing, such as the bag-in-box in still wines, brick pack containers and bottles made from polyethylene terephthalate (PET).

CONTAINERS FOR SPIRITS

Containers for spirits represented 16 percent of the Group's consolidated revenue. Growth in the spirits market is mostly driven by exports intended primarily for the United States and Asia. Cognac, brandies and gin have found valuable export niches (in neat form and in cocktails). This market is characterised by a sharp increase in upscale packaging, similar to that seen in the perfume market. The sector is highly consolidated, with the major global trademarks in spirits owned by a limited number of companies. In each region, however, a large

Distribution of revenue by end market ⁵
For the year ended 31 December 2023



STILL AND SPARKLING WINES

The still and sparkling wine bottle market is the Group's largest market, which represented 43 percent of its consolidated revenue. It is driven by consumer habits in traditional wine consuming

even more so for sparkling wines, because of the product's image, wine-making processes, requirements for pressure resistance and its exceptional organoleptic qualities. Still, the Group's report acknowledged competing with alternative types of packag-

number of local spirit trademarks remain independent and active.

In 2023, after a fairly resilient first half, a decline in volumes was observed in the second half under the combined effect of lower demand and strong destocking downstream in the value chain.

GLASS PACKAGING

The risk of packaging other than glass being used is very limited in the spirits segment, mostly because of producers' desire to use glass bottles (often customised) to maintain the image and recognition of their trademarks. Here again, the report noted that certain containers might be packaged in PET, marginally and in low-end segments, and predominantly in the United States.

BEER

Beer bottles represented 12 percent of the Group's consolidated revenue. The highly concentrated beer market, considered a "mass market," is growing, particularly in emerging markets. Glass packaging is particularly favoured by certain brewers to provide up-market appeal, especially in developed countries, to create value in a market that has historically had little differentiation.

The report noted that certain customers may periodically or permanently substitute traditional glass packaging for packaging in metal cans. In the beer packaging market, glass remains the preferred packaging for brewers in the premium beer segment seeking to make their products stand

out from the competition. This is especially true for local or craft brewers, a market that faces competition from other modes of consumption, including mini-barrels and draught beer.

The report highlighted Latin America, where the traditional returnable beer bottle is progressively being replaced with single-use aluminium or glass packaging. The trend is expected to continue in the future, particularly in Brazil, and should contribute to more demand for glass packaging.

BOTTLES FOR SOFT DRINKS

Bottles for soft drinks represented 11 percent of the Group's consolidated revenue. In the sector, alternative packaging materials have largely replaced glass packaging. Glass packaging can still be found in the fruit juice segment, in small containers intended for use in restaurants and cafés as well as upmarket products. High value-added niches have also developed in recent years, such as table waters, energy drinks and sodas. The reported activity in this end market has become one of the Group's most resilient markets in 2023.

JARS AND BOTTLES FOR FOOD

Jars and bottles for food represented 17 percent of the Group's consolidated revenue. Overall, glass occupies relatively stable positions compared with other materials. The growth of this market is primarily driven by that of household consumption.

But the report did point out that substitution of jars and bottles for condiments, sauces and dairy products was more prevalent because consumers are indifferent to the use of PET with such products. It countered that the favourable positioning of glass for small containers, the unsuitability of plastic for certain techniques in the food industry, and the development of niche markets where the use of glass is associated with the perceived qualities of the product or when it is the preferred medium for innovation, allow glass to maintain, and even increase, its market share. In featured or premium segments, glass is often used as a substitute for other types of packaging. Consolidation of the customer base in this market is moderate.

The Group's operations in the food jars and bottles segment took a positive turn in 2022 and went on to show great resilience in 2023. Nevertheless, the Group believes operations in this segment continue to benefit from a trend that is favourable to glass compared to other forms of packaging.

OVERVIEW OF THE GEOGRAPHIC MARKETS

In terms of revenue, the Verallia Group is the third largest producer in the world and the leading producer in Europe of glass packaging. In addition, in terms of volumes sold, it is the second largest producer in Latin America.

The Group conducts its operations in the following geographic markets, which make up its three



operating segments: Southern and Western Europe, consisting of the production sites located in France, Italy, Spain and Portugal, which represented 65 percent of the Group's consolidated revenue; Northern and Eastern Europe, consisting of the production sites located in Germany, Russia, Ukraine, Poland and now the UK, which represented 25 percent of the Group's consolidated revenue; and Latin America, consisting of the production sites located in Brazil, Argentina and Chile, which represented 10 percent of the Group's consolidated revenue.

