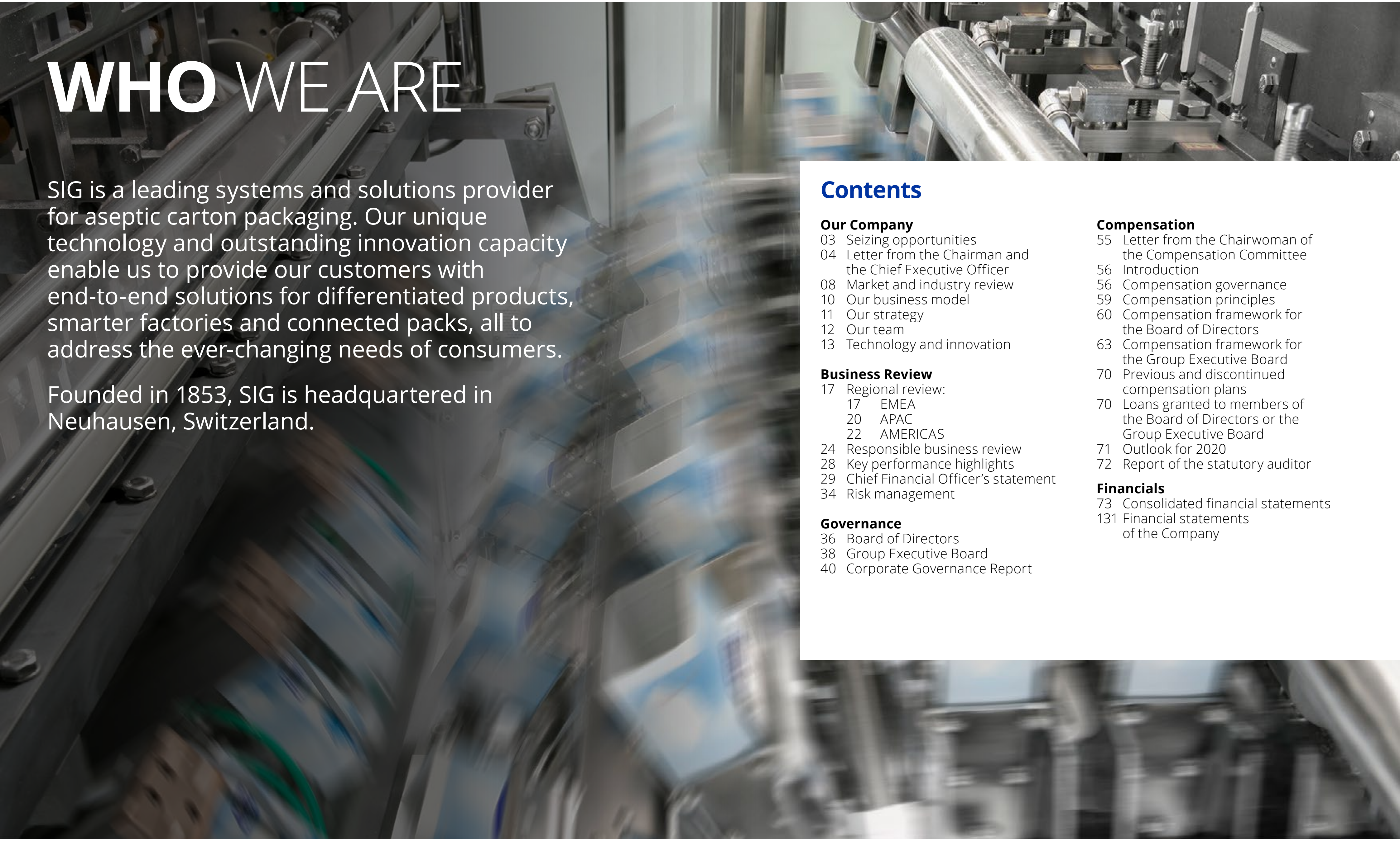
ANNUAL REPORT 2019

SEIZING OPPORTUNITIES



WHO WE ARE

SIG is a leading systems and solutions provider for aseptic carton packaging. Our unique technology and outstanding innovation capacity enable us to provide our customers with end-to-end solutions for differentiated products, smarter factories and connected packs, all to address the ever-changing needs of consumers.

Founded in 1853, SIG is headquartered in Neuhausen, Switzerland.

Contents

SEIZING OPPORTUNITIES

Our purpose

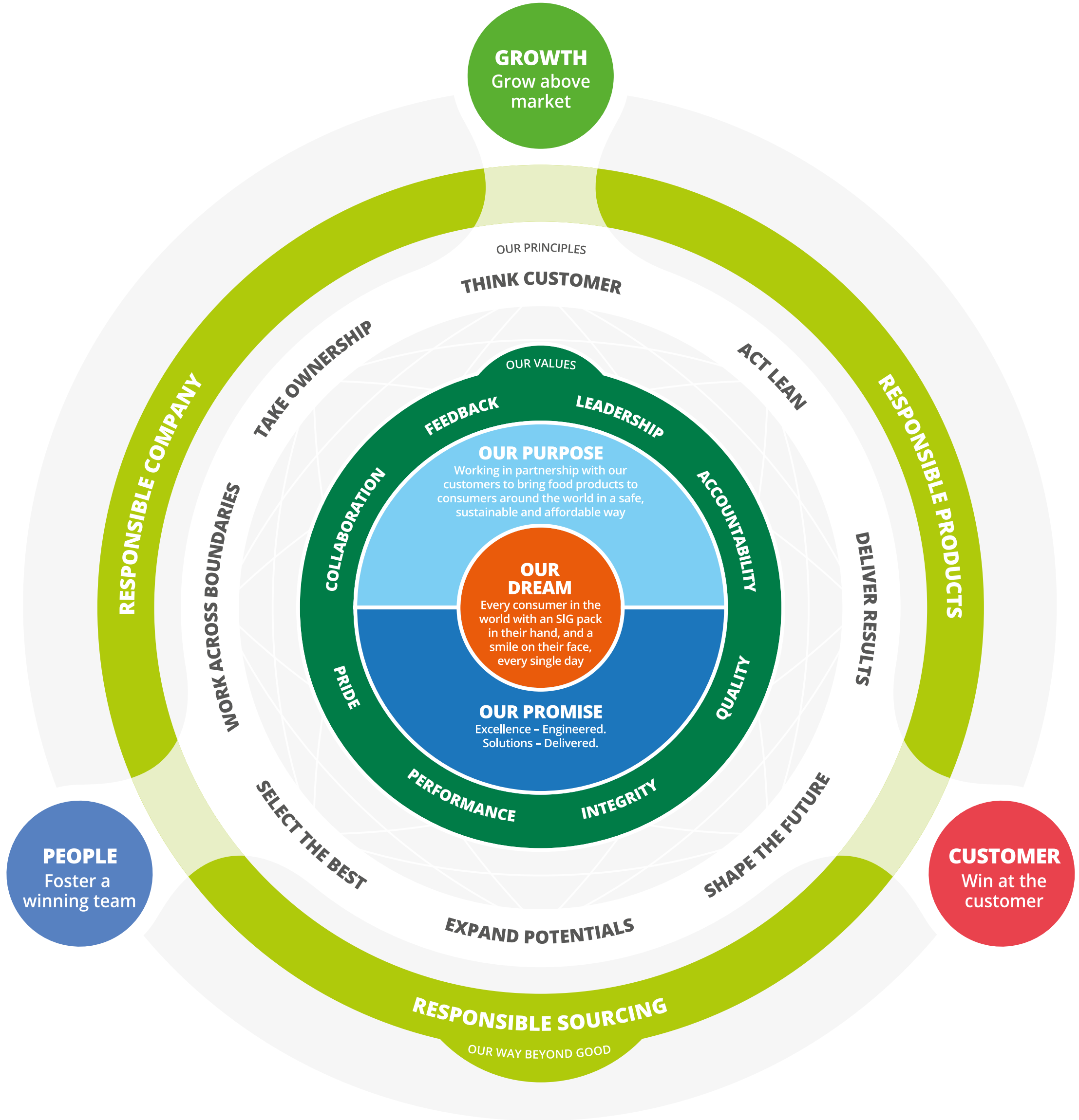
We work in partnership with our customers to deliver food and beverages to consumers across the world in a safe, sustainable and affordable way.

Our purpose is a core element of our corporate compass and underpins our dream of seeing every consumer in the world with a SIG carton pack in their hand and a smile on their face, every day.

Our promise to our customers is Excellence – Engineered. Solutions – Delivered. Building on our Swiss engineering heritage that goes back more than 150 years, we offer state-of-the art filling equipment and superior technical service. We also deliver solutions that go beyond just the filling technology and packaging. We solve customers' problems and offer new possibilities through an intelligent, holistic overview of their business needs. With our engineering know-how, we can transform our customers' filling plants into intelligent, connected factories which are at the forefront of digital technology.

Values and principles

The three core elements of our corporate compass are encircled by the SIG company values and leadership principles that represent our behavioural framework, defining what we seek from employees and leaders. They link our strategy to daily business and provide a pathway to ensure the Company's future success.



Letter from the Chairman and the Chief Executive Officer

SEIZING OPPORTUNITIES

Rolf Stangl
Chief Executive Officer

Andreas Umbach
Chairman

2019 was SIG's first full year as a publicly listed company since returning to SIX Swiss Exchange in 2018. The listing has naturally brought greater awareness of our Company both in our home country Switzerland and abroad. During the year we have engaged with a broad base of investors internationally and have had many discussions with representatives of the media and other external stakeholders. This has given us the opportunity to explain the unique technology behind our solution business, consisting of filling lines, carton packs, closures and services. We have also been able to demonstrate the strong sustainability credentials which are intrinsic to our business.

Our dream

As a listed company we continue to pursue our expansion goals supported by the investments made in recent years. Our dream of seeing "Every consumer in the world with a SIG pack in their hand, and a smile on their face, every single day" may sound ambitious but it reflects the growing demand for packaged food globally. In fact, this dream is firmly grounded in the reality of providing safe, sustainable and affordable packaging solutions for essential food products to our customers around the world.

> SIG's focus on sustainability dates back many years and it is an integral part of our corporate compass and group strategy.

Letter from the Chairman and the Chief Executive Officer continued

Consuming safely and on the go

We help the food and beverage companies who are our customers to meet the differing needs of consumers globally. In many emerging markets where there is no fully reliable cold chain, food preservation is a top priority. Our cartons enable beverages and liquid food to maintain their taste, appearance and nutritional qualities for up to 12 months without the need for refrigeration or preservatives. This minimises waste and avoids the CO_2 emissions generated by a cold chain. Cartons are also highly attractive in countries where e-commerce is expanding, as they facilitate safe and cost-effective transportation.

> Our dream is firmly grounded in the reality of providing safe, sustainable and affordable packaging solutions to our customers around the world.

Our flexibility in terms of packaging size and format means that emerging market consumers can have access to nutritional products at an affordable price. Milk is a primary source of protein for young and old alike and consumption continues to rise in many countries. In some more developed markets, producers including smaller start-up brands are diversifying into areas such as plant-based dairy alternatives, protein drinks and nutritional supplements. Consumers' changing lifestyles favour on-the-go consumption and the difference between food and drink is blurring. These all represent new opportunities for us which can be maximised through our unique filling capabilities and our innovative formats and designs.

Sustainable solutions

Public concern over sustainability issues has intensified over the last 12 months and the need for sustainable packaging is now top of mind with all our customers, as well as with many consumers. However, SIG's focus on sustainability dates back many years and it is an integral part of our corporate compass and group strategy. Our cartons have one of the lowest carbon footprints, being made largely out of renewable materials and fully recyclable, and we have pioneered structures that further enhance their environmental profile. More broadly, we focus on driving carbon footprints down and on changing the narrative from carbon neutral to net positive. In 2019, we became one of the first companies in our industry to set a climate target approved by the Science-Based Targets Initiative (SBTi) as being in line with the goal of limiting global warming to 1.5°C above pre-industrial levels.

