

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): September 2, 2021

BERRY GLOBAL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

001-35672

(Commission File Number)

Delaware

(State or Other Jurisdiction of Incorporation)

20-5234618

(I.R.S. Employer Identification No.)

**101 Oakley Street
Evansville, Indiana 47710**

(Address of principal executive offices, including zip code)

(812) 424-2904

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	BERY	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter):

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Berry Global Group, Inc. (the “Company”) is filing this Current Report on Form 8-K (this “Current Report”) to incorporate by reference the recast presentation of certain financial information and related disclosures included in the Company’s Annual Report on Form 10-K for the year ended September 26, 2020, which was filed with the Securities and Exchange Commission on November 23, 2020 (the “Annual Report”), to reflect the previously reported change in the Company’s reportable segments. This recast financial information is filed herewith to incorporate such information by reference into the Company’s future filings under the Securities Act of 1933, as amended.

In October 2020, the Company reorganized portions of its four reporting segments: Consumer Packaging International; Consumer Packaging North America; Engineered Materials; and Health, Hygiene & Specialties. This reorganization included the following changes: (1) the Health, Hygiene & Specialties segment includes the Tapes business historically reported in the Engineered Materials segment; (2) the Consumer Packaging International segment includes the North American Healthcare business historically operated in the Consumer Packaging North America segment; and (3) the Engineered Materials segment includes the European films business which was historically operated in the Consumer Packaging International segment.

The exhibit included as Exhibit 99.1 hereto revises the information in the following Items of the Annual Report as initially filed in order to reflect the change in segment reporting: Part I, Item 1 (Business); Part II, Item 7 (Management’s Discussion and Analysis of Financial Condition and Results of Operations); and Part II, Item 8 (Financial Statements and Supplementary Data). The presentation of the Company’s historical financial information in Exhibit 99.1 is consistent with the segment presentation set forth in the Company’s Quarterly Reports on Form 10-Q filed for each of the first three quarters of the year ending October 2, 2021.

This Current Report does not reflect any changes, activities or events occurring subsequent to the initial filing of the Company’s Annual Report on November 23, 2020. For information on developments since the filing of the Annual Report, please refer to our other filings with the Securities and Exchange Commission. Unaffected items and unaffected portions of the Annual Report have not been repeated in, and are not amended or modified by, this Current Report or Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
99.1	Excerpts from the Company’s Annual Report on Form 10-K reflecting revisions to Part I, Item 1; Part II, Item 7; and Part II, Item 8.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BERRY GLOBAL GROUP, INC.

(Registrant)

Dated: September 2, 2021

By: /s/ Jason K. Greene

Name: Jason K. Greene

Title: Executive Vice President, Chief Legal Officer and
Secretary

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-184522) pertaining to the Berry Plastics Group, Inc. 2006 Equity Incentive Plan and the Berry Plastics Group, Inc. 2012 Long-Term Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-203173) pertaining to the Berry Plastics Group, Inc. 2015 Long-Term Incentive Plan (f/k/a Berry Plastics Group, Inc. 2015 Long-Term Incentive Plan), and
- (3) Registration Statement (Form S-8 No. 333-224252) pertaining to the Berry Global Group, Inc. 2015 Long-Term Incentive Plan;

of our report dated November 23, 2020 (except for the effects of the changes in reportable segments as presented in Note 1 and Note 12, as to which the date is September 2, 2021), with respect to the consolidated financial statements of Berry Global Group, Inc. and our report dated November 23, 2020, with respect to the effectiveness of internal control over financial reporting of Berry Global Group, Inc., included in this Current Report on Form 8-K.

/s/ Ernst & Young LLP

Indianapolis, Indiana
September 2, 2021

EXCERPTS FROM FORM 10-K FOR THE YEAR ENDED SEPTEMBER 26, 2020**EXPLANATORY NOTE**

Berry Global Group, Inc. (“Berry,” “we,” or the “Company”) is filing this Exhibit to recast the presentation of certain financial information and related disclosures included in its Annual Report on Form 10-K for the year ended September 26, 2020, which was filed with the Securities and Exchange Commission on November 23, 2020 (the “Annual Report”), solely to reflect the previously reported change in its reportable segments. This information is provided solely to present recast segment reporting financial information to reflect organizational structure changes implemented in October 2020. Accordingly, the following business description speaks as of the original filing date of the Annual Report, does not reflect events that may have occurred subsequent to the original filing date, and should be read in conjunction with the Company’s other filings with the Securities and Exchange Commission since the date of the Annual Report. Except for the Items from the Annual Report presented herein, this Exhibit does not amend or modify the disclosures made in the Annual Report.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Information included in or incorporated by reference in filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Company’s press releases or other public statements, contain or may contain forward-looking statements. This report includes “forward-looking” statements with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. These statements contain words such as “believes,” “expects,” “may,” “will,” “should,” “would,” “could,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “project,” “outlook,” “anticipates” or “looking forward” or similar expressions that relate to our strategy, plans, intentions, or expectations. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates, and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. All forward-looking statements are made only as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Additionally, we caution readers that the list of important factors discussed in the section titled “Risk Factors” may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, readers should not place undue reliance on those statements.

Item 1. BUSINESS

(In millions of dollars, except as otherwise noted)

General

Berry Global Group, Inc. (“Berry,” “we,” or the “Company”) is a leading global supplier of a broad range of innovative rigid, flexible and non-woven products used every day within consumer and industrial end markets. We sell our products predominantly into stable, consumer-oriented end markets, such as healthcare, personal care, and food and beverage. Our customers consist of a diverse mix of leading global, national, mid-sized regional and local specialty businesses. The size and scope of our customer network allows us to introduce new products we develop or acquire to a vast audience that is familiar with our business. For the fiscal year ended September 26, 2020 (“fiscal 2020”), no single customer represented more than 5% of net sales and our top ten customers represented approximately 15% of net sales. We believe our manufacturing processes, manufacturing footprint and our ability to leverage our scale to reduce costs, positions us as a low-cost manufacturer relative to our competitors.

Additional financial information about our segments is provided in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the “Notes to Consolidated Financial Statements,” which are included elsewhere in this Form 10-K.

Segment Overview

Consumer Packaging International

The Consumer Packaging International segment primarily consists of the following product groups:

Closures and Dispensing Systems. We manufacture a wide range of closures, dispensing systems and applicators for a variety of end markets specializing in convenience, safety, security and e-commerce formats.

Pharmaceutical Devices and Packaging. We manufacture inhalers and dose counters in addition to bottles and vials for over-the-counter and prescription medicines.

Bottles and Canisters. We manufacture a collection packaging solutions for consumer and industrial applications across personal care, beverage, and food markets.

Recycling. We have capabilities to recycle both rigid and flexible end of life materials from industrial and consumer sources with a wide range of re-use applications across packaging and non-packaging formats.

Containers. We manufacture injection molded and thermoformed containers and lids across consumer and industrial packaging end markets.

Technical Components. We manufacture complex high-precision molds and molded components including temporary waste storage solutions and products manufactured using rotational molding technology for materials handling and specialty vehicles markets.

Consumer Packaging North America

The Consumer Packaging North America segment primarily consists of the following product groups:

Containers and Pails. We manufacture a collection of containers and pails for nationally branded and private label customers. These are offered in various styles with accompanying lids, bails and handles. Containers and lids are available decorated with in-mold-labeling, indirect flexographic print, digital printing, direct print, and other decoration technologies.

Foodservice. We manufacture lightweight polypropylene cups and lids for hot and cold beverages. Utilizing thermoforming and injection-molding, we offer mono-material cup and lid packaging solutions for simplification in post-consumer collection and compatibility with recycling systems. Our markets include quick service restaurants, fast casual dining, food service delivery, convenience stores, stadiums, and retail stores.

Closures and Overcaps. We manufacture child-resistant, continuous-thread, and tamper evident closures, as well as aerosol overcaps. We sell our closures and overcaps into numerous end markets, including household chemical, healthcare, food and beverage, and personal care.

Bottles and Prescription Vials. We manufacture bottles and prescription vials utilizing widely recyclable materials which service various spirits, food and beverage markets.

Tubes. We manufacture a complete line of extruded and laminate tubes in a wide variety of sizes and material blends including blends up to 70% post-consumer resin. The majority of our tubes are sold in the personal care market, but we also sell our tubes in the pharmaceutical and household chemical markets.

Engineered Materials

The Engineered Materials segment primarily includes the following product groups:

Stretch and Shrink Films. We manufacture both hand and machine-wrap stretch films and custom shrink films, which are used to prepare products and packages for storage and shipping. We sell stretch film products primarily through distribution and shrink film directly to a diverse mix of end users.

Converter Films. We manufacture sealant and barrier films for various flexible packaging converters companies. In addition, certain of our products are used for industrial applications, where converters use our films in finished products for various end market applications.

Institutional Can Liners. We manufacture trash-can liners and food bags for offices, restaurants, schools, hospitals, hotels, municipalities, and manufacturing facilities.

Food and Consumer Films. We manufacture printed film products for the fresh bakery, tortilla, deli, and frozen vegetable markets. We also manufacture barrier films used for cereal, cookie, cracker and dry mix packages that are sold directly to food manufacturers.

Retail Bags. We manufacture a diversified portfolio of polyethylene-based film products to end users in the retail markets. Our products include drop cloths and retail trash bags. These products are sold primarily through grocery stores, hardware stores, home improvement centers, paint stores, and mass merchandiser outlets.

Agriculture Films. We manufacture agriculture films primarily used in the silage, green house and mulch applications.

Health, Hygiene & Specialties

The Health, Hygiene & Specialties segment primarily includes the following product groups:

Health Products. We manufacture medical garment materials, surgical drapes, household cleaning wipes, and face masks. The key end markets and application for these products is infection prevention.

Hygiene Products. We manufacture a broad collection of components for baby diapers, adult incontinence and other absorbent hygiene products, elastic films and laminates, and substrates for dryer sheets. The primary end market for these products is personal care.

Specialties Products. We manufacture a broad array of products and components for geosynthetics and filtration products servicing the specialty industrial markets.

Tape Products. We manufacture cloth and foil tape products. Other tape products include high-quality, high-performance liners of splicing and laminating tapes, flame-retardant tapes, flashing and seaming tapes, double-faced cloth, masking, mounting, and medical and specialty tapes. Tape products are sold primarily through distributors and directly to end users for industrial, building and construction, and retail market applications.

Marketing, Sales, and Competition

We reach our large and diversified customer base through a direct sales force of dedicated professionals and the strategic use of distributors. Our scale enables us to dedicate certain sales and marketing efforts to particular products or customers, when applicable, which enables us to develop expertise that we believe is valued by our customers.

The major markets in which the Company sells its products are highly competitive. Areas of competition include service, innovation, quality, and price. This competition is significant as to both the size and the number of competing firms. Competitors include but are not limited to Amcor, Silgan, Aptar, Reynolds, Intertape, 3M, Tredegar, Avgol, and Fitesa.

Raw Materials

Our primary raw material is plastic resin. In addition, we use other materials such as butyl rubber, adhesives, paper and packaging materials, linerboard, rayon, polyester fiber, and foil, in various manufacturing processes. These raw materials are available from multiple sources and in general we purchase from a variety of global suppliers. While temporary shortages of raw materials can occur, we expect to continue to successfully manage raw material supplies without significant supply interruptions.

Employees

Our commitment to the health and safety of our employees remains our number one priority as evidenced by our OSHA incident rate of approximately 1.0 being significantly lower than the industry average. Specifically related to the COVID-19 pandemic, our rigorous precautionary measures have included the formation of global and regional response teams that maintain contact with authorities and experts, restrictions on company travel, quarantine protocols, disinfection measures and other actions designed to help protect employees. We expect to continue these measures until the pandemic is adequately contained.

As of the end of fiscal 2020, we employed approximately 47,000 employees with approximately 20% of those employees being covered by collective bargaining agreements. The collective bargaining agreements covering a majority of these employees expire annually and as a result, are due for renegotiation in fiscal year ending 2021 ("fiscal 2021"). Our relations with employees under collective bargaining agreements remain satisfactory and there have been no significant work stoppages or other labor disputes during the past three years.

Patents, Trademarks and Other Intellectual Property

We customarily seek patent and trademark protection for our products and brands while seeking to protect our proprietary know-how. While important to our business in the aggregate, sales of any one individually patented product is not considered material to any specific segment or the consolidated results.

Environmental and Sustainability

Plastic continues to gain share as the preferred substrate across many of the applications in which we participate. This is driven by its superior capabilities – clarity, protection, design versatility, consumer safety, convenience and barrier properties, as well as its superior environmental performance. As the most resource-efficient substrate, the use of plastics reduces greenhouse gas emissions, energy consumption, water use, and waste generation compared to alternatives. In addition to reducing waste through lighter weight products, plastics also prevent significant waste generation by both protecting products through the supply chain and extending the shelf-life of food. For these reasons, we believe plastics is and will continue to be the most sustainable material.

Many of our customers have aggressive sustainability goals. Customers are increasingly interested in products that can help them achieve their goals and want to partner with companies that have similar ambitions. We are taking a science-based approach, using lifecycle assessment to inform our decision making process. We have teams dedicated to improving the circularity of our products – optimizing design for reuse, recycling or composting. We are also reducing our use of virgin, fossil fuels by increasing use of both recycled plastics and bioplastics, lightweighting our products, and increasing the use of renewable energy in our operations. We continue to launch new products and components in North America and Europe made with post-consumer resin. To meet growing demand for recycled content, we have entered into offtake agreements for both mechanically recycled and advanced recycled resins as well as expanded our own recycling operations in North America and Europe. We are also partnering with the Ellen MacArthur Foundation, Alliance to End Plastic Waste and other leading companies in our efforts to create a more circular economy for plastics.