Southern and Western Europe in terms of bottled volumes were still and sparkling wine bottles and containers for spirits.

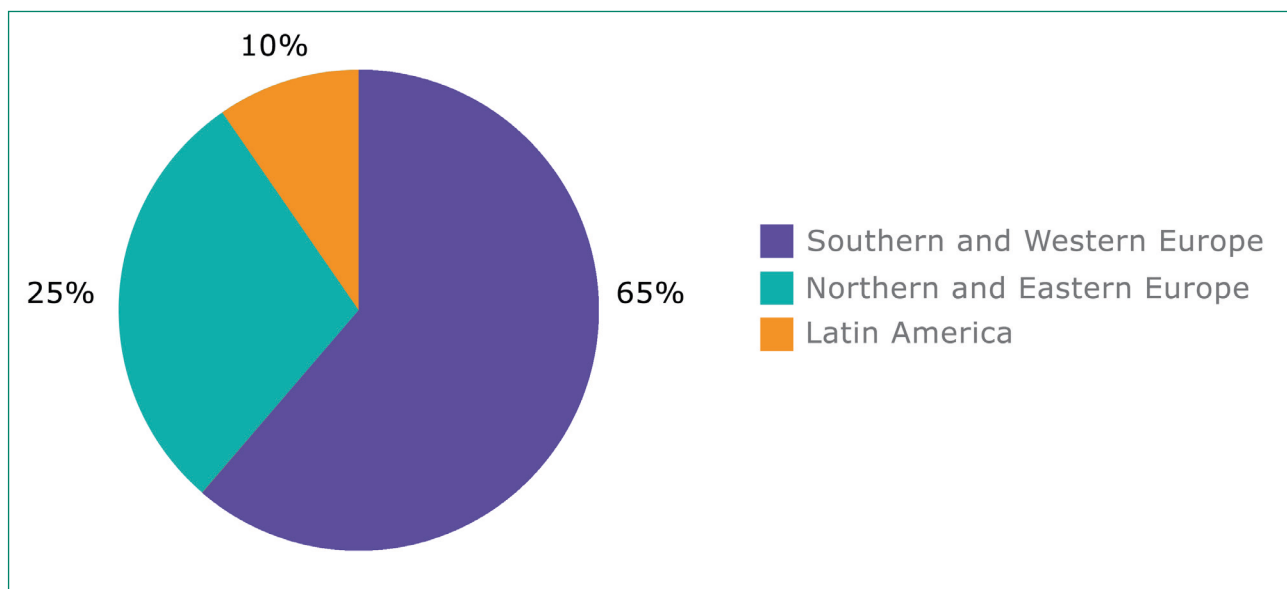
In 2023, sales in this region rose above the previous year thanks to the impact of the price increases effected in 2022, and despite lower overall volumes than in 2022. In terms of demand, a decline has been observed in all the Group's end markets, with beer being the sector most affected.

NORTHERN AND EASTERN EUROPE

Northern and Eastern Europe

solidated revenue. Bottled beer became the largest end market in Latin America, notably in Brazil. This market is enjoying sustained growth that is believed to continue, driven by craft and premium beers, as well as the development of single-use bottles in Brazil.

Bottles for still wines are the second largest end market in Latin America, particularly in Argentina and Chile. Volumes were impacted in 2023 by the loss of certain export volumes with the Group's Chilean customers, as well as by the delicate political and economic context in Argentina (presiden-



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

These geographic markets reflect the general trends common to the entire glass packaging market as well as their own specific trends.

SOUTHERN AND WESTERN EUROPE

Southern and Western Europe accounted for 65 percent of the Group's consolidated revenue. In 2023, the main end markets in

accounted for 25 percent of the Group's consolidated revenue. Jars and bottles for food products was the largest end market in Northern and Eastern Europe in 2023. The share of spirits has also increased significantly with the full-year consolidation of Verallia UK, for which spirits represent the main market.

In 2023, volumes rose thanks to the consolidation of Verallia UK and the resumption of business in Ukraine (reopening of the second furnace at the Zorya plant).

LATIN AMERICA

Latin America accounted for 10 percent of the Group's con-

tial election year, extremely high inflation and sharp devaluation of the Argentine Peso). ■



verallia

Verallia

31 place des Corolles
92400 Courbevoie - Paris La Defense
France

Tel.: +33-1-71131000
verallia.coms@verallia.com

www.verallia.com