Governance and shareholders

The Company held its first Annual General Meeting since the recent listing on 11 April 2019 in Schaffhausen. The meeting was well attended with 81.8% of the share capital represented. All the proposals of the Board of Directors were passed by a large majority.

The Board of Directors combines the knowledge and experience of the previous Advisory Board with the addition of new members who have a background in publicly listed companies both in Switzerland and abroad. Onex now has a single Board seat as David Mansell did not stand for re-election at the Annual General Meeting. In the course of 2019, in line with common post-IPO practice, Onex reduced its holding from 51% to 32% of the share capital.

2019 financial performance

2019 was another year of strong sales growth and cash generation. Core revenue increased by 5.2% at constant exchange rates, comfortably within our target range of 4% to 6%. Growth was driven in particular by markets outside Europe, demonstrating the success of our expansion initiatives. The adjusted EBITDA margin for the Group at 27.2% was also within the target range for 2019. We continued to invest in innovation and introduced multiple new products in the course of the year. Recent major launches such as combismile continued to ramp up and our most advanced sustainable solutions, including **SIG**NATURE PACK and EcoPlus, gained traction as customers sought to address growing consumer concerns over the environment. Adjusted net income reached EUR 217 million, above the 2018 pro forma level. Free cash flow was also ahead of 2018 at EUR 267 million and we are proposing a dividend of CHF 0.38 per share, compared with CHF 0.35 per share in 2018.

Increasing share of wallet and winning new customers

Our business model is based on supplying our customers with an integrated system serviced by our engineers in the field worldwide. New customers are often attracted to the SIG offering by the flexibility of our system and our ability to fill a wide array of products, ranging from plain white milk to soups and sauces containing pieces or chunks. Our ambition is to deliver unrivalled operating efficiency, service and innovation to not only maintain but also grow our share of wallet. Our success is evidenced by long-lasting customer relationships and a net promoter score that is regularly best-in-class. The loyalty of our customers is something we prize very highly – it is never taken for granted and we strive continuously to ensure that it is merited.

Letter from the Chairman and the Chief Executive Officer continued

Growing the business globally while deepening our local presence

We have a well established global filler base that forms the bedrock of our future growth. Over the last 10 years, aided by strong cash flows out of Europe, we have significantly built up our business in the Americas and Asia Pacific. These regions have increased in importance in recent years and are expected to have the highest growth rates going forward. We have focused on establishing a local manufacturing presence in order to be close to our customers and to benefit from cost and sourcing efficiencies. With the rapid growth in our Asia Pacific business, we announced in July that we have decided to expand our production network in the region with the construction of a second plant in China. This follows on from our recently opened regional Tech Centre in China and will enable us to continue to meet demand across Oceania and Asia, where millions of people are only now starting to consume packaged food and beverages..SIG's growth objectives are founded on organic growth and acquisition opportunities in our industry have historically been few. However, in 2019 we were able to acquire Visy Cartons in Australia, establishing a presence in a market where SIG has until now had no direct presence. We intend to expand the Visy business in New Zealand as well as Australia and to fully take advantage of the wave of investment by dairy companies targeting exports of premium milk to the Chinese market. The acquisition of Visy will further leverage our expanding Asia Pacific footprint and will enable us to expand the reach of SIG's latest technologies and solutions.

> We have a well established global filler base which forms the bedrock of our future growth.

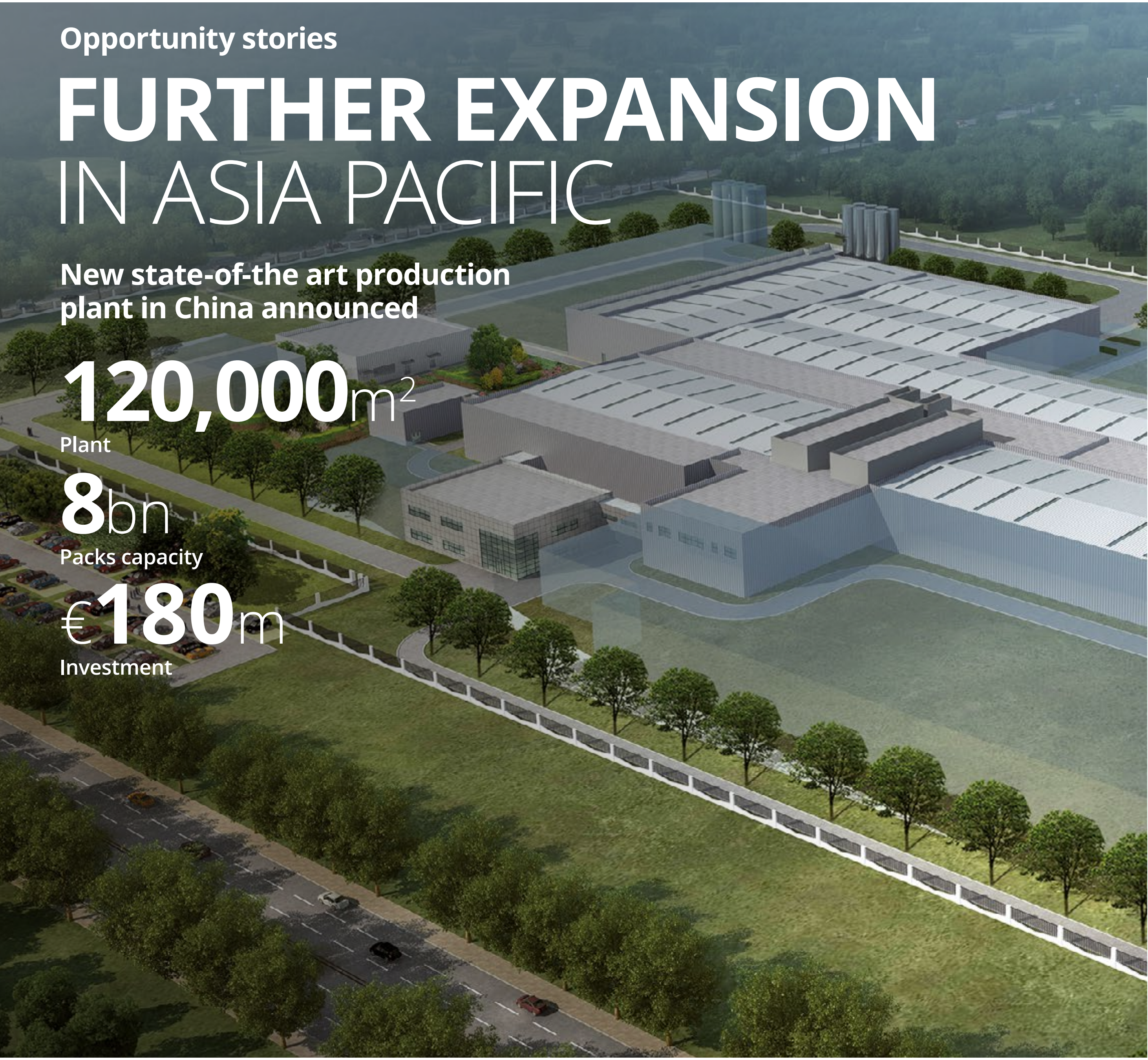
The capabilities and know-how of our employees are key to our success

Our business demands a diversity of talents spanning different areas including engineering, food science, marketing and product development. We aim to make SIG the best place in our industry to work and to offer exciting development opportunities globally and across disciplines. We would like to thank all our employees for the excellent contributions they made in 2019, going the extra mile to serve our customers, to further grow our business while maintaining a high level of profitability and return on capital, and to go way beyond good on our journey to become net positive.

Andreas Umbach
Chairman

Rolf Stangl
Chief Executive Officer

SIG's new Asia Pacific Tech Centre brings a new dimension in supporting customers with the development and implementation of new product concepts and market-ready packaging solutions.



Opportunity stories

FURTHER EXPANSION IN ASIA PACIFIC

New state-of-the art production plant in China announced

120,000m^2
Plant

8bn
Packs capacity

€**180**m
Investment

Highlights

- Asia Pacific continues to be the biggest growth driver for aseptic carton packaging
- Construction of SIG's second production plant in Suzhou, China

The Asia Pacific market has shown a dynamic performance over the last decade, with most countries contributing to growth. The construction of a new plant at the Suzhou Industrial Park, in close proximity to SIG's existing factory and recently opened Tech Centre, will allow the realisation of operational and overhead synergies.

The plant is expected to come onstream in early 2021. It is expected to achieve world-class environmental and safety performance and to be SIG's most productive plant, with the fastest, most efficient machines and the highest levels of automation.

> Together with our nearby Tech Centre, our new production plant will ensure that we continue to excel at bringing new and exciting product and packaging concepts to the Asia Pacific market quickly and efficiently.
>
> **Rolf Stangl**
> Chief Executive Officer

MARKET AND INDUSTRY REVIEW

The aseptic carton market for liquid food and beverages is fuelled by fundamental industry and consumer trends.

Growing demand for packaged food

Safe and affordable packaging solutions are required to serve the growing middle class in developing markets.

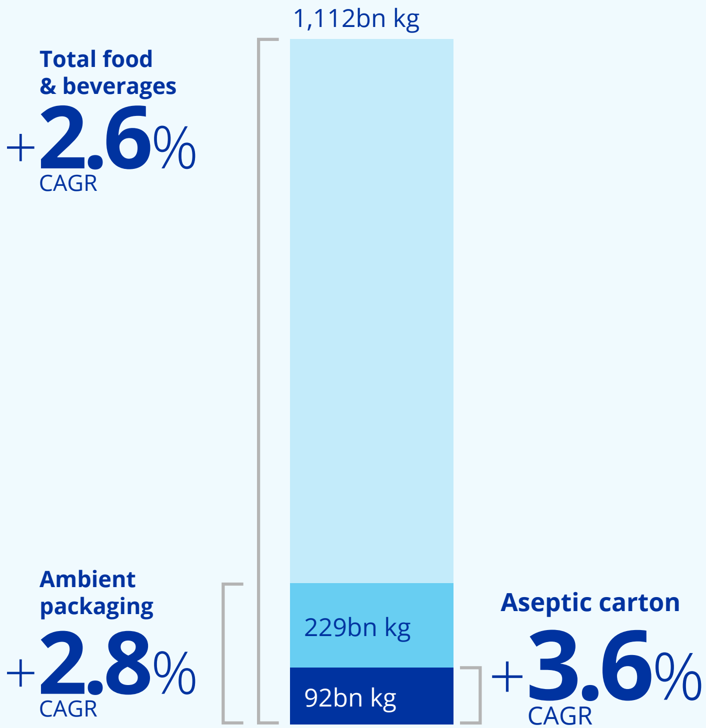
The number of people with access to packaged food is growing faster than the overall global population. At the same time, the average spend per person on packaged food is rising. With more people able to consume a little more every day, global spend on packaged food is expected to rise at a cagr of 2.4% per annum[1] over the next ten years.

The choice of packaged food is to a large extent determined by consumers' disposable income. In developing markets, households typically switch from loose milk and beverages to processed or packaged products when they reach an annual income above $5,000[2]. Aseptic carton as an affordable and safe solution caters to the needs of these rising consumers. Subsequently, as people move into higher income classes, they shift towards higher value or premium food and beverage categories.

Driven by these demographic trends and by consumer behaviour, aseptic carton volumes – currently around 92 billion litres – are expected to grow at a rate well above the total food packaging market and above other forms of ambient packaging.