Available Information

We make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments, if any, to those reports through our internet website as soon as reasonably practicable after they have been electronically filed with the SEC. Our internet address is www.berryglobal.com. The information contained on our website is not being incorporated herein.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Berry Global Group, Inc. (“Berry,” “we,” or the “Company”) is a leading global supplier of a broad range of innovative rigid, flexible and non-woven products used every day within consumer and industrial end markets. We sell our products predominantly into stable, consumer-oriented end markets, such as healthcare, personal care, and food and beverage. Our customers consist of a diverse mix of leading global, national, mid-sized regional and local specialty businesses. The size and scope of our customer network allows us to introduce new products we develop or acquire to a vast audience that is familiar with our business. For fiscal year 2020, no single customer represented more than 5% of net sales and our top ten customers represented approximately 15% of net sales. We believe our manufacturing processes, manufacturing footprint and our ability to leverage our scale to reduce costs, positions us as a low-cost manufacturer relative to our competitors.

Executive Summary

COVID-19. The ongoing pandemic has impacted various businesses and supply chains, including travel restrictions and the extended shutdown of certain industries in various countries. Due to the nature of the majority of our products, geographic footprint and end market diversity, on a consolidated net sales basis we have been modestly impacted with lower customer demand in food service and industrials being offset by higher consumer demand in our healthcare, hygiene and food product categories. The Company will continue to evaluate the potential impacts and closely monitor developments as they arise.

Business. The Company’s operations are organized into four reporting segments: Consumer Packaging International, Consumer Packaging North America, Engineered Materials and Health, Hygiene & Specialties. The structure is designed to align us with our customers, provide improved service, drive future growth, and to facilitate synergies realization. The Consumer Packaging International segment primarily consists of containers, closures, dispensing systems, pharmaceutical devices and packaging, and technical components. The Consumer Packaging North America segment primarily consists of containers, foodservice items, closures, overcaps, bottles, and tubes. The Engineered Materials segment primarily consists of polyethylene-based film products, and can liners. The Health, Hygiene & Specialties segment primarily consists of nonwoven specialty materials, tapes and adhesives, and films used in hygiene, infection prevention, personal care, industrial, construction, and filtration applications.

Outlook. The Company is affected by general economic and industrial growth, plastic resin availability and affordability, and general industrial production. Our business has both geographic and end market diversity, which reduces the effect of any one of these factors on our overall performance. Our results are affected by our ability to pass through raw material and other cost changes to our customers, improve manufacturing productivity and adapt to volume changes of our customers. By providing advantaged products in targeted markets, we continue to believe our underlying long-term demand fundamental in all divisions will remain strong as we focus on delivering protective solutions that enhance consumer safety and execute on the Company’s mission statement of “Always Advancing to Protect What’s Important.” For fiscal 2021, we project cash flow from operations between \$1,625 to \$1,525 million and free cash flow between \$975 to \$875 million. Projected fiscal 2021 free cash flow assumes \$650 million of capital spending. For the definition of free cash flow and further information related to free cash flow as a non-GAAP financial measure, see “Liquidity and Capital Resources.”

Recent Acquisitions and Dispositions

Our acquisition strategy is focused on improving our long-term financial performance, enhancing our market positions, and expanding our existing and complementary product lines. We seek to obtain businesses for attractive post-synergy multiples, creating value for our stockholders from synergy realization, leveraging the acquired products across our customer base, creating new platforms for future growth, and assuming best practices from the businesses we acquire. While the expected benefits on earnings are estimated at the commencement of each transaction, once the execution of the plan and integration occur, we are generally unable to accurately estimate or track what the ultimate effects have been due to system integrations and movements of activities to multiple facilities. As historical business combinations and restructuring plans have not allowed us to accurately separate realized synergies compared to what was initially identified, we estimate the synergy realization based on the overall segment profitability post-integration.

RPC Group Plc Acquisition

In July 2019, the Company completed the acquisition of RPC for aggregate consideration of \$6.1 billion. RPC is a leading plastic product design and engineering company for packaging and select non-packaging markets, with 189 sites in 34 countries. RPC develops and manufactures a diverse range of products for a wide variety of customers, including many household names, and enjoys strong market positions in many of the end markets it serves and the geographical areas in which it operates. It uses a wide range of polymer conversion techniques and is also one of the largest plastic recyclers in Europe. The European rigid packaging operations are operated within the Consumer Packaging International segment with the U.S. based rigid packaging facilities operated within the Consumer Packaging North America segment and the global films operations are operated within the Engineered Materials segment. The Company expects to realize annual cost synergies of \$150 million of which an estimated \$50 million is expected to be realized in fiscal 2021. Refer to Note 2. Acquisitions and Dispositions for further information.

Seal For Life Disposition

In July 2019, the Company completed the sale of its Seal For Life (“SFL”) business which was operated in our Health, Hygiene & Specialties segment for net proceeds of \$326 million. A pretax gain of \$214 million on the sale was recorded in Restructuring and transaction activities on the Consolidated Statements of Income.

U.S. Flexible Packaging Converting Disposition

In October 2020, the Company reached an initial agreement to sell its U.S. flexible packaging converting business which was primarily operated in the Engineered Materials segment for \$140 million, which is preliminary and subject to adjustment at closing. The Company reported fiscal 2020 net sales of approximately \$200 million related to the business.

Discussion of Results of Operations for Fiscal 2020 Compared to Fiscal 2019

Acquisition sales and operating income disclosed within this section represent the results from acquisitions for the current period. Business integration expenses consist of restructuring and impairment charges, acquisition related costs, and other business optimization costs. Tables present dollars in millions.

Consolidated Overview

	Fiscal Year		\$ Change	% Change
	2020	2019		
Net sales	\$ 11,709	\$ 8,878	\$ 2,831	32%
Cost of goods sold	9,301	7,259	2,042	28%
Other operating expenses	1,229	645	584	91%
Operating income	\$ 1,179	\$ 974	\$ 205	21%

The net sales growth is primarily attributed to acquisition net sales of \$3,346 million and an organic volume increase of 2%, partially offset by lower selling prices of \$581 million due to the pass through of lower resin costs and Prior YTD divestiture sales of \$96 million.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$2,716 million and organic volume growth, partially offset by \$669 million of deflation in input costs.

Other operating expenses: The other operating expense increase is primarily related to acquisition other operating expenses of \$385 million and unfavorable change from Prior YTD gain on sale of our SFL business and increased selling, general and administrative expenses.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$245 million, an \$87 million favorable impact from cost productivity and product mix, a \$47 million favorable impact from the 2% organic volume increase, a \$39 million inventory fair value step-up related to the RPC acquisition in the Prior YTD, a \$35 million decrease in business integration expenses, and a \$31 million decrease in depreciation and amortization. These improvements were partially offset by a \$214 million unfavorable change from the Prior YTD gain on the sale of our SFL business, a \$32 million increase in selling, general and administrative expense primarily related to higher accrued performance-based compensation, and Prior YTD divestiture operating income of \$28 million.

Consumer Packaging International

	Fiscal Year		\$ Change	% Change
	2020	2019		
Net sales	\$ 3,789	\$ 1,337	\$ 2,452	183%
Cost of goods sold	3,000	1,076	1,924	179%
Other operating expenses	516	199	317	159%
Operating income	\$ 273	\$ 62	\$ 211	340%

Net sales: The net sales growth in the Consumer Packaging International segment is primarily attributed to net sales of \$2,453 from the European rigid packaging operations within the RPC acquisition.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$1,933 million.

Other operating expenses: The other operating expense increase is primarily related to acquisition other operating expenses of \$307 million.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$150 million, a \$39 million inventory fair value step-up related to the RPC acquisition in the Prior YTD, and a \$21 million decrease in business integration costs, partially offset by unfavorable cost productivity and product mix.

Consumer Packaging North America

	Fiscal Year		\$ Change	% Change
	2020	2019		
Net sales	\$ 2,560	\$ 2,333	\$ 227	10%
Cost of goods sold	2,051	1,965	86	4%
Other operating expenses	234	191	43	23%
Operating income	\$ 275	\$ 177	\$ 98	55%

Net sales: The net sales growth in the Consumer Packaging North America segment is primarily attributed to acquisition net sales of \$356 million related to the U.S. rigid packaging operations within the acquired RPC business and a 3% base volume improvement, partially offset by lower selling prices of \$192 million due to the pass through of lower resin costs.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$277 million and organic volume growth, partially offset by \$232 million of deflation in input costs.

Other operating expenses: The other operating expense increase is primarily related to acquisition other operating expenses and increased selling general and administrative expenses.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$47 million, a \$40 million favorable impact from cost productivity and product mix, a \$13 million favorable impact from the base volume increase, and a \$6 million decrease in depreciation and amortization expense. These increases were partially offset by a \$12 million increase in selling, general and administrative expenses.

Engineered Materials

	Fiscal Year		\$ Change	% Change
	2020	2019		
Net sales	\$ 2,766	\$ 2,460	\$ 306	12%
Cost of goods sold	2,209	1,996	213	11%
Other operating expenses	221	198	23	12%
Operating income	\$ 336	\$ 266	\$ 70	26%

Net sales: The net sales increase in the Engineered Materials segment is primarily attributed to acquisition net sales of \$538 million related to the global films operations within the RPC acquisition, partially offset by lower selling prices of \$200 million due to the pass through of lower resin costs and a 2% organic volume decline primarily within our industrials business as a result of the impact of the COVID-19 pandemic.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$509 million partially offset by \$213 million of deflation in input costs and the organic volume decline.

Other operating expenses: The other operating expense increase is primarily related to acquisition other operating expenses.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$52 million, a \$14 million favorable impact from cost productivity and product mix, and a \$10 million decrease in depreciation and amortization expense.

Health, Hygiene & Specialties

	Fiscal Year		\$ Change	% Change
	2020	2019		
Net sales	\$ 2,594	\$ 2,748	\$ (154)	(6)%
Cost of goods sold	2,041	2,222	(181)	(8)%
Other operating expenses	258	57	201	353%
Operating income	\$ 295	\$ 469	\$ (174)	(37)%

Net sales: The net sales decrease in the Health, Hygiene & Specialties segment is primarily attributed to lower selling prices of \$175 million due to the pass through of lower resin costs, Prior YTD sales of \$96 million related to the divested SFL business, and a \$37 million unfavorable impact from foreign currency changes, partially offset by a 6% organic volume improvement.

Cost of goods sold: The cost of goods sold decrease is primarily related to \$212 million of deflation in input costs and Prior YTD divestiture cost of goods sold partially offset by organic volume growth.

Other operating expenses: The other operating expense increase is primarily related Prior YTD gain on sale of our SFL business.

Operating Income: The operating income decrease is primarily attributed to a \$214 million unfavorable change from the Prior YTD gain on the sale of our SFL business, Prior YTD divestiture operating income of \$28 million, and an \$11 million increase in selling, general and administrative expenses. These decreases were partially offset by a \$37 million favorable impact from cost productivity and product mix, a \$38 million favorable impact from the organic volume improvement, and a \$13 million decrease in depreciation and amortization expense.

Other expense, net

	Fiscal Year		\$ Change	% Change
	2020	2019		
Other expense, net	\$ 31	\$ 155	\$ (124)	(80)%

The Other expense decrease is primarily attributed to Prior YTD charges for foreign exchange forward contracts of \$99 million and cross currency swaps of \$41 million related to the closing of the RPC acquisition.

Interest expense, net

	Fiscal Year		\$ Change	% Change
	2020	2019		
Interest expense, net	\$ 435	\$ 329	\$ 106	32%

The interest expense increase is primarily attributed to the incremental debt facilities entered into as part of the RPC acquisition.

Income tax expense

	Fiscal Year		\$ Change	% Change
	2020	2019		
Income tax expense	\$ 154	\$ 86	\$ 68	79%

The income tax expense increase is primarily attributed to higher pre-tax book income. Our effective tax rate for fiscal 2020 was 22% and was positively impacted by 2% from generation of federal and state credits and 1% from change in foreign valuation allowance. These favorable items were partially offset by 2% from withholding taxes, 1% from foreign income taxed in the U.S. and from other discrete items. Refer to Note 7. Income Taxes for further information.

Comprehensive Income

	Fiscal Year		\$ Change	% Change
	2020	2019		
Comprehensive Income	\$ 394	\$ 174	\$ 220	126%

The increase in comprehensive income is primarily attributed to a \$155 million increase in net income and a \$105 million favorable change in currency translation, partially offset by a \$23 million unfavorable change in the fair value of interest rate hedges and a \$17 million decrease in unrealized gains on the Company's pension plans. Currency translation gains are primarily related to non-U.S. subsidiaries with a functional currency other than the U.S. dollar whereby assets and liabilities are translated from the respective functional currency into U.S. dollars using period-end exchange rates. The change in currency translation was primarily attributed to locations utilizing the euro, British pound sterling, Brazilian real and Chinese renminbi as their functional currency. As part of the overall risk management, the Company uses derivative instruments to reduce exposure to changes in interest rates attributed to the Company's floating-rate borrowings and records changes to the fair value of these instruments in Accumulated other comprehensive income (loss). The change in fair value of these instruments in fiscal 2020 versus fiscal 2019 is primarily attributed to a change in the forward interest curve between measurement dates.

Discussion of Results of Operations for Fiscal 2019 Compared to Fiscal 2018

Acquisition sales and operating income disclosed within this section represent the results from acquisitions for the current period. Business integration expenses consist of restructuring and impairment charges, acquisition related costs, and other business optimization costs. Tables present dollars in millions.