1 Source: United Nations, Euromonitor, company information.
2 Source: Euromonitor, company information.

Aseptic carton packaging shows highest growth rates



The number of people with access to packaged food is growing faster than the overall global population. At the same time, the average spend per person on packaged food is rising.

Market and industry review continued

Efficient and safe supply chain

Manufacturers need efficient packaging technology and safe supply chains with the transparency increasingly expected by consumers who demand assurances on product origin and quality. Low waste rates – as afforded by SIG's filling technology – are essential, especially for companies filling premium products such as fruit-based juices or plant-based milks containing valuable nuts and grains.

Products packed aseptically – in other words using the Ultra High Temperature (UHT) process – are heated at a high temperature for two to four seconds and are then immediately cooled before being poured into sterilised packs. They have a longer shelf life – up to 12 months – compared with other forms of packaging. Aseptic carton packaging offers a high level of protection against air and light, so that nutrients, vitamins and taste are protected, maintaining the product's natural goodness. It is the most cost-efficient packaging solution in most pack sizes for a wide range of liquid dairy and non-carbonated soft drinks.

Demanding consumers

Innovative packaging and filling solutions are required to meet demand for on-the-go consumption, differentiation and convenience. Consumers' desire for continuous variety is resulting in a proliferation of SKUs. SIG's sleeve-fed filling system enables food and beverage companies to respond to rapid changes in demand by providing a high level of flexibility in terms of fast change-over times between carton sizes and shapes.

Our technology is enabling both our customers and ourselves to drive growth beyond the traditional liquid dairy and non-carbonated soft drinks segments. Following key food and beverage product trends, we continue to penetrate fast-growing, premium-priced categories such as plant-based dairy alternatives, dairy- or juice-based drinkable snacks and breakfasts, warm or hot on-the-go drinks, flavoured or functional waters, protein or sports drinks and nutraceuticals.

In developing markets, affordability is a key requisite. Carton provides a lightweight affordable option and SIG's filling flexibility enables customers to respond rapidly to changes in market demand and purchasing power – for example by shifting to smaller sizes at the right price.

Sustainability and going green

Sustainability issues are today at the forefront of public attention and influence people's perception of every industry. As the impact of packaging on the environment is increasingly monitored by regulators, NGOs, brand owners and consumers, there is a compelling need for sustainable solutions.

Aseptic cartons are among the most ecologically sound packaging solutions for liquid food and beverages. They are made primarily from renewable resources – meaning pulp that is replenished through sustainable forest management. The aseptic carton industry today produces 40% more cartons from the same amount of wood as used 20 years ago. This reflects improvements in processing and advances in the carton structure, including light-weighting.

By eliminating the need for refrigerated transport and storage, aseptic cartons reduce CO_2 emissions. Overall, the total carbon footprint of our cartons is up to 70% lower than other types of packaging.

Cartons are fully recyclable and already have a recycling rate in Europe of 49%[1]. Recycling infrastructure and collection are key, and SIG and the industry work intensively to drive progress in these areas.

Aseptic cartons are among the most ecologically sound packaging solutions for liquid food and beverages.

7.3bn
people with access to processed food

70%
lower carbon footprint than other substrates

>10k
products packed by SIG

49%
of cartons recycled in Europe

1 Source: The Alliance for Beverage Cartons and the Environment.

OUR BUSINESS MODEL

Our strengths

Engineering know-how
SIG has been designing packaging machinery since the early 20th century and is ideally placed in a world where demand for packaged food is growing. Our unique sleeve-based filling technology offers our customers unmatched volume and format flexibility, enabling them to meet the rapidly changing demands of consumers. Our superior system reliability ensures that our customers are part of a safe and efficient supply chain.

Partnership with customers
Our filling and packaging technology is at the heart of our customers' operations. We work in close collaboration to develop innovative product and packaging solutions to meet consumer demands for differentiation, convenience and sustainability. And we help to increase efficiency and transparency through intelligent, automated and fully integrated plants. All this results in customer relationships that span many years or even decades.

Broad geographic base
Over the last 10 years we have increased our exposure to the faster growing regions of the world: the proportion of sales realised outside Europe has increased from 28% in 2009 to 57% in 2019. With our globally integrated footprint and supply chain, we are able to support customers locally and to meet their needs quickly and efficiently.

Our culture
Our culture is based on the principle that we are all responsible and accountable for results. Our colleagues are encouraged to dream big, set stretched targets, take ownership and to challenge themselves. This enables us to improve every day, to realise growth by winning against the competition and to continue to invest in our business.

What we do

Filling technology and packaging material
Sleeve-based packaging systems providing 270+ packaging options to our customers:

- Filling lines
- Carton packs
- Closures

Technical service
Flexible services to maximise reliability and efficiency in food and beverage production:

- >550 field service engineers
- Spare parts delivery worldwide
- Technical support
- Five regional training centres

Complete customised solutions
Added value through customised complete solutions for:

- Innovative and differentiated products
- Smarter factories
- More connected packaging

The value we create

Our customers

1,233 fillers
increasing capacity in the field

>**38**bn
packs produced in 2019

Our people

~**5,500**
employees in 35 countries

130,846
hours of training

Communities

>**2**x
societal impact from community programmes since 2016

Environment

100%
renewable energy for production

Investors

+**52.9**%
Total Shareholder Return in 2019

OUR STRATEGY

We aspire to make SIG-packed products accessible to everyone, everywhere, enabling people to enjoy healthy, great-tasting food and beverages. To achieve our ambition, our people work in partnership with our customers to bring food products to consumers around the world in a safe, sustainable and affordable way.

1 Growth
Grow above market

Progress in 2019

In June, we again achieved our objective of core revenue growth at constant currency of 4-6%. We achieved growth in all regions and expanded our footprint in Asia Pacific with the acquisition of Visy Cartons. We made further advances in the sustainability of our packs and were the first carton company to offer a paper straw.

KPIs

Core revenue

Priorities for 2020

- Further execute our strategy to grow share in established and new markets
- Further expand in new categories driven by changing consumer habits, eg. plant-based dairy alternatives, water, nutritional supplements
- Construct our new sleeves plant in China ready for production commencing early in 2021
- Integration of Visy Cartons in Australia with the start of supply chain optimisation and the expansion of the product range

2 Customer
Win at the customer

Progress in 2019

We continued to win new customers while increasing our share of wallet with existing customers. Key drivers of our success were the format and volume flexibility of our filling machines, attractive total cost of ownership for longer runs, innovative product designs and our high service levels. The launch of the first pilot project for our partnership with GE Digital paved the way for a transition to predictive filler maintenance across our customer base.

KPIs

>25 years

average length of relationship with top 10 customers

Priorities for 2020

- Help our customers respond to the growing consumer concern for the environment by providing them with the most sustainable packaging solutions on the market
- Continue to ensure that affordable solutions are available in regions where consumer purchasing power is still low
- Support our customers in unlocking new growth opportunities in rapidly developing segments such as dairy alternatives and snacking
- Leverage our new Tech Centre in China to accelerate the pace of innovation in the Asia Pacific region and to give more customers first hand experience of the potential of our filling machines

3 People
Foster our winning team

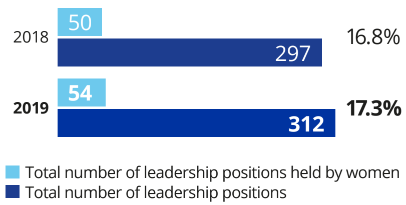
Progress in 2019

In 2019, we implemented a long-term incentive plan, which further fosters the alignment of managers with shareholders and the perspective of pay for performance. Across the Company we set stretched – but achievable – targets and worked to ensure that all team members understand their roles in meeting those targets.

A diverse workforce with equal opportunities for everyone is a priority for SIG. Our goals include increasing the proportion of leadership positions held by women to 30% by 2025.

KPIs

Number of women in leadership positions



Priorities for 2020

- Further align performance and reward; introduce a broader employee share plan
- Further develop and drive talent management to ensure a strong bench and seamless successions
- Build out diversity in leadership to reflect the diversity in our markets, customers and consumers

OUR TEAM

SIG – Best place to work

Our goal is to be the best employer in the industry and beyond. We aim to create an environment where each of our approximately 5,500 employees worldwide is engaged in the business, fairly rewarded and recognised for the work that they do, given equal opportunities regardless of their background and able to develop their full potential.

Talent development

Our Company offers a vast range of positions, which are as individual as our people. We aim to match the skills of each employee to the opportunities within the Company and to continuously improve the way we address employee needs. We undertake to give every employee the chance to take part in internal or external training programmes, and training requirements are identified as part of the yearly review process. Our training concept consists of culture and leadership plus expert knowledge and regional basic know-how offerings. The Leadership Campus teaches the SIG Leadership Model so that transformational leadership becomes our common leadership philosophy.

Employee reward and recognition

To increase employee motivation and our attractiveness as an employer, we ensure that performance is recognised and rewarded in a fair and transparent manner. It is our policy to remunerate employees in line with existing market practice. We benchmark our remuneration approach against other companies to ensure that our remuneration packages are competitive in each of our markets. Pay is and will remain linked to performance. In addition we will align shareholder interests and broader employee compensation through a broader employee share plan.

Employee engagement

By creating an engaging and energising working environment, we aim to enable our employees to unfold their full potential and to improve their workplace experience. By listening to them and responding to their views, we help to sustain high levels of job satisfaction.

To further foster engagement, we give our employees a voice in our biennial Employee Engagement Survey and in the implementation of concrete improvement measures in their area of responsibility, scope of influence and direct working and team environment. In the last survey conducted in 2018, our net promoter score significantly improved.

Over the past three years, we have responded to employee feedback by focusing on the way we lead, innovate and manage change. Our "C Time" and "T with the C" meetings give employees an opportunity to hear from our CEO and other C-suite executives directly, and to ask about the issues that matter the most to them. Quarterly team meetings, with video messages from the CEO, are designed to improve engagement and understanding of the company strategy.

Employment and labour rights

The SIG Code of Conduct addresses ethical and legal principles in general, whilst the SIG Business Ethics Code sets out more specific principles regarding employment and labour rights. Employees are encouraged to report any violation of the principles through the SIG Ethics & Compliance Hotline or any available channel. As part of our Sedex (Supplier Ethical Data Exchange) membership, all our production sites undergo SMETA (Sedex Members Ethical Trade Audit) four pillar audits on a regular basis.

Diversity and equal opportunities

Diversity and inclusion has increased in importance for our business and our stakeholders. We are establishing a diversity and inclusion strategy with an overarching vision and governance, as well as a dashboard allowing us to identify opportunities and set targets to measure our progress in creating a diverse and inclusive culture. Our aim is to prevent discrimination on any grounds and to create an inclusive workplace where a range of nationalities and cultures are represented, and where there are equal professional opportunities regardless of gender, age or disability. In our last Employee Engagement Survey, the vast majority agreed that people are treated fairly at SIG regardless of their gender, nationality or ethnic background.

TECHNOLOGY AND INNOVATION

Excellence – Engineered. Solutions – Delivered.
Our innovation capabilities enable us to address multiple customer needs and to respond to fast-changing consumer trends. We draw on the unmatched flexibility of our system to create modular solutions which give customers the optionality they need. We spend approximately 3% of sales on R&D and, in addition to the significant proprietary know-how in our solutions, our innovations are patent-protected.

Our unique technology
The unique advantages of the SIG offer lie in our proprietary filling technology and sleeve-based system. We offer a range of packaging formats, volumes and opening solutions, providing our customers with more than 270 packaging options. Our customers fill more than 10,000 food and beverage products into our packs. The flexibility of our system limits change-over downtime and results in better asset utilisation for many customers. As well as a high level of reliability, our system offers low waste rates for both the packaging and the finished product.

Addressing multiple customer and consumer needs

Technology and innovation continued

Product innovation and differentiation

Product and packaging solutions

Our philosophy of packaging innovation starts with the consumer. We conduct ethnographic research using industry-specific methodologies to capture a multitude of articulated and unarticulated consumer needs. We work with leading experts to develop comprehensive concepts and solutions which we then test with consumers to see how they select, transport, use and dispose of the package.

To bring new packaging solutions to the market, we work in close collaboration with our customers. For example, combiblocXSlim was developed to provide small packages in a range of nine different sizes ranging from 80ml to 200ml. The packages are produced on a high-speed filling machine running at 24,000 packs per hour and capable of handling regular, high viscous and particulate product recipes. There is also an aluminium-free package option.

We collaborate closely with our customers to support them with the development and implementation of new product concepts. Brands are increasingly seeking to premiumise their products to meet consumer lifestyle aspirations. Consumer behaviour is shifting in favour of convenience and on-the-go consumption, with a trend towards snacking and a blurring of the boundary between food and beverage. Our drinksplus technology allows fruits, nuts and cereals to be incorporated into yoghurt-based products or drinks and can easily be added to a customer's existing filling machines.

Recent launches

In 2019, we saw recent breakthrough innovations such as combismile, Heat&Go and **SIG**NATURE PACK scale up and gain market traction. combismile, launched in China at the end of 2017, is driving our presence in key growth categories. combismile is a new generation of on-the-go packaging to help producers meet the growing consumer demand for mobile, healthy and individual food and beverage experiences. It is now being rolled out beyond the Asia Pacific region, with launches in the USA and South Africa in 2019.

We also introduced multiple new products in 2019. The launch of combistyle is a proof point for SIG's core strength of flexibility. This new format can be filled on existing filling machines which are already producing standard combiblocMidi and combifitMidi shapes. This means that customers can fill three different carton formats on one line, optimising their asset utilisation. From a consumer perspective, combistyle has a distinctively shaped corner which stands out on the shelf and provides a more comfortable and safer grip.

And it is not just the carton that is new. combistyle features SIG's new combiMaxx closure in a centralised position, which is fully resealable and leak-proof with easier opening and better pouring.

The unique particulates filling technology from SIG Combibloc lets customers create new products that combine a drink with extra pieces, such as crunchy grains or juicy pieces of fruit.

Technology and innovation continued

Innovating for the environment
SIG's pioneering role in sustainable packaging was demonstrated by the launch in 2010 of EcoPlus, the world's first aseptic carton without an aluminium barrier, resulting in a 28% reduction in carbon footprint[1].

This concept has also brought new advantages for the consumer. In Asia, we have launched Heat&Go, an aluminium-free format that allows beverages to be heated in a microwave and enjoyed warm. Both the quality and the shelf life of the product are fully preserved and on the same high level as standard packs.

The introduction of EcoPlus was followed by **SIG**NATURE PACK which, besides being aluminium-free, has a clear link to 100% plant-based renewable materials.

In 2019, we went a step further by being the first in the industry to offer beverage cartons made with recycled polymers produced from post-consumer waste. Working in partnership with our supplier SABIC, we have developed a process for collecting and treating low quality, mixed plastic waste, transforming it into high quality, food grade material.

Combining convenience with commitment
In February 2019, SIG introduced the first straight paper straw for aseptic carton packaging. This was soon followed by the world's first U-shaped paper straw launched at Gulfood Manufacturing 2019 in Dubai. Both straws use FSC™-certified paper and are available globally. The wrapper for the straw has also been redesigned to remain attached to the package during straw removal by the consumer, in order to avoid littering. This innovation responds to the widespread concern about the damage done by discarded plastic straws, while maintaining the convenience required by consumers.

Smart factories

Differentiation through service excellence
There are increasing business opportunities with customers that go beyond packaging solutions.

Our experience in designing and implementing complete packaging lines means that we provide everything from single-system solutions and optimised upgrades to complete turnkey solutions for intelligent, automated and fully integrated plants – delivered through our best-in-breed partner network.

Our Digital Platform Strategy builds on many years' experience of connectivity for our filling lines, supporting our customers in improving overall equipment effectiveness (OEE). Building on this experience, SIG has co-developed Plant 360 Asset Management with GE Digital. This solution addresses increasing demands in the food and beverage industry, particularly the need for higher productivity, quality and uptime. Enhanced and expanded digital data can be retrieved and evaluated at any time by SIG's reliability engineering team. New analytical technology and asset management software enable customers to move from preventive to predictive maintenance of filling lines. For example, spare parts will no longer be replaced at fixed maintenance intervals – instead they will only be replaced when potential failure is predicted. This means lower capital expenditure for the customer as well as optimised quality.

Read how Plant 360 Asset Management has been launched for the first time in the Middle East.

SIG has developed the Plant 360 Controller – a new digital monitoring and control solution to optimise every angle of filling plant operations.

Connected packs

Digital marketing and traceability solutions
In today's digital and on-demand world, consumers are more informed and empowered than ever. They are constantly sharing experiences online and looking for new ways to have conversations with brands. Consumers expect individual products to act as interactive media sources.

In 2019, SIG launched PAC.ENGAGE to provide a variety of communication options for brands to interact with consumers directly on the package. With a simple scan from a smartphone, the unique QR code can launch dynamic engagement in the form of lucky raffles, loyalty programmes, fun quizzes and more. Flexible, easy to build modules can be customised for any brand and provide valuable insights and actionable data about purchasers.

1 Certified by an independent institute according to the relevant ISO standard.

Technology and innovation continued

IoT and smart packaging innovations are opening up new possibilities for both interaction and tracking. SIG is helping customers to integrate complete transparency into the value chain at all times. In Brazil, for example, we have worked with the milk co-operative Languiru to introduce one-click tracking, supported by automated data collection across the supply chain. A QR code on the pack enables consumers to track the contents from the farm or collection point and has become a hallmark of quality.

Two major Tech Centres

R&D and continuous innovation are at the heart of everything we do. Our R&D is mainly conducted in two major Tech Centres in Linnich, Germany and Suzhou, China.

At these centres we design, engineer and test innovative packaging structures and shapes and new product formulations. Our customers can visit the centres themselves to try out the new product formulations in an industrial setting. In Linnich, the Tech Centre has food accreditation, enabling us and our customers to carry out consumer trials, with products marketed directly in retail.

Our new Tech Centre in Suzhou is enabling us to serve faster the rapid innovation cycles that are typical of Asia Pacific and Oceania. Currently the centre is driving the expansion of combismile into new and growing categories such as dairy alternatives and vegetable protein drinks. This is an illustration of the close connection between consumer demands, product development and packaging which is fundamental to the way we serve our customers.

PAC.ENGAGE provides a variety of communication options for brands to interact with consumers directly on the package.

Regional review: EMEA

FLEXIBLE AND INNOVATIVE OFFER

Successful go-to-market strategies

€755m
Core revenue 2018: €733m

+2.8%
change at constant currency

Introduction

SIG's aseptic carton packaging business originated in Germany and Europe remains the largest region globally for aseptic carton packaging. Our largest sleeve production plant is in Linnich, where we also assemble filling machines and conduct R&D and consumer trials.

Our presence in the Middle East and Africa is led by our 50/50 joint venture SIG Combibloc Obeikan. Sales of the joint venture are not consolidated but our share of net income is recognised in the group income statement.

Market overview

Increasing share of wallet and winning new customers in Europe

In a mature market for white milk and juice, many food and beverage companies are focused on efficiency and cost. However, there are opportunities for growth from emerging categories such as plant-based dairy alternatives and water. Consumers' desire for novelty and variety, with an increasing focus on healthy and natural products, is giving rise to a proliferation of SKUs. This means that the value chain has to become more agile and flexible.

In this environment, SIG is pursuing two clear go-to-market strategies. We are not only defending our position but also growing with existing customers by ensuring that we can meet their need for flexible and cost-efficient solutions. We are winning new customers and entering into and growing in new categories, while at the same time expanding our European reach. Our progress is supported by our filling capabilities and our unique offer in terms of size and format flexibility.

Our strategies are underpinned by our core strengths of operational excellence and advanced after-sales service. We have upgraded our solution offering and portfolio as well as our sales tools and processes. Moreover, the strength of our packs' environmental credentials is an increasingly important differentiator in our discussions with customers. Our sustainable product innovation enables us to help customers respond to new regulatory requirements and meet their own targets for sustainable packaging.

Maspex

Maspex is the market leader in non-carbonated soft drinks in Poland and has been a SIG customer since 2001. The close relationship developed over the years has enabled us to work together on product development in order to meet consumer needs.

When Maspex wanted to refresh consumer appeal for their natural fruit juice range, they decided to introduce combidome for the first time in Poland. This solution offered differentiation and a new level of convenience. Together SIG and Maspex developed new concepts aimed at attracting new consumer groups and leveraging SIG's volume flexibility.

With the installation of three SIG filling machines, Maspex has successfully launched a new product range for its popular Tymbark brand, including most recently 500ml on-the-go vegetable juice drinks.

See how Maspex is promoting the new Tymbark range here:

Watch video

Regional review: EMEA continued

Almarai
With Almarai, one of Saudi Arabia's largest global food and beverage producers, the joint venture piloted a first-in-industry integrated digital solution for asset monitoring and service delivery based on predictive analytics. Developed in partnership with GE Digital, the Plant 360 Asset Management solution's objectives are to increase asset availability, production reliability and overall equipment effectiveness.

SIG Combibloc Obeikan is playing a leading role in industrial IoT with expanded connectivity to monitor remotely over 80% of production by MEA filling machines.

This digital connectivity enables the transition of customers' filling machines from traditional preventative to condition-based maintenance, targeting increased line availability and improved asset utilisation.

Growth through partnership in Middle East Africa
SIG Combibloc Obeikan's geographic territory spans 70 countries in Middle East Africa (MEA), with revenue currently generated in 17 countries, the most significant of which are Saudi Arabia, South Africa, Egypt, Algeria and Iraq. There is further potential for expansion in selected markets.

The diversity of MEA means catering to the needs of a wide variety of consumers and customers. The Gulf states and South Africa are more sophisticated markets, with relatively high incomes and demanding consumers and customers. Sub-Saharan Africa generally is more focused on affordability, with growth driven by rising incomes and urbanisation.

Our performance in 2019

Rising interest in sustainability in Europe
In 2019, we were again able to grow our sales slightly in a market expected to be flat to slightly declining in some categories. Our outperformance reflects our format and volume flexibility, competitive total cost of ownership and the innovation and service we offer our customers.

We continued to win new customers including Wartmilk, a district dairy co-operative in Poland and Juustoportti, a family-owned Finnish dairy company. Furthermore, we installed additional capacity with customers with whom we only recently established a relationship. These include Pfanner, an Austrian premium manufacturer of juices exporting to many countries, and Covap, a large dairy cooperative in Spain supplying a leading retailer. In order to qualify as a strategic partner of Covap, we needed to pass a 24-month system and performance test. We were indeed able to demonstrate the strength of the SIG system with the highest system quality level and to show that we reduce filling costs for the customer through our superior line efficiency.

Regional review: EMEA continued

In 2019, a number of brands were attracted by the sustainability of our packaging. When Candia, part of the leading French dairy co-operative SODIAAL, chose **SIG**NATURE PACK for its organic milk, the pack received the French Packaging Award in the environmental category. ALDI in Spain chose EcoPlus, our first aluminium-free carton allowing a CO_2 reduction of up to 28%, for its Milani long life milk.