Consolidated Overview

	Fiscal Year		\$ Change	% Change
	2019	2018		
Net sales	\$ 8,878	\$ 7,869	\$ 1,009	13%
Cost of goods sold	7,259	6,438	821	13%
Other operating expenses	645	670	(25)	(4)%
Operating income	\$ 974	\$ 761	\$ 213	28%

Net sales: The net sales growth is primarily attributed to acquisition net sales of \$1,479 million partially offset by prior period divestiture sales of \$20 million, a \$48 million unfavorable impact from foreign currency changes, lower selling prices of \$175 million due to the pass through of lower resin costs, a 1% decline as the result of a customer product transition and a 2% base volume decline.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$1,200 million partially offset by organic volume decreases, customer product transition and deflation in input costs.

Other operating expenses: The other operating expense decrease is primarily related to gain on sale of our SFL business partially offset by acquisition other operating expenses.

Operating Income: The operating income increase is primarily attributed to a \$214 million gain on the sale of our SFL business, acquisition operating income of \$114 million, and a \$37 million decrease in depreciation and amortization. These improvements were partially offset by an increase in business integration costs of \$28 million, a \$25 million negative impact from price cost spread, an \$18 million unfavorable impact from foreign currency changes, a \$39 million inventory fair value step-up, and a \$26 million impact from lower base volumes.

Consumer Packaging International

	Fiscal Year		\$ Change	% Change
	2019	2018		
Net sales	\$ 1,337	\$ 508	\$ 829	163%
Cost of goods sold	1,076	413	663	161%
Other operating expenses	199	37	162	438%
Operating income	\$ 62	\$ 58	\$ 4	7%

Net sales: The net sales growth in the Consumer Packaging International segment is primarily attributed to acquisition net sales from the RPC acquisition of \$868 million.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$720.

Other operating expenses: The other operating expense increase is primarily related to business integration cost and acquisition other operating expenses.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$67 million, and a positive impact from price cost spread, offset by an increase in business integration costs of \$43 million and a \$36 million inventory fair value step-up related to the RPC acquisition.

Consumer Packaging North America

	Fiscal Year		\$ Change	% Change
	2019	2018		
Net sales	\$ 2,333	\$ 2,170	\$ 163	8%
Cost of goods sold	1,965	1,849	116	6%
Other operating expenses	191	170	21	12%
Operating income	\$ 177	\$ 151	\$ 26	17%

Net sales: The net sales growth in the Consumer Packaging North America segment is primarily attributed to acquisition net sales of \$133 million related to the U.S. portion of the acquired RPC business and a 2% base volume improvement partially offset by lower selling prices due to the pass through of lower resin costs of \$23 million.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$109 million and organic volume increases partially offset by deflation in input costs and lower depreciation.

Other operating expenses: The other operating expense increase is primarily related to acquisition other operating expenses and an increase in business integration costs.

Operating Income: The operating income increase is primarily attributed to acquisition operating income of \$15 million, a \$22 million decrease in depreciation and amortization, and a \$13 million increase from the higher base volumes. These increases were partially offset by a \$13 million increase in business integration costs primarily related to the RPC acquisition and lower selling prices.

Engineered Materials

	Fiscal Year		\$ Change	% Change
	2019	2018		
Net sales	\$ 2,460	\$ 2,364	\$ 96	4%
Cost of goods sold	1,996	1,891	105	6%
Other operating expenses	198	167	31	19%
Operating income	\$ 266	\$ 306	\$ (40)	(13)%

Net sales: The net sales increase in the Engineered Materials segment is primarily attributed to acquisition net sales of \$298 million, partially offset by lower selling prices of \$57 million due to the pass through of lower resin costs and a 6% base volume decline due to softness in industrial markets and supply chain disruption related to material qualifications.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$249 million partially offset by organic volume decline and deflation in input costs.

Other operating expenses: The other operating expense increase is primarily related to acquisitions.

Operating Income: The operating income decrease is primarily attributed to a \$33 million unfavorable impact from price cost spread and a \$23 million impact from the base volume decline partially offset by acquisition operating income of \$23 million.

Health, Hygiene & Specialties

	Fiscal Year		\$ Change	% Change
	2019	2018		
Net sales	\$ 2,748	\$ 2,827	\$ (79)	(3)%
Cost of goods sold	2,222	2,285	(63)	(3)%
Other operating expenses	57	296	(239)	(81)%
Operating income	\$ 469	\$ 246	\$ 223	91%

Net sales: The net sales decline in the Health, Hygiene & Specialties segment is primarily attributed to lower selling prices of \$51 million due to the pass through of lower resin costs, a 2% decline as the result of a customer product transition, a 3% base volume decline as a result of weakness in the North American baby care market, prior year sales of \$20 million related to the divested SFL business and a \$46 million unfavorable impact from foreign currency changes. These declines were partially offset by acquisition net sales of \$164 million related to the Clopay acquisition.

Cost of goods sold: The cost of goods sold increase is primarily related to acquisition cost of goods sold of \$129 million partially offset by organic volume decreases, customer product transition, deflation in input costs and the impact of foreign currency changes.

Other operating expenses: The other operating expense decrease is primarily related to gain on sale of our SFL business and a decrease in business integration costs.

Operating Income: The operating income increase is primarily attributed to a \$214 million gain on the sale of our SFL business and a decrease in business integration costs of \$30 million. These improvements were partially offset by a \$15 million unfavorable impact from foreign currency changes and a \$15 million impact from lower base volumes.

Other expense, net

	Fiscal Year		\$ Change	% Change
	2019	2018		
Other expense, net	\$ 155	\$ 25	\$ 130	520%

The other expense increase is primarily attributed to losses related to the foreign exchange forward contracts of \$99 million and cross-currency swaps of \$41 million entered into for the closing of the RPC acquisition.

Interest expense, net

	Fiscal Year		\$ Change	% Change
	2019	2018		
Interest expense, net	\$ 329	\$ 259	\$ 70	27%

The interest expense increase is primarily attributed to the incremental debt facilities entered into as part of the RPC acquisition.

Income tax (benefit) expense

	Fiscal Year		\$ Change	% Change
	2019	2018		
Income tax (benefit) expense	\$ 86	\$ (19)	\$ 105	(553)%

The income tax expense increase is primarily attributed to the \$124 million provisional transition benefit recorded in fiscal 2018 as a result of the recent U.S. tax legislation. Our effective tax rate for fiscal 2019 was 18% and was positively impacted by 6% from the sale of subsidiaries, 2% from share-based compensation and 2% from research and development credits. These favorable items were partially offset 2% from U.S. state taxes, 3% from foreign valuation allowances, 2% from foreign rate differential and other discrete items.

Comprehensive Income

	Fiscal Year		\$ Change	% Change
	2019	2018		
Comprehensive Income	\$ 174	\$ 408	\$ (234)	(57)%

The decrease in comprehensive income is primarily attributed to a \$92 million decrease in net income, a \$160 million unfavorable change in the fair value of interest rate hedges, a \$58 million decrease in unrealized gains on the Company's pension plans, partially offset by a \$56 million favorable change in currency translation. Currency translation gains are primarily related to non-U.S. subsidiaries with a functional currency other than the U.S. dollar whereby assets and liabilities are translated from the respective functional currency into U.S. dollars using period-end exchange rates. The change in currency translation was primarily attributed to locations utilizing the euro, British pound sterling, Brazilian real and Chinese renminbi as their functional currency. As part of the overall risk management, the Company uses derivative instruments to reduce exposure to changes in interest rates attributed to the Company's floating-rate borrowings and records changes to the fair value of these instruments in Accumulated other comprehensive income (loss). The change in fair value of these instruments in fiscal 2019 versus fiscal 2018 is primarily attributed to a change in the forward interest curve between measurement dates.

Liquidity and Capital Resources

Senior Secured Credit Facility

We manage our global cash requirements considering (i) available funds among the many subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. We have an \$850 million asset-based revolving line of credit that matures in May 2024. At the end of fiscal 2020, the Company had no outstanding balance on the revolving credit facility. The Company was in compliance with all covenants at the end of fiscal 2020. Refer to Note 3. Long-Term Debt for further information.

Contractual Obligations and Off Balance Sheet Transactions

Our contractual cash obligations at the end of fiscal 2020 are summarized in the following table which does not give any effect to retirement plans, Refer to Note 8. Retirement Plans, or taxes as we cannot reasonably estimate the timing of future cash outflows.

	Payments due by period as of the end of fiscal 2020				
	Total	< 1 year	1-3 years	4-5 years	> 5 years
Long-term debt, excluding capital leases	\$ 10,246	\$ 59	\$ 1,851	\$ 1,638	\$ 6,698
Capital leases	86	20	40	13	13
Fixed interest rate payments	781	140	269	257	115
Variable interest rate payments ^(a)	881	191	345	257	88
Operating leases	703	118	190	139	256
Total contractual cash obligations	<u>\$ 12,697</u>	<u>\$ 528</u>	<u>\$ 2,695</u>	<u>\$ 2,304</u>	<u>\$ 7,170</u>

(a) Based on applicable interest rates in effect end of fiscal 2020.

Cash Flows from Operating Activities

Net cash provided by operating activities increased \$329 million from fiscal 2019 primarily attributed to improved net income prior to non-cash activities, partially offset by a reduction in the working capital benefit compared to fiscal 2019.

Net cash provided by operating activities increased \$197 million from fiscal 2018 primarily attributed to decreases in working capital due to lower raw material costs partially offset by professional fees related to the RPC acquisition.

Cash Flows from Investing Activities

Net cash used in investing activities decreased \$5,935 million from fiscal 2019 primarily attributed to lower acquisition and divestiture related activities, partially offset by increased capital expenditures.

Net cash used in investing activities increased \$5,216 million from fiscal 2018 primarily attributed to increased capital expenditures, settlement of acquisition related derivatives, and higher acquisition spending partially offset by the sale of our SFL business.

Cash Flows from Financing Activities

Net cash used in financing activities changed \$6,646 million from fiscal 2019 primarily attributed to \$1.2 billion net repayments on long-term borrowings during fiscal 2020 compared to \$5.6 billion net proceeds from long-term borrowings used to finance the RPC acquisition in fiscal 2019.

Net cash from financing activities increased \$5,313 million from fiscal 2018 primarily attributed to proceeds from long-term borrowings to finance the RPC acquisition, partially offset by higher repayments on long-term borrowings.

Share Repurchases

The Company did not have any share repurchases in fiscal 2020. The Company's share repurchases totaled \$74 million in fiscal 2019.

Free Cash Flow

We define “free cash flow” as cash flow from operating activities less net additions to property, plant and equipment and payments of the tax receivable agreement which was terminated in fiscal 2019. Based on our definition, our consolidated free cash flow is summarized as follows:

	Years Ended		
	September 26, 2020	September 28, 2019	September 29, 2018
Cash flow from operating activities	\$ 1,530	\$ 1,201	\$ 1,004
Additions to property, plant and equipment, net	(583)	(399)	(333)
Payments of tax receivable agreement	—	(38)	(37)
Free cash flow	<u>\$ 947</u>	<u>\$ 764</u>	<u>\$ 634</u>

Free cash flow, as presented in this document, is a supplemental financial measure that is not required by, or presented in accordance with, generally accepted accounting principles in the U.S. (“GAAP”). Free cash flow is not a GAAP financial measure and should not be considered as an alternative to cash flow from operating activities or any other measure determined in accordance with GAAP. We use free cash flow as a measure of liquidity because it assists us in assessing our company’s ability to fund its growth through its generation of cash, and believe it is useful to investors for such purpose. In addition, free cash flow and similar measures are widely used by investors, securities analysts and other interested parties in our industry to measure a company’s liquidity. Free cash flow may be calculated differently by other companies, including other companies in our industry or peer group, limiting its usefulness as a comparative measure.

Liquidity Outlook

At the end of fiscal 2020, our cash balance was \$750 million, which was primarily located outside the U.S. We believe our existing U.S. based cash and cash flow from U.S. operations, together with available borrowings under our senior secured credit facilities, will be adequate to meet our liquidity needs over the next twelve months. The Company has the ability to repatriate the cash located outside the U.S. to the extent not needed to meet operational and capital needs without significant restrictions. We do not expect our free cash flow to be sufficient to cover all long-term debt obligations and intend to refinance these obligations prior to maturity.

Summarized Guarantor Financial Information

Berry Global, Inc. (“Issuer”) has notes outstanding which are fully, jointly, severally, and unconditionally guaranteed by its parent, Berry Global Group, Inc. (for purposes of this section, “Parent”) and substantially all of Issuer’s domestic subsidiaries. Separate narrative information or financial statements of the guarantor subsidiaries have not been included because they are 100% owned by Parent and the guarantor subsidiaries unconditionally guarantee such debt on a joint and several basis. A guarantee of a guarantor subsidiary of the securities will terminate upon the following customary circumstances: the sale of the capital stock of such guarantor if such sale complies with the indentures, the designation of such guarantor as an unrestricted subsidiary, the defeasance or discharge of the indenture or in the case of a restricted subsidiary that is required to guarantee after the relevant issuance date, if such guarantor no longer guarantees certain other indebtedness of the issuer. The guarantees of the guarantor subsidiaries are also limited as necessary to prevent them from constituting a fraudulent conveyance under applicable law and any guarantees guaranteeing subordinated debt are subordinated to certain other of the Company’s debts. Parent also guarantees the Issuer’s term loans and revolving credit facilities. The guarantor subsidiaries guarantee our term loans and are co-borrowers under our revolving credit facility.

Presented below is summarized financial information for the Parent, Issuer and guarantor subsidiaries on a combined basis, after intercompany transactions have been eliminated.

	Year Ended September 26, 2020
Net sales	\$ 5,903
Gross profit	1,246
Earnings from continuing operations	243
Net income	\$ 243

Includes \$23 million of income associated with intercompany activity with non-guarantor subsidiaries.

	September 26, 2020	September 28, 2019
Assets		
Current assets	\$ 1,417	\$ 1,237
Noncurrent assets	6,153	5,088
Liabilities		
Current liabilities	\$ 841	\$ 862
Noncurrent liabilities	11,936	11,915

Includes \$572 million of intercompany payables due to non-guarantor subsidiaries as of September 26, 2020 and \$45 million of intercompany receivables due from non-guarantor subsidiaries as of September 28, 2019.