Sustainability is driving the adoption of combidome for water, using **SIG**NATURE packaging material. The combidome format offers the same advantages as a bottle in terms of smooth pouring and ease of drinking straight from the carton. The full barrier needed for water is provided by an ultra-thin layer of ASI-certified aluminium foil. This packaging has been successfully launched for premium mineral water by DRINKS³, in support of their goal of becoming the UK's lowest carbon footprint drinks brand by 2022. Unilever has also launched the pack for a range of flavoured waters under their start-up brand B-Better®.

Return to growth in Middle East Africa
2019 saw a recovery in a number of markets in MEA after a challenging macroeconomic and political environment in 2018, notably in oil-dependent economies. The improvement in the external macroeconomic environment coupled with a strategy centred around growth, diversification and efficiency resulted in increased sales and profits.

The primary driver of growth was the existing customer base, which is being augmented by geographic expansion into new markets in Sub-Saharan Africa and portfolio diversification.

The joint venture continued to partner with customers to drive innovation, building on the value proposition pillars of differentiation, innovation and smart factory solutions. These solutions are supported by the recently inaugurated flagship innovation and reliability centre at the Dubai HQ.

The value proposition was brought to life through the launch of the first combismile pack in MEA, marking a milestone in SIG Combibloc Obeikan's partnership with Pioneer Foods in South Africa. The launch expands Pioneer Foods' portfolio into the premium segment through its Ceres range of juices and caters for the growing trend in South Africa towards on-the-go consumption.

In partnership with FairCape, the first EcoPlus pack was launched in the MEA region, emphasising SIG Combibloc Obeikan's commitment to protecting the environment and fostering sustainability.

Further diversification into dairy was evidenced in Nigeria with the launch of Hollandia evaporated milk in partnership with Chi Limited. The success of this launch was the result of a thorough understanding of market pricing requirements, enabling the customer to hit the right price point while enhancing their brand's presence on the shelf and catering to consumers seeking convenience.

Regional review: APAC

FAVOURABLE DEMOGRAPHICS

Fast innovation cycles

€667m
Core revenue 2018: €598m

+6.0%
change at constant currency

Market overview

Millions of new consumers create multiple growth opportunities

Most countries in the Asia Pacific region continue to show positive macro trends, with economic growth bringing higher living standards. Across many markets in South East Asia and India, millions of people are only now starting to consume packaged food and beverages. This rise of these new consumers, driven by rising disposable income, urbanisation and new consumption habits, represents a huge opportunity for our industry.

At the same time, young and growing populations are adopting modern lifestyles, with a focus on convenience and more on-the-go consumption. Consumers are also increasingly aware of health and wellness issues and are looking for premium and higher quality products, with sustainability credentials also of growing importance.

The liquid dairy market – which accounts for most of SIG's business in Asia Pacific – continued to expand in 2019. In China, ambient high-viscous drinking yogurt remains the fastest-growing product category and is benefiting from the ongoing trend towards premiumisation.

Our performance in 2019

Premiumisation in liquid dairy drives growth

In 2019, revenue growth was driven in particular by China, where combismile continued to expand, and by Thailand and Indonesia.

We continue to grow with existing customers, with market momentum amplified by the launch of new products and formats enabling expansion into new categories. Following the launch of combismile, we have a firmly established position in the premium market in China. And in 2019 we signed a new contract with a strategic customer in Vietnam to place our first combismile filler in South East Asia in 2020. Heat&Go, the only carton that can be heated in a microwave, continued to enjoy success in South Korea for products that can be consumed either warm or cold, such as coffee or soy milk.

We continued to expand in the liquid dairy market across the region. New customer wins included YonSei in South Korea, who shifted part of their liquid dairy filling from a competitor to SIG. We also won new customers who are focusing on premium and innovative products. In Thailand, Tofusan chose SIG for the launch in cartons of its premium organic soy milk – a product usually sold in PET bottles – targeting busy, health-conscious millennials. In South Korea, we placed a filler with Seokang, whose innovation focus includes oat milk, rice milk and protein shakes.

2019 was marked by a wealth of new product introductions leveraging the SIG system and proprietary technologies, such as drinksplus, to address premium segments and offer new experiences to consumers. In Thailand, DutchMill launched soy milk with chewable cereals under the DNA brand, while in Vietnam NutiFood launched NutiKul, a drinking yogurt with particulates.

Our confidence in the further growth potential of both China and the rest of the Asia Pacific region is demonstrated by our decision to build a second plant in Suzhou.

Regional Tech Centre in China attracts customers from across the region

In November 2019, we were proud to officially open our new Asia Pacific Tech Centre in Suzhou which will cater to the faster innovation cycles in Asia Pacific and Oceania. Here we are testing innovative structures, shapes and product formulations. We are also driving the expansion of combismile into new and growing categories such as vegetable protein drinks and ambient flavoured milk.

Customers have been visiting the Tech Centre since the end of 2018, in order to test for themselves our total solutions offering comprising upstream, downstream and formulations. The Tech Centre also has a world-class facility for machine assembly and training services.

Regional review: APAC continued

Customer success story

One of our key customers in South East Asia is the Dairy Farming Promotion Organization of Thailand (DPO). DPO was founded in the 1960s following a visit to Denmark by King Rama IX, with the mission of promoting dairy farming in Thailand. DPO Is now a state-owned enterprise with a market share of close to 50% for mainstream milk.

SIG's partnership with DPO started in 2004 and today we provide close to 75% of their aseptic packaging – two of DPO's four aseptic plants run entirely on SIG filling machines. One of these is the flagship Muaklek plant, where a programme of expansion and modernisation was undertaken in 2016. SIG was awarded full management of the turnkey project for aseptic filling in partnership with JBT/Stork. DPO was convinced by the line efficiency offered by SIG – 24,000 packs per hour – together with the volume flexibility and low waste rates.

> We have a true partnership with SIG. SIG's reliability and high efficiency enable DPO to receive the increasing quantities of raw milk, and produce and deliver the very high quality of Thai Denmark products.
>
> **Dr Narongrit,**
> DPO Director

Expanding in new geographies

India is one of the world's fastest growing markets for aseptic carton packaging, with rising disposable income driving demand for convenient and differentiated products. The growth potential remains vast, with over 90% of liquid dairy consumption still in unpackaged form.

Customers value SIG's filling size flexibility in a rising cost environment as it enables them to offer products at the right retail price point. Our first two filling machines in India, for non-carbonated soft drinks, began operation in 2018. In 2019, we were able to further build our presence with the signature of a liquid dairy contract with Amul, the largest dairy player with over 60% share of the white milk market. We also entered into new projects with Dabur, the largest juice and nectar player, and with the Ladhani Group.

In 2018, we established a joint venture with Dai Nippon Printing in Japan, one of the most highly developed markets for food and beverages in the world, where innovation is key to success. In 2019, the pioneering dairy manufacturer Moriyama became the first Japanese customer to run commercial production using SIG filling technology and packs, offering premium ready-to-drink products including cocoa and organic tea and coffee.

On 29 November 2019, we successfully completed the acquisition of Visy Cartons in Australia, giving us direct access to the Australian and New Zealand markets.

Regional review: AMERICAS

DIVERSITY IN DAIRY

From affordable to premium products

€330m
Core revenue 2018: €297m

+9.7%
change at constant currency

Market overview

A vast array of consumers with different needs

The region covers a vast array of consumers with different needs, demanding appropriate go-to-market strategies in each area.

Carton represents over 70% of total ambient packaging in our key South American markets. In Brazil, the world's second-largest aseptic carton market, there is a focus on meeting the key consumer trends of affordability as well as naturalness and authenticity. The flexibility of our filling lines is a key tool when it comes to affordability, as customers can rapidly switch between sizes and products depending on consumer spending power.

Digitalisation is also playing an increasing role as consumers seek a customised experience and assurance on the origin of the product they are drinking. And, as elsewhere in the world, consumers in South America are increasingly mobile.

Customer success story

In Mexico, there are significant growth opportunities in liquid dairy through serving the needs of both price conscious and premium consumers. The Mexican white milk market is highly concentrated, with two players accounting for over 75% of the market.

Our partnership with Alpura, the second-largest dairy co-operative, began in 2015 with the installation of our first filler for evaporated milk. Further expansion of the partnership has been underpinned by the SIG offer of flexibility, innovation and sustainability. Successful launches with Alpura have included combiblocMagnum with superior print quality, resulting in more impact at the point of sale and higher value perception by the consumer. Most recently combiblocMidi was launched with the Forti Plus brand for recombined milk.

In 2019, Alpura became our second largest customer in Mexico with a total of seven SIG filling machines.

Regional review: AMERICAS continued

Mexico continues to see strong growth in white milk consumption driven by the growing share of recombined milk, which is an affordable ready-to-drink dairy formula. SIG is serving the key players in a concentrated market and we are growing share through the affordable solutions we are able to offer.

The USA and Canada are predominantly fresh milk markets but a new opportunity has arisen with the development of plant-based milks, popular with health-conscious consumers who are willing and able to pay a price premium. Products with health and wellness claims are significantly outpacing average retail growth rates. This development has coincided with the rise of small brands offering authenticity and differentiation. These brands often do not have the means to invest in their own filling machines and therefore use co-manufacturing models. SIG has strong relationships with a number of North American co-manufacturers and with them we are developing new formats and designs suitable for new product categories. Our filling technology with its low waste rates is a valuable asset when filling products with valuable ingredients such as nuts and grains.

2019 in review

Offering affordability and authenticity

Sales growth in 2019 was robust across the region.

We were able to achieve growth in Brazil despite continuing uncertainty in the macro-economic environment. We continue to demonstrate our strength in enabling customers to fill high-viscous products such as sweetened condensed milk. These products are benefiting from a return to cooking at home, including the preparation of home-made desserts.

Catering to the need for affordable on-the-go consumption, we launched 150ml formats for still fruit drinks and flavoured milk with two of our key Brazilian customers.

With the rising trend in South America towards naturalness and authenticity, consumers are seeking products and brands with values to which they can connect. They want to know what they are buying and where it comes from. Dairy producer Languiru has launched Origem Milk, a new premium milk which uses end-to-end traceability to track the milk from selected farms to the shelf. By scanning a QR code printed on the package, consumers can identify the farm at which the milk was produced and the time of collection, and can follow its path all the way through to packaging.

In the USA, we continue to penetrate new high value categories with start-ups and innovative brands. By leveraging differentiated packaging formats like combidome, we are enabling our customers to communicate the value and uniqueness of their products. We introduced combismile as a new generation of on-the-go packaging for ready-to-drink beverages, with the ambition of capturing additional growth within the on-the-go nutritional beverages category. One example is the Canadian brand Rumble®, which has chosen combismile for its line of enhanced protein drinks, or Supershakes. combismile is also bringing innovation to more traditional categories, such as the launch by Maple Hill of its 100% grass fed organic milk and chocolate milk in a single serve format.

Responsible business review

GOING WAY BEYOND GOOD

SIG's sustainable business growth is underpinned by our commitment to go Way Beyond Good – by doing business responsibly, using responsibly sourced materials and investing in sustainable product innovation.

Targeted reduction

60%

Scope 1 and 2 emissions

Since 2018

100%

renewable electricity

We set out on our journey *Way Beyond Good* four years ago. In 2017, we formed our Responsibility Advisory Group, an independent body to challenge and support us on this journey. Since then, we have achieved some major milestones as we work towards our ambitious 2020 targets.

In 2019, we consolidated our commitment and continued to push the boundaries with more firsts for the industry. We saw our efforts start to pay dividends – for the environment, society and our business – as more customers opted for our most sustainable solutions. We are developing a new plan to further promote a sustainable food supply system that puts more into society and the environment than it takes out.

Tackling climate change

We recognise the urgent need for ambitious global action on climate and we are accelerating our timeline to cut emissions in line with the 1.5°C global warming target. Our commitment to a 60% reduction in Scope 1 and 2 emissions by 2030[1] has been approved by the Science-Based Targets Initiative.