Critical Accounting Policies and Estimates

We disclose those accounting policies that we consider to be significant in determining the amounts to be utilized for communicating our consolidated financial position, results of operations and cash flows in the first note to our consolidated financial statements included elsewhere herein. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates under different assumptions or conditions.

Acquisitions. We record acquisitions resulting in the consolidation of an enterprise using the purchase method of accounting. Under this method, the Company records the assets acquired, including intangible assets that can be identified and named, and liabilities assumed based on their estimated fair values at the date of acquisition. The purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Among other sources of relevant information, the Company uses independent appraisals and actuarial or other valuations to assist in determining the estimated fair values of the assets and liabilities. Various assumptions are used in the determination of these estimated fair values including discount rates, market and volume growth rates, and other prospective financial information. Transaction costs associated with acquisitions are expensed as incurred. Refer to Note 2. Acquisitions and Dispositions for further information.

Pensions. The accounting for our pension plans requires us to recognize the overfunded or underfunded status of the pension plans on our balance sheet. For these sponsored plans, the relevant accounting guidance requires that management make certain assumptions relating to the long-term rate of return on plan assets, discount rates used to determine the present value of future obligations and expenses, salary inflation rates, mortality rates and other assumptions. We believe that the accounting estimates related to our pension plans are critical accounting estimates because they are highly susceptible to change from period to period based on the performance of plan assets, actuarial valuations, market conditions and contracted benefit changes. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation, as well as independent studies of trends performed by our actuaries.

We review annually the discount rate used to calculate the present value of pension plan liabilities. The discount rate used at each measurement date is set based on a high-quality corporate bond yield curve, derived based on bond universe information sourced from reputable third-party indices, data providers, and rating agencies. In countries where there is no deep market in corporate bonds, we have used a government bond approach to set the discount rate. Additionally, the expected long term rate of return on plan assets is derived for each benefit plan by considering the expected future long-term return assumption for each individual asset class. A single long-term return assumption is then derived for each plan based upon the plan's target asset allocation. Refer to Note 8. Retirement Plans for further information.

Goodwill and Other Indefinite Lived Intangible Assets. On an annual basis and at interim periods when circumstances require, we test the recoverability of goodwill and indefinite-lived intangible assets.

We elected to complete a step 1 quantitative test to evaluate impairment of goodwill in order to (1) reset the values of our new reporting units for future qualitative assessments and (2) determine if the carrying value of any reporting unit exceeded its fair value. This was completed on the first day of the fourth fiscal quarter of fiscal 2020. We utilized a discounted cash flow analysis in combination with a comparable company market approach to determine the fair value of each reporting unit. There were no indicators of impairment in the fourth quarter that required us to perform an additional test for the recoverability of goodwill.

After the completion of the step 1 quantitative test we determined that the fair value of each of our reporting units was greater than the carrying value. Future declines in our peer company and our market capitalizations and total enterprise value along with lower valuation market multiples or significant declines in operating performance could impact future impairment tests or may require a more frequent assessment. Refer to Note 1. Basis of Presentation and Summary of Significant Accounting Policies for the goodwill of our reporting units, which are also our reporting segments.

Indefinite lived intangible assets are tested for impairment annually using both qualitative screens and quantitative assessments where appropriate and are written down to fair value based on either discounted cash flows or appraised values. Refer to Note 1. Basis of Presentation and Summary of Significant Accounting Policies for further information.

Deferred Taxes and Effective Tax Rates. We estimate the effective tax rate (“ETR”) and associated liabilities or assets for each of our legal entities in accordance with authoritative guidance. We utilize tax planning to minimize or defer tax liabilities to future periods. In recording ETRs and related liabilities and assets, we rely upon estimates, which are based upon our interpretation of U.S. and local tax laws as they apply to our legal entities and our overall tax structure. Audits by local tax jurisdictions, including the U.S. Government, could yield different interpretations from our own and cause the Company to owe more taxes than originally recorded. As part of the ETR, if we determine that a deferred tax asset arising from temporary differences is not likely to be utilized, we will establish a valuation allowance against that asset to record it at its expected realizable value. In multiple foreign jurisdictions, the Company believes that it will not generate sufficient future taxable income to realize the related tax benefits. The Company has provided a full valuation allowance against its foreign net operating losses included within the deferred tax assets in multiple foreign jurisdictions. The Company has not provided a valuation allowance on its federal net operating losses in the U.S. because it has determined that future reversals of its temporary taxable differences will occur in the same periods and are of the same nature as the temporary differences giving rise to the deferred tax assets. Refer to Note 7. Income Taxes for further information.

Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of the Company and its consolidated subsidiaries. This is not to suggest that other risk factors such as changes in economic conditions, changes in material costs, our ability to pass through changes in material costs, and others could not materially adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**Index to Financial Statements**

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All schedules have been omitted because they are not applicable or not required or because the required information is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Berry Global Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Berry Global Group, Inc. (the Company) as of September 26, 2020 and September 28, 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended September 26, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 26, 2020 and September 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 26, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 26, 2020, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 23, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for RPC Group Plc Business Combination

Description of the Matter As discussed in Note 2 to the consolidated financial statements, in July 2019, the Company completed the acquisition of the entire outstanding share capital of RPC Group Plc ("RPC"), for aggregate consideration of \$6.1 billion. The acquisition was accounted for under the purchase method of accounting and the assets acquired and liabilities assumed have been recorded based on estimates of fair value. The purchase price allocation for RPC was finalized during fiscal year 2020.

Auditing the Company's accounting for the allocation of the purchase price for its acquisition of RPC was complex due to the overall significance of the RPC acquisition and the estimation uncertainty in determining the fair value of certain assets. The most complex fair value determination related to the customer relationships intangible assets. The estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions. In particular, the significant inputs and assumptions used by the Company to estimate the fair value of the customer relationships intangible assets included prospective financial information that incorporated assumptions as to revenue growth rates, Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") margins and the expected customer retention rate.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement relating to the estimation of the fair value of the customer relationships intangible assets. For example, we tested controls over management's review of the projected revenue growth rates and EBITDA margins, and we tested controls over management's review of the customer retention rate including management's testing of the completeness and accuracy of the source information used to calculate the customer retention rates.

To test the estimate of the fair value of the customer relationships intangible assets, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We involved a specialist to assist in the auditing of key valuation assumptions. We compared the significant assumptions used by management to current industry and economic trends, historical results of the acquired business and to historical experience related to previous acquisitions of similar businesses and assessed economic factors that could affect the significant assumptions. We also performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the customer relationships intangible assets that would result from changes in the assumptions.

Valuation of Goodwill

Description of the Matter At September 26, 2020, the Company had a goodwill balance of \$5.1 billion. As discussed in Note 1 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. The Company's goodwill is initially assigned to its reporting units as of the acquisition date. In fiscal 2020, the Company performed a quantitative goodwill impairment test for all of

its reporting units. The fair value for each reporting unit is estimated based on a market approach and a discounted cash flow analysis and is reconciled to the Company's current market capitalization.

Auditing management's annual goodwill impairment test for certain of the reporting units was complex and highly judgmental due to the significant estimation required to determine the fair value of the reporting unit. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair value to underlying assumptions about the future operating performance of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions in the prospective financial information such as the revenue growth rate, EBITDA margin, and terminal year growth rate, which are affected by expectations about future market or economic conditions.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value, we, along with our valuation specialists, performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, changes in the Company's business model, customer base or product mix, historical operating results and other relevant factors that would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value that would result from changes in the assumptions. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1991.

Indianapolis, Indiana

November 23, 2020, except for the effects of the changes in reportable segments as presented in Note 1 and Note 12, as to which the date is September 2, 2021

To the Stockholders and the Board of Directors of Berry Global Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Berry Global Group, Inc.'s internal control over financial reporting as of September 26, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Berry Global Group, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 26, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 26, 2020 and September 28, 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended September 26, 2020, and the related notes and our report dated November 23, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Indianapolis, Indiana
November 23, 2020

Berry Global Group, Inc.
Consolidated Statements of Income
(in millions of dollars)

	Fiscal years ended		
	September 26, 2020	September 28, 2019	September 29, 2018
Net sales	\$ 11,709	\$ 8,878	\$ 7,869
Costs and expenses:			
Cost of goods sold	9,301	7,259	6,438
Selling, general and administrative	850	583	480
Amortization of intangibles	300	194	154
Restructuring and transaction activities	79	(132)	36
Operating income	<u>1,179</u>	<u>974</u>	<u>761</u>
Other expense, net	31	155	25
Interest expense, net	435	329	259
Income before income taxes	<u>713</u>	<u>490</u>	<u>477</u>
Income tax expense	154	86	(19)
Net income	<u>\$ 559</u>	<u>\$ 404</u>	<u>\$ 496</u>
Net income per share (refer to Note 13):			
Basic	\$ 4.22	\$ 3.08	\$ 3.77
Diluted	\$ 4.14	\$ 3.00	\$ 3.67

Berry Global Group, Inc.
Consolidated Statements of Comprehensive Income
(in millions of dollars)

	Fiscal years ended		
	September 26, 2020	September 28, 2019	September 29, 2018
Net income	\$ 559	\$ 404	\$ 496
Currency translation	1	(104)	(127)
Pension and postretirement benefits	(60)	(43)	3
Derivative instruments	(106)	(83)	36
Other comprehensive loss, net of tax	<u>(165)</u>	<u>(230)</u>	<u>(88)</u>
Comprehensive income	<u>\$ 394</u>	<u>\$ 174</u>	<u>\$ 408</u>

See notes to consolidated financial statements.

Berry Global Group, Inc.
Consolidated Balance Sheets
(in millions of dollars)

	<u>September 26,</u> <u>2020</u>	<u>September 28,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 750	\$ 750
Accounts receivable	1,469	1,526
Inventories	1,268	1,324
Prepaid expenses and other current assets	168	157
Assets held for sale	162	—
Total current assets	<u>3,817</u>	<u>3,757</u>
Property, plant and equipment	4,561	4,714
Goodwill and intangible assets	7,670	7,831
Right-of-use assets	562	—
Other assets	91	167
Total assets	<u>\$ 16,701</u>	<u>\$ 16,469</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,115	\$ 1,159
Accrued employee costs	324	214
Other current liabilities	644	562
Current portion of long-term debt	75	104
Liabilities held for sale	25	—
Total current liabilities	<u>2,183</u>	<u>2,039</u>
Long-term debt	10,162	11,261
Deferred income taxes	601	803
Employee benefit obligations	368	327
Operating lease liabilities	464	—
Other long-term liabilities	831	421
Total liabilities	<u>14,609</u>	<u>14,851</u>
Stockholders' equity:		
Common stock (133.6 and 132.3 shares issued, respectively)	1	1
Additional paid-in capital	1,034	949
Retained earnings	1,608	1,054
Accumulated other comprehensive loss	(551)	(386)
Total stockholders' equity	<u>2,092</u>	<u>1,618</u>
Total liabilities and stockholders' equity	<u>\$ 16,701</u>	<u>\$ 16,469</u>

See notes to consolidated financial statements.

Berry Global Group, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(in millions of dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at September 30, 2017	\$ 1	\$ 826	\$ (68)	\$ 256	\$ 1,015
Net income attributable to the Company	—	—	—	496	496
Other comprehensive loss	—	—	(88)	—	(88)
Share-based compensation	—	23	—	—	23
Proceeds from issuance of common stock	—	23	—	—	23
Common stock repurchased and retired	—	(2)	—	(33)	(35)
Balance at September 29, 2018	\$ 1	\$ 870	\$ (156)	\$ 719	\$ 1,434
Net income attributable to the Company	—	—	—	404	404
Other comprehensive loss	—	—	(230)	—	(230)
Share-based compensation	—	27	—	—	27
Proceeds from issuance of common stock	—	55	—	—	55
Common stock repurchased and retired	—	(3)	—	(69)	(72)
Balance at September 28, 2019	\$ 1	\$ 949	\$ (386)	\$ 1,054	\$ 1,618
Net income attributable to the Company	—	—	—	559	559
Other comprehensive loss	—	—	(165)	—	(165)
Share-based compensation	—	33	—	—	33
Proceeds from issuance of common stock	—	30	—	—	30
Acquisition ^(a)	—	22	—	—	22
Adoption of ASC 842	—	—	—	(5)	(5)
Balance at September 26, 2020	<u>\$ 1</u>	<u>\$ 1,034</u>	<u>\$ (551)</u>	<u>\$ 1,608</u>	<u>\$ 2,092</u>

(a) Represents noncontrolling interest (refer to Note 2)

See notes to consolidated financial statements.

Berry Global Group, Inc.
Consolidated Statements of Cash Flows
(in millions of dollars)

	Fiscal years ended		
	September 26, 2020	September 28, 2019	September 29, 2018
Cash Flows from Operating Activities:			
Net income	\$ 559	\$ 404	\$ 496
Adjustments to reconcile net cash from operating activities:			
Depreciation	545	419	384
Amortization of intangibles	300	194	154
Non-cash interest expense	27	1	4
Share-based compensation expense	33	27	23
Deferred income tax	(96)	(52)	(86)
Settlement of derivatives	11	19	30
Transaction activities	—	(38)	—
Other non-cash operating activities, net	42	(1)	16
Changes in operating assets and liabilities:			
Accounts receivable	49	150	(53)
Inventories	48	99	(79)
Prepaid expenses and other assets	(12)	14	18
Accounts payable and other liabilities	24	(35)	97
Net cash from operating activities	<u>1,530</u>	<u>1,201</u>	<u>1,004</u>
Cash Flows from Investing Activities:			
Additions to property, plant and equipment, net	(583)	(399)	(333)
Divestiture of business	—	326	—
Acquisition of business and purchase price derivatives	(14)	(6,178)	(702)
Settlement of net investment hedges	281	—	—
Net cash from investing activities	<u>(316)</u>	<u>(6,251)</u>	<u>(1,035)</u>
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	1,202	6,784	498
Repayment of long-term borrowings	(2,436)	(1,214)	(335)
Proceeds from issuance of common stock	30	55	23
Repurchase of common stock	—	(74)	(33)
Payment of tax receivable agreement	—	(38)	(37)
Debt financing costs	(16)	(87)	(3)
Net cash from financing activities	<u>(1,220)</u>	<u>5,426</u>	<u>113</u>
Effect of currency translation on cash	6	(7)	(7)
Net change in cash and cash equivalents	—	369	75
Cash and cash equivalents at beginning of period	750	381	306
Cash and cash equivalents at end of period	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 381</u>

See notes to consolidated financial statements.

Berry Global Group, Inc.
Notes to Consolidated Financial Statements
(in millions of dollars, except as otherwise noted)

1. Basis of Presentation and Summary of Significant Accounting Policies

Background

Berry Global Group, Inc. (“Berry,” “we,” or the “Company”) is a leading global supplier of a broad range of innovative non-woven, flexible, and rigid products used every day within consumer and industrial end markets.

Basis of Presentation

The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commissions. Periods presented in these financial statements include fiscal periods ending September 26, 2020 (“fiscal 2020”), September 28, 2019 (“fiscal 2019”), and September 29, 2018 (“fiscal 2018”). The Company has recast certain prior period amounts to conform to current reporting. Fiscal 2020, fiscal 2019, and fiscal 2018 were fifty-two week periods. In October 2020, the Company reorganized portions of its four operating segments in order to better align our various businesses for future growth. The Company has recast all prior period amounts to conform to this new reporting structure. The Company has evaluated subsequent events through the date the financial statements were issued.

The consolidated financial statements include the accounts of Berry and its subsidiaries, all of which includes our wholly owned and majority owned subsidiaries. The Company has certain foreign subsidiaries that report on a calendar period basis which we consolidate into our respective fiscal period. Intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition and Accounts Receivable

Our revenues are primarily derived from the sale of non-woven, flexible and rigid products to customers. Revenue is recognized when performance obligations are satisfied, in an amount reflecting the consideration to which the Company expects to be entitled. We consider the promise to transfer products to be our sole performance obligation. If the consideration agreed to in a contract includes a variable amount, we estimate the amount of consideration we expect to be entitled to in exchange for transferring the promised goods to the customer using the most likely amount method. Our main sources of variable consideration are customer rebates. The accrual for customer rebates was \$104 million and \$114 million at September 26, 2020 and September 28, 2019, respectively, and is included in Other current liabilities on the Consolidated Balance Sheets. The Company disaggregates revenue based on reportable business segment, geography, and significant product line. Refer to Note 12. Segment and Geographic Data for further information.

The Company has entered into various factoring agreements to sell certain receivables to third-party financial institutions. The transfer of receivables is accounted for as a sale, without recourse. Net sales available under qualifying U.S. based programs were \$931 million and \$940 million for the year ended September 26, 2020 and September 28, 2019, respectively. There were no amounts outstanding from financial institutions related to these programs. The fees associated with transfer of receivables for all programs were not material for any of the periods presented.

Purchases of Raw Materials and Concentration of Risk

The Company’s most significant raw material used in the production of its products is plastic resin. The largest supplier of the Company’s total resin material requirements represented approximately 13% of purchases in fiscal 2020. The Company uses a variety of suppliers to meet its resin requirements.

Research and Development

Research and development costs are expensed when incurred. The Company incurred research and development expenditures of \$79 million, \$50 million, and \$45 million in fiscal 2020, 2019, and 2018, respectively.

Share-Based Compensation

The Company utilizes the Black-Scholes option valuation model for estimating the fair value of stock options and amortizes the estimated fair value on a straight-line basis over the requisite service period. The share-based compensation plan is more fully described in Note 11. Stockholders’ Equity.

Foreign Currency

For the non-U.S. subsidiaries that account in a functional currency other than U.S. dollars, assets and liabilities are translated into U.S. dollars using period-end exchange rates. Sales and expenses are translated at the average exchange rates in effect during the period. Foreign currency translation gains and losses are included as a component of Accumulated other comprehensive income (loss) within Stockholders' equity. Gains and losses resulting from foreign currency transactions are included in the Consolidated Statements of Income.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less from the time of purchase are considered to be cash equivalents.

Allowance for Doubtful Accounts

The Company's customers are located principally throughout the U.S. and Europe, without significant concentration with any one customer. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. The Company's accounts receivable and related allowance for doubtful accounts are analyzed in detail on a quarterly basis and all significant customers with delinquent balances are reviewed to determine future collectability. The allowance for doubtful accounts was \$25 million and \$28 million at September 26, 2020 and September 28, 2019, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value and are valued using the first-in, first-out method. Management periodically reviews inventory balances, using recent and future expected sales to identify slow-moving and/or obsolete items. The cost of spare parts is charged to cost of goods sold when purchased. We evaluate our reserve for inventory obsolescence on a quarterly basis and review inventory on-hand to determine future salability. We base our determinations on the age of the inventory and the experience of our personnel. We reserve inventory that we deem to be not salable in the quarter in which we make the determination. We believe, based on past history and our policies and procedures, that our net inventory is salable. Inventory as of fiscal 2020 and 2019 was:

Inventories:	2020	2019
Finished goods	\$ 708	\$ 743
Raw materials	560	581
	<u>\$ 1,268</u>	<u>\$ 1,324</u>

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets ranging from 15 to 40 years for buildings and improvements, 2 to 20 years for machinery, equipment, and tooling, and over the term of the agreement for capital leases. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease term. Repairs and maintenance costs are charged to expense as incurred. Property, plant and equipment as of fiscal 2020 and 2019 was:

Property, plant and equipment:	2020	2019
Land, buildings and improvements	\$ 1,669	\$ 1,549
Equipment and construction in progress	6,213	6,090
	<u>7,882</u>	<u>7,639</u>
Less accumulated depreciation	<u>(3,321)</u>	<u>(2,925)</u>
	<u>\$ 4,561</u>	<u>\$ 4,714</u>

Long-lived Assets

Long-lived assets, including property, plant and equipment and definite lived intangible assets are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment," whenever facts and circumstances indicate that the carrying amount may not be recoverable. Specifically, this process involves comparing an asset's carrying value to the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this process were to result in the conclusion that the carrying value of a long-lived asset would not be recoverable, a write-down of the asset to fair value would be recorded through a charge to operations.

Goodwill

The changes in the carrying amount of goodwill by reportable segment have been recast to reflect the change in reportable segments as described in Note 1 and are as follows:

	Consumer Packaging International	Consumer Packaging North America	Engineered Materials	Health, Hygiene & Specialties	Total
Balance as of fiscal 2018	\$ 263	\$ 1,192	\$ 493	\$ 996	\$ 2,944
Foreign currency translation adjustment	(73)	(1)	—	7	(67)
Acquisitions	1,474	500	240	2	2,216
Dispositions	—	—	—	(42)	(42)
Balance as of fiscal 2019	\$ 1,664	\$ 1,691	\$ 733	\$ 963	\$ 5,051
Foreign currency translation adjustment	32	—	—	(16)	16
Final RPC purchase price valuation	303	(151)	7	—	159
Held for sale	—	—	(40)	(13)	(53)
Balance as of fiscal 2020	<u>\$ 1,999</u>	<u>\$ 1,540</u>	<u>\$ 700</u>	<u>\$ 934</u>	<u>\$ 5,173</u>

In fiscal year 2020, the Company completed a step 1 quantitative test to evaluate impairment of goodwill. The fair value for each reporting unit is estimated based on a market approach and a discounted cash flow analysis and is reconciled back to the current market capitalization for Berry to ensure that the implied control premium is reasonable. Our forecasts included long-term growth of 3% and modest margin expansion attributed to capital investments, and discount rates ranging from 9.0% to 11.5% being applied to the forecasted cash flows. As a result of our annual impairment evaluations the Company concluded that no impairment existed in fiscal 2020. However, future declines in valuation market multiples, sustained lower earnings, or macroeconomic challenges could impact future impairment tests.

The Company has recognized cumulative goodwill impairment charges of \$165 million, which occurred in fiscal 2011.

Deferred Financing Fees

Deferred financing fees are amortized to interest expense using the effective interest method over the lives of the respective debt agreements. Pursuant to ASC 835-30, the Company presents \$85 million and \$112 million as of fiscal 2020 and fiscal 2019, respectively, of debt issuance and deferred financing costs on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge.

Intangible Assets

Customer relationships are being amortized using an accelerated amortization method which corresponds with the customer attrition rates used in the initial valuation of the intangibles over the estimated life of the relationships which range from 5 to 17 years. Definite lived trademarks are being amortized using the straight-line method over the estimated life of the assets which are not more than 15 years. Other intangibles, which include technology and licenses, are being amortized using the straight-line method over the estimated life of the assets which range from 5 to 14 years. The Company has trademarks that total \$248 million that are indefinite lived and we test annually for impairment on the first day of the fourth quarter. We completed the annual impairment test of our indefinite lived trade names utilizing the relief from royalty method and noted no impairment in fiscal 2020, 2019 and 2018.

	Customer Relationships	Trademarks	Other Intangibles	Accumulated Amortization	Total
Balance as of fiscal 2018	\$ 1,882	\$ 293	\$ 185	\$ (1,020)	\$ 1,340
Foreign currency translation adjustment	(56)	(4)	(2)	4	(58)
Amortization expense	—	—	—	(194)	(194)
Acquisition intangibles	1,590	108	(22)	16	1,692
Netting of fully amortized intangibles	(9)	—	—	9	—
Balance as of fiscal 2019	\$ 3,407	\$ 397	\$ 161	\$ (1,185)	\$ 2,780
Foreign currency translation adjustment	53	7	3	(2)	61
Amortization expense	—	—	—	(300)	(300)
Final RPC purchase price valuation	(137)	118	(25)	—	(44)
Netting of fully amortized intangibles	—	—	(10)	10	—
Balance as of fiscal 2020	<u>\$ 3,323</u>	<u>\$ 522</u>	<u>\$ 129</u>	<u>\$ (1,477)</u>	<u>\$ 2,497</u>

Insurable Liabilities

The Company records liabilities for the self-insured portion of workers' compensation, health, product, general and auto liabilities. The determination of these liabilities and related expenses is dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated based upon historical claims experience.

Income Taxes

The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the period in which the underlying transactions are recorded. Deferred taxes, with the exception of non-deductible goodwill, are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and such amounts as measured by tax laws. If the Company determines that a deferred tax asset arising from temporary differences is not likely to be utilized, the Company will establish a valuation allowance against that asset to record it at its expected realizable value. The Company recognizes uncertain tax positions when it is more likely than not that the tax position will be sustained upon examination by relevant taxing authorities, based on the technical merits of the position. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company's effective tax rate is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (losses) include net unrealized gains or losses resulting from currency translations of foreign subsidiaries, changes in the value of our derivative instruments and adjustments to the pension liability.

The accumulated balances related to each component of other comprehensive income (loss), net of tax before reclassifications were as follows:

	<u>Currency Translation</u>	<u>Defined Benefit Pension and Retiree Health Benefit Plans</u>	<u>Derivative Instruments</u>	<u>Accumulated Other Comprehensive Loss</u>
Balance as of fiscal 2017	\$ (48)	\$ (16)	\$ (4)	\$ (68)
Other comprehensive income (loss)	(127)	9	33	(85)
Net amount reclassified from accumulated other comprehensive income (loss)	—	(6)	3	(3)
Balance as of fiscal 2018	\$ (175)	\$ (13)	\$ 32	\$ (156)
Other comprehensive income (loss)	(104)	9	(107)	(202)
Net amount reclassified from accumulated other comprehensive income (loss) ^(a)	—	(52)	24	(28)
Balance as of fiscal 2019	\$ (279)	\$ (56)	\$ (51)	\$ (386)
Other comprehensive income (loss)	1	3	(137)	(133)
Net amount reclassified from accumulated other comprehensive income (loss)	—	(63)	31	(32)
Balance as of fiscal 2020	<u>\$ (278)</u>	<u>\$ (116)</u>	<u>\$ (157)</u>	<u>\$ (551)</u>

(a) Refer to Note 4. Financial Instruments and Fair Value Measurements and Note 8. Retirement Plans for further information.

Pension

Pension benefit costs include assumptions for the discount rate, retirement age, and expected return on plan assets. Retiree medical plan costs include assumptions for the discount rate, retirement age, and health-care-cost trend rates. Periodically, the Company evaluates the discount rate and the expected return on plan assets in its defined benefit pension and retiree health benefit plans. In evaluating these assumptions, the Company considers many factors, including an evaluation of the discount rates, expected return on plan assets and the health-care-cost trend rates of other companies; historical assumptions compared with actual results; an analysis of current market conditions and asset allocations; and the views of advisers.

Net Income Per Share

The Company calculates basic net income per share based on the weighted-average number of outstanding common shares. The Company calculates diluted net income per share based on the weighted-average number of outstanding common shares plus the effect of dilutive securities.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make extensive use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the event or circumstances giving rise to such changes occur.