We already use 100% renewable electricity for production and offset the rest of the energy needed to make our packs. To reduce emissions even more, we are looking to source more energy directly from renewable sources and expand on-site renewables, including our award-winning rooftop solar array in Thailand.

Our packs have a lower carbon footprint than alternative types of packaging, largely because they are made mainly out of paperboard from forests that absorb carbon as they grow. The latest independent life cycle assessment confirmed that beverage cartons compare favourably with reusable glass bottles – and outperform PET bottles including those with recycled content – across the UHT milk and soft drink market segments. Our most sustainable solutions have an even lower carbon footprint – up to 58% lower than our standard packs.[2]

Moving to more plant-based polymers and eliminating the need for aluminium foil in our packs will help us cut carbon even further. The polymers in **SIG**NATURE PACK 100 are linked to 100% forest-based materials[3] and we already offer some aluminium-free packs. However, an ultra-thin aluminium foil barrier is still needed to protect some products and we are minimising the associated environmental impact by sourcing foil certified to the Aluminium Stewardship Initiative (ASI) standard – an industry first.

Helping forests to thrive

Our main raw material, paperboard, is sourced from sustainably managed forests. This enables us to regenerate rather than deplete scarce natural resources, as well as helping to mitigate climate-related risks to our business.

1 From a 2016 baseline.
2 See our website for the results of independent life cycle assessments.
3 Polymers in **SIG**NATURE PACK are linked to wood-based residues from paper manufacturing via a mass balance system.

Responsible business review continued

Forest Stewardship Council (FSC™) certification helps to drive responsible forestry practices, ensuring trees are continually replanted and natural habitats are protected. We source all our paperboard from FSC™-certified mills and we aim to have the FSC™ label on 100% of our packs by the end of 2020.

Driving sustainable product innovation

Going *Way Beyond Good* has fuelled innovation to meet our customers' evolving needs. This year, we launched the first ASI-labelled packs, introduced the first paper straw solutions for carton packs and entered a partnership with one of our suppliers to enable us to offer the world's first beverage cartons made with recycled polymers produced from post-consumer plastic waste.

We have made sustainability a core driver for our product innovation and our investment is paying off, as more customers turn to our solutions in response to growing consumer demand for more sustainable packaging.

In 2019, we saw increased uptake of our most sustainable products among big brands and major retailers, with new product launches by ALDI and Candia for dairy and by Riedel for fruit juices. Sales of our low-carbon, aluminium-free combibloc EcoPlus have now surpassed the one billion mark and we are seeing more customers opt for our **SIG**NATURE PACK solution.

We also help customers make their own operations more sustainable with our highly efficient filling machines – which have the lowest waste rate in the industry – and our technical service solutions. Our Fill Beyond Good marketing campaign is driving increased uptake of eco-efficient technical upgrades by highlighting the potential resource, emissions and cost savings.

Contributing to a circular economy

We are contributing to a circular economy by designing out waste, using mainly renewable materials and supporting recycling. All our packs are fully recyclable and we are committed to partnering with stakeholders to support collection and recycling of used beverage cartons.

In 2019, we launched new recycling partnerships with customers in Indonesia and Mexico, established a new Global Recycling Alliance for Beverage Cartons and the Environment (GRACE) with industry partners and became a founding member of the 4evergreen alliance to boost the role of fibre-based packaging in a circular economy. Our innovative so+ma partnership in Brazil is bringing added social benefits by offering rewards for recycling in low-income communities.

Delivering safe nutrition

Customers use our aseptic packs to deliver nutritious food to consumers around the world in a safe, sustainable and affordable way. We produced over 38 billion SIG packs this year and we will reach more people around the world as our business continues to grow.

We are also going further by working with partners to bring quality nutrition to those most in need. Our flagship Cartons for Good project is underway in Bangladesh, using SIG packs and a unique downsized filling machine to turn farmers' surplus crops into school meals for children in deprived communities.

Jorge exchanged points collected under the so+ma partnership for a mobile technical assistance course.

Responsible business review continued

Supporting communities

We want to create positive change for the communities we touch – where we source, make and sell our products. We are committed to upholding the principles of the United Nations Global Compact and to supporting the Sustainable Development Goals.

All our suppliers must meet strict environmental, ethical and labour standards, and certifications such as FSC™ and ASI reinforce requirements on responsible sourcing for key raw materials. Our own manufacturing sites complete regular SEDEX audits to assure customers that SIG packs are made responsibly.

We strive to lead the industry on health and safety. We aim to offer an inclusive working environment that enables all our people to develop and thrive. In 2019, we introduced the SIG Shine awards to recognise their efforts. We also ran campaigns to encourage our people to become involved in local projects and create positive change for communities around the world.

Going further

We want our packaging to deliver nutritious food and drink to more people every day, to revitalise and restore our natural world, and to help shape a truly sustainable food system.

To do this, we must go further than ever before. We must go beyond simply using less resource, creating less waste and causing less harm to replace what we use, give more than we take and make a healthier planet.

We are developing ambitious new targets for 2025 and 2030 to help us go Way Beyond Good. In doing so, we aim to create a more sustainable future for people, for the planet and for our business.

Read more about *Way Beyond Good* on our website and in our latest Corporate Responsibility Report at: www.sig.biz/en/responsibility/way-beyond-good.

As part of our WAY BEYOND GOOD Engagement Programme, 80 SIG employees from Thailand planted 1,500 mangrove trees on an area of around 2,500 square metres in Rayong Province.

Opportunity stories

SIG AND SO+MA IN BRAZIL

Watch video

Innovative programme to reward recycling

Highlights

- Turning waste into essentials for low-income communities
- Partnership to support the collection and recycling of beverage cartons

SIG's innovative partnership with the social enterprise so+ma in Brazil is promoting recycling by enabling people in the city of Curitiba to exchange waste packaging for reward points they can use to pay for food and other essentials – or for training courses. Reward points are earned based on the weight of waste collected. In 2019, over 81,000 kg of material were received.

The so+ma partnership aims to stimulate a change in attitudes by demonstrating the value of recycling to individuals and communities.

> The idea of rewarding people is very clever. It is an innovative green exchange. We are launching a solution that is adding value for people, offering vocational courses that will help families, young people and the unemployed advance and improve their quality of life.
>
> **Rafael Greca**
> Mayor of Curitiba

KEY PERFORMANCE HIGHLIGHTS

Core revenue
€1.77bn
2018: €1.64bn
2018
2019

Core revenue growth[1]
+5.2%
2018: +6.4%
2018
2019

Reported core revenue growth
7.5%
2018: 3.4%
2018
2019

Adjusted EBITDA
€485m
2018: €462m
2018
2019

Adjusted EBITDA margin
27.2%
2018: 27.5%
2018
2019

ROCE
22.8%
2018: 20.6%
2018
2019

Adjusted net income
€217m
Reported €107m

Adjusted EPS[2]
€0.68
EPS[2] €0.33

Free cash flow
€267m
Per share[2] €0.83

1 At constant currency.
2 Diluted.

Share information
for the year ended 31 December 2019

Market capitalisation
CHF 4.95bn

Share price high
CHF 15.58

Number of issued shares
320,053,240

Share price low
CHF 9.89

Share price as at 31 December
CHF 15.46

Average daily volume
654,297

Total shareholder return in 2019
52.9%[3]

3 Dividends reinvested.

Chief Financial Officer's statement

STRONG REVENUE GROWTH

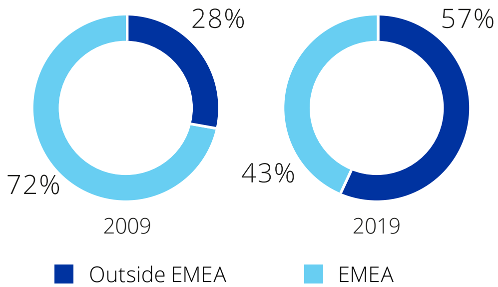
Samuel Sigrist
Chief Financial Officer

> Our strong cash flow generation is enabling us to invest in the business while offering an attractive dividend to our shareholders.

Introduction

We remain on track to achieve our strategic objective of above market growth, with core revenue increasing by 5.2% at constant currency in 2019. We are maintaining best-in-class profitability while continuing to invest in innovation and to expand into new markets and categories. Our strong cash flow generation is enabling us to invest in the business while paying an attractive dividend and reducing net leverage. The high returns on our investments are illustrated by a post-tax return on capital employed of 22.8% in 2019.

Increased geographic core revenue diversity

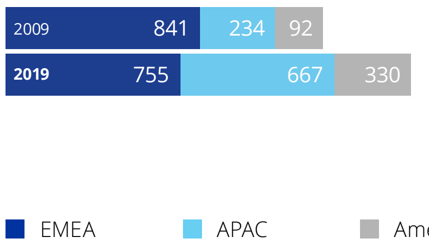


Financial performance

Revenue evolution

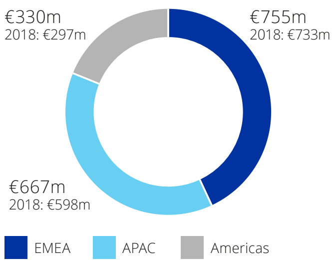
Over the past ten years, we have diversified our geographic exposure. The share of third-party core revenue outside EMEA has increased from 28% in 2009 to 57% in 2019. Demographic trends, with urbanisation and rising disposable incomes, continue to drive demand for packaged food and beverages in Asia Pacific and Americas. Our geographic diversification in these segments has been underpinned by the expansion of our local production facilities.

Revenue growth outside EMEA
Increased geographic (core) revenue diversity (€ millions)

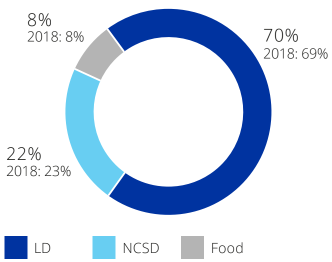


Chief Financial Officer's statement continued

Core revenue 2019
by segment



Sleeve & closure revenue 2019
by end market



Revenue by segment

In 2019, core revenue increased by 7.5% (5.2% on a constant currency basis) to reach €1,766.9 million (total revenue €1,783.9 million). Visy Cartons, consolidated from 29 November, contributed 20 basis points to the growth rate.

The difference between core revenue and total revenue is diminishing, with the phasing out of folding box board sales from our Whakatane Paper Mill largely complete. Whakatane is now primarily an internal supplier of liquid paper board.

All segments contributed to core revenue growth. EMEA constant currency growth of 2.8% reflects continued growth in the European business as filling machines placed with new customers start to ramp up. Markets in the Middle East and Africa improved with a pick-up in economic activity in several markets.

We saw revenue growth in APAC of 6.0% on a constant currency basis, driven primarily by China, Thailand and Indonesia. In China, we were able to participate in and contribute to expansion by one of our key customers. In Thailand, we saw successful new product launches by our customers and an expansion of their export market opportunities.

Strong growth in Mexico, with recent filler installations ramping up, and the deployment of new filling machines in Brazil contributed to constant currency growth of 9.7% in Americas.

SIG revenue split[1]

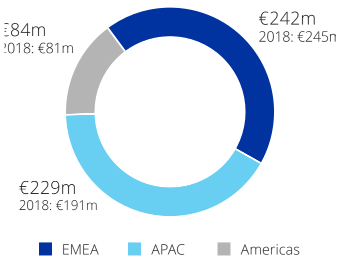
1 Revenue split based on revenue generated through sale of system components and sleeves & closures for 2019.