Recently Issued Accounting Pronouncements

Leases

Effective September 29, 2019, the Company adopted ASU 2016-02, Leases (Topic 842), including all related amendments, using the modified retrospective approach and recognized the cumulative effect of adoption to retained earnings. Under the new standard, the lessee of an operating lease is required to do the following: 1) recognize a right-of-use asset and a lease liability in the statement of financial position, 2) recognize a single lease cost allocated over the lease term generally on a straight-line basis, and 3) classify all cash payments within operating activities on the statement of cash flows. Refer to Note 6. Commitments, Leases and Contingencies for further information.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) and issued subsequent amendments to the initial guidance. The new standard requires entities to measure all expected credit losses for most financial assets held at the reporting date based on an expected loss model, which includes historical experience, current conditions, and reasonable and supportable forecasts. The new standard also requires enhanced disclosure. The new standard will be effective for the Company beginning in fiscal 2021. The Company has completed its evaluation of this new standard and has determined that it will not have a material impact on our consolidated financial statements.

Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans. The new standard removes requirements to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year and the effects of a one-percentage-point changes in assumed health care cost trend rates. The standard also adds requirements to disclose the reasons for significant gains and losses related to changes in the benefit obligations for the period and the accumulated benefit obligation (ABO) for plans with ABOs in excess of plan assets. The new standard will be effective for the Company beginning in fiscal 2022. The Company is currently evaluating the impact of the adoption of this standard to our disclosures.

Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740). The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The new standard will be effective for the Company beginning fiscal 2022. The Company is currently evaluating the impact of the adoption of this new standard.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). This standard provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as SOFR. ASU 2020-04 is effective upon issuance and generally can be applied through the end of calendar year 2022. The Company is currently evaluating the impact and whether it plans to adopt the optional expedients and exceptions provided under this new standard.

2. Acquisitions and Dispositions

RPC Group Plc

In July 2019, the Company completed the acquisition of the entire outstanding share capital of RPC Group Plc (“RPC”), for aggregate consideration of \$6.1 billion. RPC is a leading plastic product design and engineering company for packaging and select non-packaging markets, with 189 sites in 34 countries. RPC develops and manufactures a diverse range of products for a wide variety of customers, including many household names, and enjoys strong market positions in many of the end markets it serves and the geographical areas in which it operates. It uses a wide range of polymer conversion techniques in both rigid and flexible plastics manufacturing, and is one of the largest plastic converters in Europe. The European rigid packaging operations are operated within the Consumer Packaging International segment with the U.S. based rigid packaging facilities operated within the Consumer Packaging North America segment and the global films operations are operated within the Engineered Materials segment. The results of RPC have been included in the consolidated results of the Company since the date of the acquisition.

The acquisition has been accounted for under the purchase method of accounting. Under this method, the assets acquired and liabilities assumed have been recorded based on fair values as of the acquisition date. The Company has recognized goodwill on this transaction primarily as a result of expected cost synergies, and expects goodwill to be partially deductible for tax purposes.

The preliminary purchase price allocation has been updated for certain measurement period adjustments based on the final valuation resulting in a \$70 million increase in working capital, a \$201 million decrease in property, plant and equipment, a \$135 million decrease in customer relationships, a \$93 million net increase in trade names and other intangibles, a \$51 million decrease in deferred tax liabilities, and a \$22 million increase in noncontrolling interest. These adjustments resulted in corresponding adjustments to goodwill.

The following table summarizes the final purchase price allocation (in millions):

Consideration

Cash	\$ 6,084
Total consideration transferred	6,084
Identifiable assets acquired and liabilities assumed	
Working capital ^(a)	770
Property, plant and equipment	2,174
Identifiable intangible assets	1,670
Other assets	2
Other long-term liabilities	(875)
Goodwill	2,365
Net assets acquired and liabilities assumed	6,106
Noncontrolling interest	(22)
Total consideration transferred	\$ 6,084

^(a) Includes a \$58 million step up of inventory to fair value

To finance the purchase, the Company issued \$1,250 million aggregate principal amount of first priority senior secured notes due 2026, \$500 million aggregate principal amount of second priority senior secured notes due 2027, and entered into incremental term loans due July 2026, to fund the remainder of the purchase price.

When including RPC results for the periods prior to the acquisition date, unaudited pro forma net sales and net income were \$12.6 billion and \$465 million, respectively, for fiscal 2019. The unaudited pro forma net sales and net income assume that the RPC acquisition had occurred as of the beginning of the period.

Seal For Life

In July 2019, the Company completed the sale of its Seal For Life (“SFL”) business which was operated in our Health, Hygiene & Specialties reporting segment for net proceeds of \$325 million. A pretax gain on sale of \$214 million was recorded in fiscal 2019, within Restructuring and transaction activities on the Consolidated Statements of Income. SFL recorded \$96 million in net sales during fiscal 2019.

3. Long-Term Debt

Long-term debt consists of the following:

Facility	Maturity Date	September 26, 2020	September 28, 2019
Term loan	October 2022	\$ 1,545	\$ 1,545
Term loan	January 2024	448	489
Term loan	July 2026	4,208	4,250
Revolving line of credit	May 2024	—	—
6.00% Second Priority Senior Secured Notes	October 2022	200	400
5.125% Second Priority Senior Secured Notes	July 2023	300	700
1.00% First Priority Senior Secured Notes ^(a)	July 31, 2025	814	—
4.50% Second Priority Senior Secured Notes	February 2026	500	500
4.875% First Priority Senior Secured Notes	July 2026	1,250	1,250
5.625% Second Priority Senior Secured Notes	July 2027	500	500
1.50% First Priority Senior Secured Notes ^(a)	July 31, 2027	436	—
Debt discounts and deferred fees		(85)	(112)
Finance leases and other	Various	121	167
Retired debt	Various	—	1,676
Total long-term debt		10,237	11,365
Current portion of long-term debt		(75)	(104)
Long-term debt, less current portion		\$ 10,162	\$ 11,261

(a) Euro denominated

Fiscal 2020 Activity

In January 2020, the Company (i) issued €700 million aggregate principal amount of 1.00% first priority senior secured notes due 2025 and €375 million aggregate principal amount of 1.50% first priority senior secured notes due 2027 (the “Euro notes”) and (ii) refinanced its existing \$4.25 billion Term loan maturing in July 2026, resulting in a 50 basis point interest rate reduction. The proceeds of the Euro notes were used to prepay the entire outstanding amount of our existing euro denominated Term loan. Debt extinguishment costs of \$18 million, primarily comprised of deferred debt discount and financing fees, were recorded in Other expense, net on the Consolidated Statements of Income upon the extinguishment of the euro Term loan.

Berry Global, Inc. Senior Secured Credit Facility

Our wholly owned subsidiary Berry Global, Inc.’s senior secured credit facilities consist of \$6.2 billion of term loans and an \$850 million asset-based revolving line of credit. The availability under the revolving line of credit is the lesser of \$850 million or based on a defined borrowing base which is calculated based on available accounts receivable and inventory.

The term loan facility requires minimum quarterly principal payments, with the remaining amount payable upon maturity. The Company may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary “breakage” costs with respect to eurodollar loans. All obligations under the senior secured credit facilities are unconditionally guaranteed by the Company and, subject to certain exceptions, each of the Company’s existing and future direct and indirect domestic subsidiaries. The guarantees of those obligations are secured by substantially all of the Company’s assets as well as those of each domestic subsidiary guarantor.

Despite not having financial maintenance covenants, our debt agreements contain certain negative covenants. We are in compliance with all covenants as of September 26, 2020. The failure to comply with these negative covenants could restrict our ability to incur additional indebtedness, effect acquisitions, enter into certain significant business combinations, make distributions or redeem indebtedness.

Future maturities of long-term debt as of fiscal year end 2020 are as follows:

Fiscal Year	Maturities
2021	\$ 75
2022	75
2023	1,811
2024	785
2025	864
Thereafter	6,712
	<u>\$ 10,322</u>

Interest paid was \$430 million, \$330 million, and \$253 million in fiscal 2020, 2019, and 2018, respectively.

Debt discounts and deferred financing fees are presented net of Long-term debt, less the current portion in the Consolidated Balance Sheet and are amortized to Interest expense through maturity.

4. Financial Instruments and Fair Value Measurements

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors. The Company may use derivative financial instruments to help manage market risk and reduce the exposure to fluctuations in interest rates and foreign currencies. These financial instruments are not used for trading or other speculative purposes. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

To the extent hedging relationships are found to be effective, changes in the fair value of the derivatives are offset by changes in the fair value of the related hedged item and recorded to Accumulated other comprehensive loss. Any identified ineffectiveness, or changes in the fair value of a derivative not designated as a hedge, are recorded to the Consolidated Statements of Income.

Cross-Currency Swaps

The Company is party to certain cross-currency swaps to hedge a portion of our foreign currency risk. The swap agreements mature May 2022 (€250 million), June 2024 (€1,625 million) and July 2027 (£700 million). In addition to the cross-currency swaps, we hedge a portion of our foreign currency risk by designating foreign currency denominated long-term debt as net investment hedges of certain foreign operations. As of September 26, 2020, we had outstanding long-term debt of €785 million that was designated as a hedge of our net investment in certain euro-denominated foreign subsidiaries. When valuing cross-currency swaps, the Company utilizes Level 2 inputs (substantially observable).

During fiscal 2020, the Company entered into transactions to cash settle existing cross-currency swaps and received proceeds of \$281 million. The swap settlement impact has been included as a component of Currency translation within Accumulated other comprehensive loss. Following the settlement of the existing cross-currency swaps, we entered into new cross-currency swaps with matching notional amounts and maturity dates of the original swaps.

Interest Rate Swaps

The primary purpose of the Company's interest rate swap activities is to manage interest expense variability associated with our outstanding variable rate term loan debt. When valuing interest rate swaps the Company utilizes Level 2 inputs (substantially observable).

During fiscal 2019, the Company entered into (i) a \$400 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.533% with an effective date of February 2019 and expiration in July 2023; (ii) a \$884 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 1.857%, with an effective date in July 2019 and expiration in June 2024, and (iii) a \$473 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.050%, with an effective date in July 2019 and expiration in June 2024.

During fiscal 2020, the Company entered into transactions to extend and recoupon its existing interest rate swaps. As of September 26, 2020, the Company effectively had (i) a \$450 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 1.398%, with an expiration date in June 2026, (ii) a \$1 billion interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 1.835% with an expiration date in June 2026, (iii) a \$400 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 1.916% with an expiration date in June 2026, (iv) an \$884 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 1.857%, with an expiration in June 2024, and (v) a \$473 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.050%, with an expiration in June 2024.

The Company records the fair value positions of all derivative financial instruments on a net basis by counterparty for which a master netting arrangement is utilized. Balances on a gross basis are as follows:

Derivatives Instruments	Hedge Designation	Balance Sheet Location	2020		2019	
Cross-currency swaps	Designated	Other assets	\$	—	\$	88
Cross-currency swaps	Designated	Other long-term liabilities		270		—
Interest rate swaps	Designated	Other long-term liabilities		226		81

The effect of the Company's derivative instruments on the Consolidated Statements of Income is as follows:

Derivatives instruments	Statements of Income Location	Fiscal years ended		
		September 26, 2020	September 28, 2019	September 29, 2018
Cross-currency swaps ^(a)	Interest expense, net	\$ (25)	\$ (19)	\$ (5)
Cross-currency swaps ^(b)	Other expense, net	—	41	—
Foreign exchange forward contracts	Other expense, net	—	99	—
Interest rate swaps	Interest expense, net	32	2	(1)

- (a) Designated
(b) Not designated

The amortization related to unrealized losses in Accumulated other comprehensive loss is expected to be \$5 million in the next 12 months. The Company's financial instruments consist primarily of cash and cash equivalents, long-term debt, interest rate swap agreements, cross-currency swap agreements and capital lease obligations. The fair value of our long-term indebtedness exceeded book value by \$26 million as of fiscal 2020, and \$77 million as of fiscal 2019. The Company's long-term debt fair values were determined using Level 2 inputs as other significant observable inputs were not available.

Non-recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis when impairment indicators are present or when the Company completes an acquisition. The Company adjusts certain long-lived assets to fair value only when the carrying values exceed the fair values. The categorization of the framework used to value the assets is considered Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. These assets that are subject to our annual impairment analysis primarily include our definite lived and indefinite lived intangible assets, including goodwill and our property, plant and equipment. The Company reviews goodwill and other indefinite lived assets for impairment as of the first day of the fourth fiscal quarter each year, and more frequently if impairment indicators exist. The Company determined goodwill and other indefinite lived assets were not impaired in our annual fiscal 2020, 2019, and 2018 assessments.

Included in the following tables are the major categories of assets and their current carrying values that were measured at fair value on a non-recurring basis in the current year, along with the impairment loss recognized on the fair value measurement for the fiscal years then ended:

	As of the end of fiscal 2020				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite lived trademarks	\$ —	\$ —	\$ 248	\$ 248	\$ —
Goodwill	—	—	5,173	5,173	—
Definite lived intangible assets	—	—	2,249	2,249	—
Property, plant and equipment	—	—	4,561	4,561	2
Total	\$ —	\$ —	\$ 12,231	\$ 12,231	\$ 2

	As of the end of fiscal 2019				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite lived trademarks	\$ —	\$ —	\$ 248	\$ 248	\$ —
Goodwill	—	—	5,051	5,051	—
Definite lived intangible assets	—	—	2,532	2,532	—
Property, plant and equipment	—	—	4,714	4,714	8
Total	\$ —	\$ —	\$ 12,545	\$ 12,545	\$ 8

	As of the end of fiscal 2018				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite lived trademarks	\$ —	\$ —	\$ 248	\$ 248	\$ —
Goodwill	—	—	2,944	2,944	—
Definite lived intangible assets	—	—	1,092	1,092	—
Property, plant and equipment	—	—	2,488	2,488	—
Total	\$ —	\$ —	\$ 6,772	\$ 6,772	\$ —

5. Goodwill and Intangible Assets

The following table sets forth the gross carrying amount and accumulated amortization of the Company's goodwill and intangible assets as of the fiscal years ended:

	2020	2019	Amortization Period
Goodwill	\$ 5,173	\$ 5,051	Indefinite lived
Customer relationships	3,323	3,407	5 – 17 years
Trademarks (indefinite lived)	248	248	Indefinite lived
Trademarks (definite lived)	274	149	Not more than 15 years
Other intangibles	129	161	5 – 14 years
Accumulated amortization	(1,477)	(1,185)	
Intangible assets, net	2,497	2,780	
Total goodwill and intangible assets, net	\$ 7,670	\$ 7,831	

Future amortization expense for definite lived intangibles as of fiscal 2020 for the next five fiscal years is \$280 million, \$258 million, \$244 million, \$231 million, and \$219 million each year for fiscal years ending 2021, 2022, 2023, 2024, and 2025, respectively.

6. Commitments, Leases and Contingencies

The Company has various purchase commitments for raw materials, supplies and property and equipment incidental to the ordinary conduct of business.

Collective Bargaining Agreements

At the end of fiscal 2020, we employed approximately 47,000 employees, and approximately 20% of those employees were covered by collective bargaining agreements. The majority of these agreements are due for renegotiation in fiscal 2021. Our relations with employees under collective bargaining agreements remain satisfactory and there have been no significant work stoppages or other labor disputes during the past three years.

Leases

During the first quarter of fiscal 2020, the Company adopted ASU 2016-02, Leases (Topic 842). The Company leases certain manufacturing facilities, warehouses, office space, manufacturing equipment, office equipment, and automobiles.

Under the new standard, we recognize right-of-use assets and lease liabilities for leases with original lease terms greater than one year based on the present value of lease payments over the lease term using our incremental borrowing rate on a collateralized basis. Short-term leases, with original lease terms of less than one year, are not recognized on the balance sheet. We are party to certain leases, namely for manufacturing facilities, which offer renewal options to extend the original lease term. Renewal options are included in the right-of-use asset and lease liability based on our assessment of the probability that the options will be exercised.

We have elected the package of practical expedients which allows the Company to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. Additionally, we have elected the practical expedient to not separate lease and non-lease components for all asset classes.

Supplemental lease information is as follows:

Leases	Classification	2020
Assets		
Operating lease right-of-use assets	Right-of-use asset	\$ 562
Finance lease right-of-use assets	Property, plant, and equipment, net	78
Current liabilities		
Operating lease liabilities	Other current liabilities	\$ 115
Finance lease liabilities	Current portion of long-term debt	17
Non-current liabilities		
Operating lease liabilities	Operating lease liability	\$ 464
Finance lease liabilities	Long-term debt, less current portion	59
Lease cost		
		2020
Operating lease cost		\$ 120
Finance lease cost:		
Amortization of right-of-use assets		24
Interest on lease liabilities		3
Total finance lease cost		27
Short-term lease cost		27
Total lease cost		\$ 174
Cash paid for amounts included in lease liabilities		
		2020
Operating cash flows from operating leases		\$ 120
Operating cash flows from finance leases		3
Financing cash flows from finance leases		38
2020		
Weighted-average remaining lease term - operating leases		8 years
Weighted-average remaining lease term - finance leases		4 years
Weighted-average discount rate - operating leases		4.6%
Weighted-average discount rate - finance leases		3.8%

Right-of-use assets obtained in exchange for new operating lease liabilities were \$44 million for fiscal 2020.

At September 26, 2020, annual lease commitments were as follows:

Fiscal Year	Operating Leases	Finance Leases
2021	\$ 118	\$ 20
2022	103	23
2023	87	17
2024	72	7
2025	67	6
Thereafter	256	13
Total lease payments	703	86
Less: Interest	(124)	(10)
Present value of lease liabilities	\$ 579	\$ 76

Litigation

The Company is party to various legal proceedings involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, the Company believes that any ultimate liability would not be material to its financial position, results of operations or cash flows.

7. Income Taxes

The Company is being taxed at the U.S. corporate level as a C-Corporation and has provided U.S. Federal, State and foreign income taxes. Significant components of income tax expense for the fiscal years ended are as follows:

	2020	2019	2018
Current			
U.S.			
Federal	\$ 84	\$ 60	\$ 19
State	12	11	8
Non-U.S.	154	67	40
Total current	250	138	67
Deferred:			
U.S.			
Federal	(29)	(47)	(72)
State	(13)	(3)	12
Non-U.S.	(54)	(2)	(26)
Total deferred	(96)	(52)	(86)
Expense for income taxes	\$ 154	\$ 86	\$ (19)

U.S. income from continuing operations before income taxes was \$206 million, \$229 million, and \$373 million for fiscal 2020, 2019, and 2018, respectively. Non-U.S. income from continuing operations before income taxes was \$507 million, \$261 million, and \$104 million for fiscal 2020, 2019, and 2018, respectively. The Company paid cash taxes of \$243 million, \$115 million, and \$60 million in fiscal 2020, 2019, and 2018, respectively.

The reconciliation between U.S. Federal income taxes at the statutory rate and the Company's benefit for income taxes on continuing operations for fiscal years ended are as follows:

	2020	2019	2018
U.S. Federal income tax expense at the statutory rate	\$ 150	\$ 103	\$ 117
Adjustments to reconcile to the income tax provision:			
U.S. state income tax expense	6	9	12
Federal and state credits	(14)	(8)	(7)
Share-based compensation	(4)	(12)	(8)
Tax Cuts and Jobs Act	—	—	(124)
Withholding taxes	15	—	—
Changes in foreign valuation allowance	(8)	13	(10)
Foreign income taxed in the U.S.	9	3	—
Manufacturing tax benefits	—	—	(6)
Rate differences between U.S. and foreign	(6)	7	3
Sale of subsidiary	—	(38)	—
Other	6	9	4
Expense for income taxes	<u>\$ 154</u>	<u>\$ 86</u>	<u>\$ (19)</u>

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax liability as of fiscal years ended are as follows:

	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	\$ 3	\$ 3
Deferred gain on sale-leaseback	5	5
Accrued liabilities and reserves	104	64
Inventories	10	9
Net operating loss carryforward	291	348
Interest expense carryforward	28	35
Derivatives	127	—
Lease liability	147	—
Research and development credit carryforward	11	12
Federal and state tax credits	14	11
Other	33	40
Total deferred tax assets	<u>773</u>	<u>527</u>
Valuation allowance	(150)	(141)
Total deferred tax assets, net of valuation allowance	<u>623</u>	<u>386</u>
Deferred tax liabilities:		
Property, plant and equipment	429	487
Intangible assets	588	597
Leased asset	142	—
Included in held for sale	(4)	—
Other	15	63
Total deferred tax liabilities	<u>1,170</u>	<u>1,147</u>
Net deferred tax liability	<u>\$ (547)</u>	<u>\$ (761)</u>

The Company had \$54 million of net deferred tax assets recorded in Other assets, and \$601 million of net deferred tax liabilities recorded in Deferred income taxes on the Consolidated Balance Sheets.

As of September 26, 2020, the Company has recorded deferred tax assets related to federal, state, and foreign net operating losses, interest expense, and tax credits. These attributes are spread across multiple jurisdictions and generally have expiration periods beginning in 2020 while a portion remains available indefinitely. Each attribute has been assessed for realization and a valuation allowance is recorded against the deferred tax assets to bring the net amount recorded to the amount more likely than not to be realized. The valuation allowance against deferred tax assets was \$150 million and \$141 million as of the fiscal years ended 2020 and 2019, respectively, related to the foreign and U.S. federal and state operations.

The Company is permanently reinvested except to the extent the foreign earnings are previously taxed or to the extent that we have sufficient basis in our non-U.S. subsidiaries to repatriate earnings on an income tax free basis.

Uncertain Tax Positions

The following table summarizes the activity related to our gross unrecognized tax benefits for fiscal years ended:

	2020	2019
Beginning unrecognized tax benefits	\$ 165	\$ 74
Gross increases – tax positions in prior periods	13	2
Gross decreases - tax positions in prior periods	(12)	—
Gross increases – current period tax positions	—	6
Gross increases – from RPC acquisition	7	88
Settlements	(1)	(1)
Lapse of statute of limitations	(4)	(4)
Ending unrecognized tax benefits	<u>\$ 168</u>	<u>\$ 165</u>

As of fiscal year end 2020, the amount of unrecognized tax benefit that, if recognized, would affect our effective tax rate was \$161 million and we had \$40 million accrued for payment of interest and penalties related to our uncertain tax positions. Our penalties and interest related to uncertain tax positions are included in income tax expense.

As a result of global operations, we file income tax returns in the U.S. federal, various state and local, and foreign jurisdictions and are routinely subject to examination by taxing authorities throughout the world. Excluding potential adjustments to net operating losses, the U.S. federal and state income tax returns are no longer subject to income tax assessments for years before 2016. With few exceptions, the major foreign jurisdictions are no longer subject to income tax assessments for year before 2014.

8. Retirement Plans

The Company sponsors defined contribution 401(k) retirement plans covering substantially all employees. Contributions are based upon a fixed dollar amount for employees who participate and percentages of employee contributions at specified thresholds. Contribution expense for these plans was \$40 million, \$26 million, and \$20 million for fiscal 2020, 2019, and 2018, respectively.

The North American defined benefit pension plans, which cover certain manufacturing facilities, are closed to future entrants. The majority of the retirement benefit obligations in the United Kingdom (“UK”) are defined benefit pension plans, and are closed to future entrants. The assets of all the plans are held in a separate trustee administered fund to meet long-term liabilities for past and present employees.

Most of the Company’s German operations provide non-contributory pension plans. There is no external funding for these plans although they are secured by insolvency insurance required under German law. In general, the plans provide a fixed retirement benefit not related to salaries and are closed to new entrants. Germany represents \$97 million of Mainland Europe’s total underfunded status.

The net amount of liability recognized is included in Employee Benefit Obligations on the Consolidated Balance Sheets. The Company uses fiscal year end as a measurement date for the retirement plans.

Change in Projected Benefit Obligations (PBO)	Fiscal 2020				Fiscal 2019			
	North America	UK	Mainland Europe	Total	North America	UK	Mainland Europe	Total
Beginning of period	\$ 344	\$ 827	\$ 206	\$ 1,377	\$ 307	\$ —	\$ —	\$ 307
Acquisition	—	—	—	—	—	810	209	1,019
Service cost	—	—	1	1	—	—	2	2
Interest cost	10	15	1	26	12	4	1	17
Currency	—	31	13	44	—	(24)	(10)	(34)
Actuarial loss (gain)	30	41	(7)	64	42	44	8	94
Benefit settlements	(6)	—	(16)	(22)	—	—	—	—
Benefits paid	(17)	(26)	(6)	(49)	(17)	(7)	(4)	(28)
End of period	<u>\$ 361</u>	<u>\$ 888</u>	<u>\$ 192</u>	<u>\$ 1,441</u>	<u>\$ 344</u>	<u>\$ 827</u>	<u>\$ 206</u>	<u>\$ 1,377</u>

Change in Fair Value of Plan Assets	Fiscal 2020				Fiscal 2019			
	North America	UK	Mainland Europe	Total	North America	UK	Mainland Europe	Total
Beginning of period	\$ 269	\$ 729	\$ 67	\$ 1,065	\$ 277	\$ —	\$ —	\$ 277
Acquisition	—	—	—	—	—	702	70	772
Currency	—	27	4	31	—	(22)	(3)	(25)
Return on assets	22	21	(2)	41	9	51	2	62
Contributions	—	18	7	25	—	5	2	7
Benefit settlements	(6)	—	(16)	(22)	—	—	—	—
Benefits paid	(17)	(26)	(6)	(49)	(17)	(7)	(4)	(28)
End of period	\$ 268	\$ 769	\$ 54	\$ 1,091	\$ 269	\$ 729	\$ 67	\$ 1,065
Underfunded status	\$ (93)	\$ (119)	\$ (138)	\$ (350)	\$ (75)	\$ (98)	\$ (139)	\$ (312)

At the end of fiscal 2020, the Company had \$180 million of net unrealized losses recorded in Accumulated other comprehensive loss on the Consolidated Balance Sheets. The Company expects \$8 million to be realized in fiscal 2021.

The following table presents significant weighted-average assumptions used to determine benefit obligation and benefit cost for the fiscal years ended:

(Percentages)	Fiscal 2020		
	North America	UK	Mainland Europe
Weighted-average assumptions:			
Discount rate for benefit obligation	2.2	1.6	0.8
Discount rate for net benefit cost	2.9	1.8	0.7
Expected return on plan assets for net benefit costs	6.1	3.8	2.2
(Percentages)	Fiscal 2019		
	North America	UK	Mainland Europe
Weighted-average assumptions:			
Discount rate for benefit obligation	2.9	1.8	0.7
Discount rate for net benefit cost	4.0	2.3	1.0
Expected return on plan assets for net benefit costs	6.1	4.3	1.7

In evaluating the expected return on plan assets, Berry considered its historical assumptions compared with actual results, an analysis of current market conditions, asset allocations, and the views of advisors. The return on plan assets is derived from target allocations and historical yield by asset type. A one quarter of a percentage point reduction of expected return on pension assets or discount rate applied to the pension liability would result in an immaterial change to the Company's pension expense.

In accordance with the guidance from the FASB for employers' disclosure about postretirement benefit plan assets the table below discloses fair values of each pension plan asset category and level within the fair value hierarchy in which it falls. There were no material changes or transfers between level 3 assets and the other levels.