Seasonality

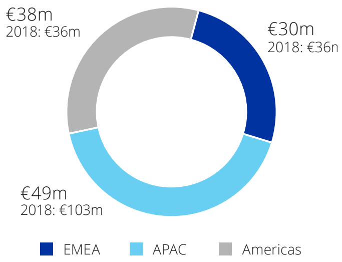
Our business experiences moderate seasonal fluctuations, primarily due to seasonal consumption patterns (for example the Chinese New Year) and performance incentive programmes relating to sleeves that generally end in the fourth quarter. This results in relatively low sales in the first quarter, with inventory returning to normal levels and the settlement of performance incentives that have been accrued over the course of the year. These factors contribute to an increase in working capital levels and lower cash flows from operating activities in the first quarter.

Chief Financial Officer's statement continued

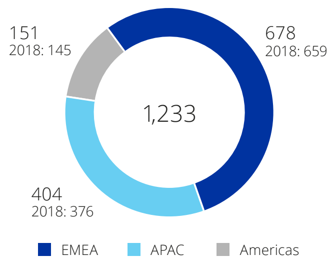
Adjusted EBITDA 2019
by segment



Net capex 2019
by segment



Fillers 2019
in field (units)



Adjusted EBITDA margin[1]

	2019	2018
EMEA	32.1%	33.5%
APAC	33.5%	30.3%
Americas	25.5%	27.2%
SIG Group	**27.2%**	**27.5%**

1 Adjusted EBITDA divided by revenue from transactions with external customers.

EBITDA

Revenue growth was the main driver of the increase in adjusted EBITDA from €461.5 million in 2018 to €485.4 million in 2019. The negative foreign currency impacts experienced in 2018 were partially reversed, with a positive contribution from currencies of €15.5 million in 2019.

Raw material costs had a €4 million positive impact on adjusted EBITDA in 2019. We were able to negotiate lower prices with selected suppliers and to benefit from unhedged polymer volumes as commodity prices weakened. This more than offset year-over-year price increases in the hedged portion of our aluminium and polymer contracts.

The continued execution of operational excellence programmes in our production facilities led to significant production efficiency gains. These were partially offset by additional freight costs in Americas in the first half of 2019, resulting in a net benefit of €7 million.

SG&A increased by €21 million, primarily driven by the costs of being a public company, higher employee variable income provisions reflecting a stronger operating performance, and headcount increases in growth markets. R&D investments as a proportion of revenue were steady at approximately 3%.

Cash flow generation at our joint ventures in the Middle East accelerated during the year. In the fourth quarter we completed a refinancing which allowed us to benefit from this strong cash flow performance. As a result, the dividend distribution in the fourth quarter of 2019 was higher than expected. However, for the full year the dividend was €3 million lower than in 2018. This reduction is reflected in the adjusted EBITDA margin for EMEA, which was also affected by unfavourable mix effects in the first half of the year and by higher SG&A costs.

The adjusted EBITDA margin in APAC increased significantly to 33.5% in 2019, reflecting operating leverage and a positive currency effect. The adjusted EBITDA margin in Americas was lower at 25.5%, with a negative impact from the depreciation of the Brazilian Real. In addition, the USA was affected by high freight costs in the first half of the year due to a strike in Europe and by costs relating to the ramp up of combismile.

Capex

Net capex as a percentage of total revenue decreased from 8.5% in 2018 to 6.2% in 2019. Investments in property, plant and equipment was broadly unchanged compared with 2018. Gross filler capex was lower after a period of significant filler investment in APAC following the launch of combismile. The reduction in net filler capex reflects a proportionately higher level of upfront cash than in previous years.

Group capex, reduced by upfront cash

We placed 75 filling machines in the field in 2019. Taking account of withdrawals, the number of filling machines globally reached 1,210, a net increase of 30. The acquisition of Visy Cartons added 23 filling machines, bringing the total to 1,233.

Chief Financial Officer's statement continued

Net income

Net income increased from a loss of €83.9 million in 2018 to a profit of €106.9 million in 2019. The net loss in 2018 was mainly due to significant costs relating to the IPO and the refinancing of debt. As a result of the refinancing, interest expense in 2019 was approximately €70 million lower at €34 million. The positive operating performance also contributed to the improvement in net income.

Adjusted net income increased from €148.9 million in 2018 to €217.4 million in 2019. This increase was driven by the same financing and operating performance factors as net income and by a decrease in the adjusted effective tax rate from 33% in 2018 to 26% in 2019. The decrease related primarily to interest payments under the previous financing arrangements which were not tax deductible in certain jurisdictions.

(In € million)	2019	2018
Profit/(loss) for the period	**106.9**	**(83.9)**
Non-cash foreign exchange impact of non-functional currency loans and realised foreign exchange impact due to refinancing	(1.2)	(58.8)
Amortisation of transaction costs	2.8	11.0
Net change in fair value of derivatives	1.5	7.4
Net effect of early redemption of notes	–	82.5
Net effect of early repayment of term loans	–	56.3
PPA depreciation and amortisation	136.5	140.1
Adjustments to EBITDA:		
Replacement of share of profit or loss of joint ventures with cash dividends received from joint ventures	5.3	14.8
Restructuring costs, net of reversals	1.8	4.3
Unrealised (gain)/loss on derivatives	(10.1)	23.1
Transaction- and acquisition-related costs	4.3	19.7
Other	4.4	4.5
Tax effect on above items	(34.8)	(72.1)
Adjusted net income	**217.4**	**148.9**

Foreign currencies

Whilst our reporting currency is the Euro, we generate a significant portion of our revenue and costs in currencies other than Euro. Increases or decreases in the value of the Euro against other currencies in countries where we operate can affect our results of operations and the value of balance sheet items denominated in foreign currencies. Our strategy is to reduce this exposure through the natural hedging that arises from the localisation of our operations. In addition, we systematically hedge all key currencies against the Euro using a 6- to 12-month rolling layered approach.

Return on capital employed

Return on capital employed ("ROCE") is used by management to measure the profitability of the Group and the efficiency with which its capital is employed. Management believes that ROCE is helpful to investors in measuring value creation. ROCE is defined as ROCE EBITA divided by capital employed.

Post-tax ROCE, computed at an unchanged reference tax rate of 30%, increased by 220 basis points in 2019 to 22.8%. At the adjusted effective tax rate of 26% in 2019, ROCE reached 24%. The increase was primarily attributable to the increase in adjusted EBITDA.

(€ million)	2019	2018
Adjusted EBITDA	485.4	461.5
Dividends received from joint ventures	(20.7)	(23.7)
Depreciation of PP&E	(177.2)	(172.3)
ROCE EBITA	**287.5**	**265.5**
Current assets (excluding cash and cash equivalents)	462.2	407.3
Current liabilities (excluding interest-bearing liabilities)	(653.0)	(574.3)
PP&E	1,073.1	1,068.8
Capital employed	**882.3**	**901.8**
Pre-tax ROCE	**32.6%**	**29.4%**
Management estimate tax rate 30%	30.0%	30.0%
Estimated post-tax ROCE	**22.8%**	**20.6%**

Cash flows

Strong operating cash flow in 2019 was primarily driven by the reduction in interest payments following the refinancing at the time of the IPO in 2018.

77%
Cash conversion

Factors impacting cash flows from operating activities in 2018, such as IPO transaction costs and early bond redemption fees (totalling €55.9 million), did not recur in 2019. A stronger operating performance in 2019 also contributed to the cash flow generation. In addition, free cash flow performance in 2019 benefited from the decrease in net capital expenditure explained in the capex section above.

Net working capital as a percentage of total revenue increased from 6.8% in 2018 to 8.4% in 2019. The strong top line performance resulted in some working capital outflow in 2019, whereas in 2018 there was a working capital inflow. End 2019 working capital includes Visy Cartons, for which sales were only consolidated for one month. This increased the net working capital to revenue ratio by 90 basis points.

Chief Financial Officer's statement continued

Net debt

(In € million)	**2019**	2018
Gross total debt	1,614.4	1,618.7
Cash and cash equivalents	261.0	157.1
Net total debt	1,353.4	1,461.6
Total net leverage ratio	**2.8x**	**3.2x**

2.8x
Leverage

~**2.2**%
Cost of debt

The Group is financed by term loans at a cost of approximately 2.2% as of 31 December 2019. A net leverage improvement of 0.4 turns year on year was driven by adjusted EBITDA performance and by higher cash balances at the end of the year. The impact on net leverage of implementing the new IFRS lease accounting standard in 2019 was not material (€15.9 million).

In October 2019, Moody's upgraded their rating of SIG Combibloc Group AG to Ba2 from Ba3. In December, S&P raised their outlook to Positive with an unchanged rating of BB+.

	Company rating		As of
Moody's	Ba2	Stable	Oct 2019
S&P	BB+	Positive	Dec 2019

Other

Acquisitions

The Group acquired 100% of the shares of Visy Cartons Pty Ltd. ("Visy Cartons" or "Visy"). Refer to note 27 of the consolidated financial statements for an overview of the transaction. The acquisition will strengthen SIG's presence in Oceania, allowing full access to the beverage carton market in Australia and New Zealand. Synergies are expected from supply chain efficiencies and Visy's use of the SIG's latest technologies and solutions.

Dividend

To allow our shareholders to participate in the cash generative nature of our business, we have set a dividend payout target of 50 to 60% of adjusted net income. The dividend proposed for 2019 means that we will already move into this range.

+**52.9**%
TSR[1]

CHF **0.38**
Dividend

At the Annual General Meeting to be held on 7 April 2020, the Board of Directors will propose a dividend payment for 2019 of CHF 0.38 per share, totalling CHF 121.6 million (equivalent to €112.1 million as per the exchange rate on 31 December 2019), payable out of the capital contribution reserve.

Outlook

For 2020, the Company expects core revenue growth at constant currency towards the lower end of a 6 to 8% range, including the full year consolidation of Visy Cartons. The adjusted EBITDA margin is expected to be towards the lower end of a 27 to 28% range, taking into account continued investments in geographic expansion and innovation and a lower level of profitability at Visy Cartons prior to the realisation of synergies.

As construction of the new plant in China proceeds, net capital expenditure is forecast to be at the upper end of the targeted 8 to 10% of revenue range. Free cash flow may therefore be somewhat lower than in 2019.

The Company maintains its medium-term guidance of core revenue growth of 4 to 6% at constant currency and an adjusted EBITDA margin of around 29%. Net capital expenditure should remain within 8 to 10% of revenue. The Company plans to maintain a dividend payout ratio of 50 to 60% of adjusted net income while reducing net leverage towards 2x.

Samuel Sigrist
Chief Financial Officer

Alternative performance measures
For definitions of alternative performance measures and their related reconciliations that are not included in this statement, please refer to the following link https://www.sig.biz/investors/en/performance/key-figures

1 Dividends reinvested.

RISK MANAGEMENT

In addition to common business-related risk factors, we pay close attention to other significant risks we may be exposed to such as sustainability, political, reputational, regulatory and compliance risks. We have developed instruments and know-how that helps the Group to identify and assess such risks.

We have implemented a risk management process led by the Group General Counsel and approved by the Board of Directors, which sets out a structured process to systematically manage risks. In this process, various risks are identified, analysed and evaluated and risk-control measurements are determined. The objectives of the risk management process are to continuously ensure and improve compliance with laws and regulations as well as corporate governance guidelines and best practices. The risk management process is also designed to protect the Group from a loss of confidence and/or public reputational damage resulting from, for example, inadequate or failed internal processes or systems. Furthermore, the risk management process facilitates disclosures to key stakeholders of potential risks. At the same time, the process creates an awareness of all key executives of the magnitude of risks and provides them with information for effective decision-making. As part of this process, risk management workshops with regional and functional leadership teams were held in 2019 to identify and evaluate risks. Mitigating actions have also been discussed during these risk management workshops with subsequent sign-off by the Board of Directors. In addition, a separate risk workshop was held with the Group Executive Board in 2019 to discuss and validate the overall risk portfolio.