Fiscal 2020 Asset Category	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 18	\$ 18	\$ —	\$ 36
U.S. large cap comingled equity funds	72	27	—	99
U.S. mid cap equity mutual funds	49	16	—	65
U.S. small cap equity mutual funds	3	16	—	19
International equity mutual funds	12	99	—	111
Real estate equity investment funds	3	158	91	252
Corporate bond mutual funds	10	—	27	37
Corporate bonds	—	146	—	146
International fixed income funds	66	209	—	275
International insurance policies	—	—	51	51
Total	\$ 233	\$ 689	\$ 169	\$ 1,091

Fiscal 2019 Asset Category	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 15	\$ 89	\$ —	\$ 104
U.S. large cap comingled equity funds	—	124	—	124
U.S. mid cap equity mutual funds	42	—	—	42
U.S. small cap equity mutual funds	3	—	—	3
International equity mutual funds	18	94	—	112
Real estate equity investment funds	3	179	75	257
Corporate bond mutual funds	12	—	—	12
Corporate bonds	—	164	14	178
Guaranteed investment account	—	—	8	8
International fixed income funds	73	93	—	166
International insurance policies	—	—	59	59
Total	\$ 166	\$ 743	\$ 156	\$ 1,065

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the fiscal year end:

	North America	UK	Mainland Europe	Total
2021	\$ 19	\$ 27	\$ 6	\$ 52
2022	19	26	7	52
2023	19	27	6	52
2024	19	29	9	57
2025	19	30	7	56
2026-2030	94	159	51	304

Net pension expense included the following components as of fiscal years ended:

	2020	2019	2018
Service cost	\$ 1	\$ 2	\$ —
Interest cost	26	17	11
Amortization of net actuarial loss	5	1	2
Expected return on plan assets	(46)	(24)	(17)
Net periodic benefit expense (income)	\$ (14)	\$ (4)	\$ (4)

Our defined benefit pension plan asset allocations as of fiscal years ended are as follows:

Asset Category	2020	2019
Equity securities and equity-like instruments	50%	50%
Debt securities and debt-like	42	33
International insurance policies	5	6
Other	3	11
Total	100%	100%

The Company's retirement plan assets are invested with the objective of providing the plans the ability to fund current and future benefit payment requirements while minimizing annual Company contributions. The retirement plans held \$42 million of the Company's stock at the end of fiscal 2020. The Company re-addresses the allocation of its investments on a regular basis.

9. Restructuring and Transaction Activities

The Company has announced various restructuring plans in the last three fiscal years which included shutting down facilities. In all instances, the majority of the operations from rationalized facilities was transferred to other facilities within the respective segment.

During fiscal 2018, the Company shut down one facility in each of the Engineered Materials, Health, Hygiene & Specialties, and Consumer Packaging North America segment, which accounted for approximately \$10 million, \$30 million, and \$15 million of annual net sales, respectively.

During fiscal 2019 and 2020, the Company did not shut down any facilities with significant net sales.

Since 2018, total expected costs attributed to restructuring programs total \$106 million with \$3 million remaining to be recognized in the future.

	Expected Total Costs	Cumulative Charges through Fiscal 2020	To be Recognized in Future
Severance and termination benefits	\$ 78	\$ 78	\$ —
Facility exit costs	18	15	3
Asset impairment	10	10	—
Total	<u>\$ 106</u>	<u>\$ 103</u>	<u>\$ 3</u>

The table below sets forth the significant components of the restructuring and transaction activity charges recognized for the fiscal years ended, by segment:

	2020	2019	2018
Consumer Packaging International	\$ 58	\$ 54	\$ —
Consumer Packaging North America	10	12	3
Engineered Materials	6	2	6
Health, Hygiene & Specialties	5	(200)	27
Consolidated	<u>\$ 79</u>	<u>\$ (132)</u>	<u>\$ 36</u>

The table below sets forth the activity with respect to the restructuring charges and the impact on our accrued restructuring reserves:

	Employee Severance and Benefits	Facility Exit Costs	Non-cash Impairment Charges	Transaction Activities	Total
Balance as of fiscal 2018	\$ 9	\$ 4	\$ —	\$ —	\$ 13
Charges ^(a)	10	4	8	(146)	(124)
Non-cash asset impairment	—	—	(8)	—	(8)
Cash	(17)	(3)	—	146	126
Balance as of fiscal 2019	\$ 2	\$ 5	\$ —	\$ —	\$ 7
Charges	34	9	2	34	79
Non-cash asset impairment	—	—	(2)	—	(2)
Cash	(26)	(7)	—	(34)	(67)
Balance as of fiscal 2020	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>

(a) Consists of \$214 million gain on the sale of our SFL business in 2019 offset by professional fees and other costs related to the RPC acquisition.

10. Related Party Transactions

The Company made payments related to the income tax receivable agreement of \$38 million in fiscal 2019. Apollo Global Management, LLC (“Apollo”) received \$29 million of the fiscal 2019 payment. Mr. Evan Bayh, a member of the Company’s Board of Directors, has been employed by Apollo since 2011. The agreement was terminated in fiscal 2019.

11. Stockholders’ Equity

Share Repurchases

In August 2018, the Company announced that its Board authorized a \$500 million share repurchase program. Share repurchases will be made through open market purchases, privately negotiated transactions, Rule 10b5-1 plans, or other transactions in accordance with applicable securities laws and in such amounts at such times as we deem appropriate based upon prevailing market and business conditions and other factors. The share repurchase program has no expiration date and may be suspended at any time.

No shares were repurchased during fiscal 2020. During fiscal 2019, the Company repurchased approximately 1,512 thousand shares for \$72 million, at an average price of \$47.64. All share repurchases were immediately retired. Common stock was reduced by the number of shares retired at \$0.01 par value per share. The Company allocates the excess purchase price over par value between additional paid-in capital and retained earnings.

Equity Incentive Plans

In fiscal 2018, the Company amended the 2015 Berry Global Group, Inc. Long-Term Incentive Plan to authorize the issuance of 12.5 million shares, an increase of 5 million shares from the previous authorization.

The Company recognized total share-based compensation expense of \$33 million, \$27 million, and \$23 million for fiscal 2020, 2019, and 2018, respectively. The intrinsic value of options exercised in fiscal 2020 was \$28 million.

Information related to the equity incentive plans as of the fiscal years ended are as follows:

	2020		2019	
	Number of Shares (in thousands)	Weighted Average Exercise Price	Number of Shares (in thousands)	Weighted Average Exercise Price
Options outstanding, beginning of period	10,263	\$ 37.82	10,744	\$ 32.40
Options granted	2,562	45.60	2,259	47.66
Options exercised	(1,223)	24.96	(2,476)	22.41
Options forfeited or cancelled	(142)	45.05	(264)	46.07
Options outstanding, end of period	<u>11,460</u>	<u>\$ 40.84</u>	<u>10,263</u>	<u>\$ 37.82</u>
Option price range at end of period	\$ 3.04-54.33		\$ 3.04-54.33	
Options exercisable at end of period	5,599		4,720	
Options available for grant at period end	2,678		5,099	
Weighted average fair value of options granted during period	\$ 14.26		\$ 15.34	

The fair value for options granted has been estimated at the date of grant using a Black-Scholes model, generally with the following weighted average assumptions:

	2020	2019	2018
Risk-free interest rate	1.7%	2.5%	2.7%
Dividend yield	0.0%	0.0%	0.0%
Volatility factor	27.2%	26.3%	26.1%
Expected option life	6.5 years	6.5 years	6.5 years

For purposes of the valuation model in fiscal years 2020, 2019, and 2018, the Company used the simplified method due to the lack of historical data upon which to estimate the expected term.

The following table summarizes information about the options outstanding as of fiscal 2020:

Range of Exercise Prices	Number Outstanding (in thousands)	Intrinsic Value of Outstanding (in millions)	Weighted Remaining Contractual Life	Weighted Exercise Price	Number Exercisable (in thousands)	Intrinsic Value of Exercisable (in millions)	Unrecognized Compensation (in millions)	Weighted Recognition Period
\$ 3.04-54.33	11,460	\$ 92	6.8 years	\$ 40.84	5,599	\$ 77	\$ 4	2.1 years

12. Segment and Geographic Data

Berry's operations are organized into four reporting segments: Consumer Packaging International, Consumer Packaging North America, Engineered Materials, and Health, Hygiene & Specialties. The structure is designed to align us with our customers, provide improved service, and drive future growth in a cost efficient manner.

Selected information by reportable segment is presented in the following tables:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net sales			
Consumer Packaging International	\$ 3,789	\$ 1,337	\$ 508
Consumer Packaging North America	2,560	2,333	2,170
Engineered Materials	2,766	2,460	2,364
Health, Hygiene & Specialties	2,594	2,748	2,827
Total	<u>\$ 11,709</u>	<u>\$ 8,878</u>	<u>\$ 7,869</u>
Operating income			
Consumer Packaging International	\$ 273	\$ 62	\$ 58
Consumer Packaging North America	275	177	151
Engineered Materials	336	266	306
Health, Hygiene & Specialties	295	469	246
Total	<u>\$ 1,179</u>	<u>\$ 974</u>	<u>\$ 761</u>
Depreciation and amortization			
Consumer Packaging International	\$ 315	\$ 106	\$ 31
Consumer Packaging North America	230	198	211
Engineered Materials	117	112	99
Health, Hygiene & Specialties	183	197	197
Total	<u>\$ 845</u>	<u>\$ 613</u>	<u>\$ 538</u>

	<u>2020</u>	<u>2019</u>
Total assets:		
Consumer Packaging International	\$ 7,713	\$ 7,412
Consumer Packaging North America	3,320	3,848
Engineered Materials	2,017	1,848
Health, Hygiene & Specialties	3,651	3,361
Total assets	<u>\$ 16,701</u>	<u>\$ 16,469</u>

Selected information by geographical region is presented in the following tables:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net sales:			
United States and Canada	\$ 6,250	\$ 6,293	\$ 6,266
Europe	4,223	1,637	759
Rest of world	1,236	948	844
Total net sales	<u>\$ 11,709</u>	<u>\$ 8,878</u>	<u>\$ 7,869</u>
Long-lived assets:			
United States and Canada	\$ 6,753	\$ 7,021	
Europe	3,813	3,654	
Rest of world	2,318	2,037	
Total long-lived assets	<u>\$ 12,884</u>	<u>\$ 12,712</u>	

Selected information by product line is presented in the following tables:

(in percentages)	2020	2019	2018
Net sales:			
Packaging	80%	85%	100%
Non-packaging	20	15	—
Consumer Packaging International	100%	100%	100%
Rigid Open Top	55%	52%	49%
Rigid Closed Top	45	48	51
Consumer Packaging North America	100%	100%	100%
Core Films	58%	49%	45%
Retail & Industrial	42	51	55
Engineered Materials	100%	100%	100%
Health	18%	14%	16%
Hygiene	47	48	46
Specialties	35	38	38
Health, Hygiene & Specialties	100%	100%	100%

13. Net Income per Share

Basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net income per share is computed by dividing the net income attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method and the if-converted method. For purposes of this calculation, stock options are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive. There were 7 million and 5 million shares excluded from the fiscal 2020 and 2019 diluted net income per share calculation, respectively, as their effect would be anti-dilutive. There were no shares excluded from the fiscal 2018 calculation.

The following tables and discussion provide a reconciliation of the numerator and denominator of the basic and diluted net income per share computations.

(in millions, except per share amounts)	2020	2019	2018
Numerator			
Net income attributable to the Company	\$ 559	\$ 404	\$ 496
Denominator			
Weighted average common shares outstanding - basic	132.6	131.3	131.4
Dilutive shares	2.5	3.3	3.8
Weighted average common and common equivalent shares outstanding - diluted	135.1	134.6	135.2
Per common share income			
Basic	\$ 4.22	\$ 3.08	\$ 3.77
Diluted	\$ 4.14	\$ 3.00	\$ 3.67

14. Quarterly Financial Data (Unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years ended.

	2020				2019			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$ 2,816	\$ 2,975	\$ 2,910	\$ 3,008	\$ 1,972	\$ 1,950	\$ 1,937	\$ 3,019
Cost of goods sold	2,296	2,391	2,272	2,342	1,619	1,578	1,551	2,511
Gross profit	<u>520</u>	<u>584</u>	<u>638</u>	<u>666</u>	<u>353</u>	<u>372</u>	<u>386</u>	<u>508</u>
Net income	<u>\$ 47</u>	<u>\$ 126</u>	<u>\$ 191</u>	<u>\$ 195</u>	<u>\$ 88</u>	<u>\$ 74</u>	<u>\$ 13</u>	<u>\$ 229</u>
Net income per share:								
Basic	\$ 0.36	\$ 0.95	\$ 1.44	\$ 1.47	\$ 0.67	\$ 0.57	\$ 0.10	\$ 1.74
Diluted	\$ 0.35	\$ 0.94	\$ 1.42	\$ 1.44	\$ 0.66	\$ 0.55	\$ 0.10	\$ 1.69

The fourth fiscal quarter for 2019 includes certain unusual, nonrecurring items related to the acquisition of RPC and divestiture of our SFL business. Refer to Note 2. Acquisitions and Dispositions for further information.

15. Subsequent Events

U.S Flexible Packaging Converting Disposition

In October 2020, the Company reached an initial agreement to sell its U.S. flexible packaging converting business which was primarily operated in the Engineered Materials segment for \$140 million, which is preliminary and subject to adjustment at closing. The Company reported fiscal 2020 net sales of approximately \$200 million related to the sold business. For the period ended September 26, 2020, the Company has classified assets of \$162 million and liabilities of \$25 million as held for sale.

Business Reorganization

In October 2020, the Company reorganized portions of its four operating segments in order to better align our various businesses for future growth. This reorganization includes the following changes: (1) the Health, Hygiene & Specialties segment will include the Tapes business historically reported in our Engineered Materials segment, (2) the Consumer Packaging International segment will include the North American Healthcare business historically operated in Consumer Packaging North America segment and (3) the Engineered Materials segment will include the European films business which was historically operated in the Consumer Packaging International segment. We will report results based on our reorganized structure beginning with our results for the first quarter of fiscal 2021.