The monitoring and control of risks are supported by our internal control system for financial reporting, which defines measures that reduce potential risks. Management is responsible for implementing, tracking and reporting of risk mitigation measures, including periodic reporting to the Audit and Risk Committee and the Board of Directors. Each identified material risk has a risk owner at management level that is responsible for the implementation of risk-management measures in his or her area of responsibility. Furthermore, each material risk has a mitigation action owner, mostly in global functions with regional counterparts to ensure local implementation.

Risks that could materially impact our business and financial position and the development of internal controls to mitigate such risks are regularly discussed within the Audit and Risk Committee. In addition, the members of the Audit and Risk Committee periodically review the internal policies and procedures designed to secure compliance with laws, regulations and internal rules regarding insider information, confidentiality, bribery and corruption, sanctions, and adherence to ethical standards, and assess the effectiveness thereof. The Audit and Risk Committee discusses with the CFO and the Group General Counsel any legal matters that may have a material impact on the Group's business or financial position and any material reports or inquiries from regulatory or governmental agencies that could materially impact the Group's business or financial position. The Board of Directors is at least annually informed by the Audit and Risk Committee, with the support of management, about any major changes in risk assessment, risk management and any mitigation actions taken. In 2019, the risk portfolio signed off by management was discussed with the Audit and Risk Committee as well as with the entire Board of Directors in their December meetings.

We carry out an annual risk assessment in conformity with the Swiss Code of Best Practice for Corporate Governance. The Group's risk management systems cover both financial and operational risks.

Opportunity stories

ACQUISITION OF VISY CARTONS IN AUSTRALIA

Acquisition of a leading player in the Australian beverage carton market

~€50m[1]

Revenue

€43m[1]

Acquisition price

Transaction completed
29 November 2019

(1) AUD/EUR exchange rate as at 29 November 2019

Highlights

- Visy becomes part of SIG's business in the Asia Pacific region
- Significant scope for expansion in New Zealand

The overall Australia and New Zealand market for aseptic beverage cartons is expected to grow at around 3% cagr over the next five years, driven mainly by investments in dairies for the export of aseptic milk to China and other Asian countries. In China in particular, demand for imported premium milk is expected to grow by around 7% cagr. The acquisition of Visy Cartons will enable SIG to further support its Asian customers who are investing in or partnering with dairy producers and farms in Australia and New Zealand.

The acquisition was funded through cash balances and existing credit facilities. The profitability of Visy is expected to increase with the realisation of significant synergies arising from supply chain optimisation and access to SIG's latest technologies and solutions.

> Visy has an excellent team with a proven track record and together we will work to ensure that customers in Australia and New Zealand enjoy outstanding service and access to our leading technologies.
>
> **Lawrence Fok**
> President and General Manager of SIG Asia Pacific

BOARD OF DIRECTORS

Andreas Umbach

Chairman

Andreas Umbach is a Swiss and German citizen and serves as the Chairman of the Board of Directors. Mr Umbach further serves as the chairman of the board of directors of Landis+Gyr Group AG (SIX: LAND) and until 10 April 2019 as the chairman of the board of directors of Ascom Holding AG (SIX: ASCN), where he previously served as a director from 2010 to 2017. Mr Umbach has been a board member of WWZ AG since April 2013 and has been the chairman of the supervisory board of Techem Energy Services GmbH since August 2018. Mr Umbach previously served as a member of the board of directors of LichtBlick SE from 2012 to 2016. From 2002 to 2017, Mr Umbach was the president and CEO/COO of Landis+Gyr AG. Prior to serving as CEO, Mr Umbach served as president of the Siemens metering division within the power transmission and distribution group and held other positions within Siemens. Mr Umbach holds an MBA from the University of Texas at Austin and an MS (Diplomingenieur) in mechanical engineering from the Technical University of Berlin.

Matthias Währen

Matthias Währen is a Swiss citizen and serves as a member of the Board of Directors. Mr Währen further serves as a member of the board of trustees of the Givaudan Foundation, the HBM Fondation and a member of the board of directors of Kemptthal Immobilien Nord AG. Mr Währen previously served as a member of the regulatory board of SIX Swiss Exchange from 2006 to 2017, a member of the board of scienceindustries from 2009 to 2017, a member of the board of Swiss Holdings from 2015 to 2017 and a member of the board of directors of various Givaudan subsidiaries from 2005 to 2017. Most recently, he served as CFO and a member of the executive committee of Givaudan SA from 2005 until his retirement in 2017. Prior to that, he served as the global head of finance and informatics of the Roche vitamin division and held a variety of other positions at Roche, including vice president finance and informatics at Roche USA, Nutley, New Jersey, head of finance and information technology at Nippon Roche, Tokyo and finance director of Roche Korea. Mr Währen started his career in corporate audit of Roche in 1983. Mr Währen holds a master's in economics from the University of Basel, Switzerland.

Colleen Goggins

Colleen Goggins is an American citizen and serves as a member of the Board of Directors. Since 2015, she has served as an advisory board member for the Company. Ms Goggins also currently serves as a member of the board of directors of TD Bank Group, where she serves on the risk committee, a member of the supervisory board of Bayer AG and a member of the board of directors of IQVIA, where she sits on the audit and nominating and governance committees. She previously served as a supervisory board member for KraussMaffei from 2013 to 2016 and as a member of the board of directors of Valeant Pharmaceuticals International from 2014 to 2016, where she was a member of the nominating committee and special ad hoc committee. Prior to that, Ms Goggins worked at Johnson & Johnson until 2011, where she held various leadership positions, including worldwide chairman, company group chairman, and president of the Johnson & Johnson Consumer Products Company, among others, and she served as a member of the executive committee. Ms Goggins holds a bachelor of science in food chemistry from the University of Wisconsin and a master's of management from the Kellogg School of Management at Northwestern University.

Werner Bauer

Werner Bauer is a Swiss and German citizen and serves as a member of the Board of Directors. Since 2015, he has served as an advisory board member for the Company. Mr Bauer also currently serves as vice chairman of the boards of directors of Givaudan SA and Bertelsmann SE & Co. KGaA, chairman of the board of trustees at the Bertelsmann Foundation, and as a member of the board of directors of Lonza Group AG. Until November 2018 he also served as a member of the board of directors of GEA-Group AG. Prior to that, he served in a number of other board positions, including chairman of the board of directors of Nestlé Deutschland AG from 2005 to 2017 and chairman of the board of directors of Galderma Pharma SA from 2011 to 2014, among others. Most recently, Mr Bauer was the executive vice president and head of innovation, technology, research & development for Nestlé SA from 2007 to 2013, and prior to that, he served as executive vice president and head of technical, production, environment, research & development for Nestlé SA and held other positions within Nestlé. Mr Bauer started his career in 1980 as a professor in chemical engineering at Technical University in Hamburg, after which he was a professor in food process technology and director of the Fraunhofer Institute for food technology & packaging at the Technical University of Munich. Mr Bauer holds a diploma and PhD in chemical engineering from the University of Erlangen-Nürnberg.

Board of Directors continued

Wah-Hui Chu

Wah-Hui Chu is a Hong Kong Chinese citizen and serves as a member of the Board of Directors. Since 2015, he has served as an advisory board member for the Company. Mr Chu currently serves as the founder and chairman of iBridge TT International Limited (Hong Kong); he has served as a member of the board of directors of Mettler Toledo International since 2007. From 2013 to 2014 when he retired, Mr Chu served as the CEO and a member of the board of directors of Tingyi Asahi Beverages Holding, and from 2008 to 2011, he acted as executive director and CEO of Next Media Limited. He also served as chairman of PepsiCo Investment (China) Limited from 1998 through 2007, and again from 2012 to 2013. Mr Chu spent many years as an executive at PepsiCo, serving as non-executive chairman of PepsiCo International's Asia region in 2008 and president of PepsiCo International – China beverages business unit between 1998 and 2008. Before joining PepsiCo, Mr Chu held management positions at Monsanto Company, Whirlpool Corporation, H.J. Heinz Company and the Quaker Oats Company. Mr Chu holds a bachelor degree of science from the University of Minnesota and an MBA from Roosevelt University.

Mariel Hoch

Mariel Hoch is a Swiss and German citizen and serves as a member of the Board of Directors. Ms Hoch has been a partner at the Zurich law firm Bär & Karrer since 2012. She currently serves as a member of the board of directors of Comet Holding AG, where she also sits on the nomination and compensation committee and MEXAB AG. She is also a member of the foundation board of The Schörling Foundation and co-chair of the Zurich committee of Human Rights Watch. Ms Hoch was admitted to the Zurich bar in 2005 and holds a PhD from the University of Zurich and a law degree from the University of Zurich.

Nigel Wright

Nigel Wright is a Canadian citizen and has been a member of the Board of Directors since 2014. Mr Wright is a managing director at Onex, where he manages European origination efforts in the business services, healthcare and packaging sectors for Onex's large-cap fund, Onex Partners. He currently serves as a director of Childcare BV (doing business as KidsFoundation), Justitia, and of the Manning Foundation for Democratic Education, and as trustee of the Policy Exchange. Mr Wright joined Onex in 1997, although from 2010 to 2013, he worked as chief of staff for the Prime Minister of Canada. Prior to joining Onex, Mr Wright was a partner at the law firm of Davies, Ward & Beck, and before that he worked in policy development in the office of the Prime Minister of Canada. Nigel holds an LL.M. from Harvard Law School, an LL.B. (with honours) from the University of Toronto Law School and a bachelor's degree in politics and economics from Trinity College at the University of Toronto.

GROUP EXECUTIVE BOARD

Rolf Stangl
Chief Executive Officer

Rolf Stangl is a Swiss and German citizen and has served as CEO since 2008. Mr Stangl joined the Company in 2004 and has held a number of positions across the organisation including, amongst others, head of corporate development and M&A, chief executive officer of SIG Beverage (a division subsequently divested) and CMO. Prior to joining the Company, Mr Stangl served as an investment director for small and mid-cap buyouts at a family office in London and as a senior consultant with Roland Berger Strategy Consultants in Germany. Mr Stangl holds a bachelor's degree in business administration from ESC Reims & ESB Reutlingen.

Samuel Sigrist
Chief Financial Officer

Samuel Sigrist is a Swiss citizen and has served as CFO and chairman of the Middle East Joint Venture since 2017. Mr Sigrist joined the Company in 2005 and has worked in various finance and corporate development roles, including director of group controlling & reporting, head of finance/CFO of Europe and head of group projects. From 2013 to 2017, Mr Sigrist was the Company's president & general manager, Europe and prior to joining the Company, he worked as a consultant. Mr Sigrist holds a bachelor's degree in business administration from the Zurich University of applied sciences, an MBA from the University of Toronto and a global executive MBA from the University of St. Gallen. Mr Sigrist is also a Swiss certified public accountant.

Markus Boehm
Chief Market Officer

Markus Boehm is a German citizen and has served as CMO since 2009. Since 2012, he has also been responsible for the technology functions as well as the machine assembly business (until 2018). Mr Boehm joined the Company in 2004 as CFO of the Company in China, and after a brief period as COO China he took the role of CEO SIG Combibloc China in 2005. Prior to joining the Company, Mr Boehm worked at Hilti in Switzerland, Hong Kong and China and held various finance positions at Procter & Gamble in Germany and the United Kingdom. He graduated with a bachelor of science in economics from the Wharton School and a bachelor of arts in political science from the University of Pennsylvania.

Ian Wood
Chief Supply Chain Officer

Ian Wood is a British citizen and has served as Chief Supply Chain Officer since he joined the Company in 2018. Previously, Mr Wood spent 15 years at Honeywell, initially in the supply chain function and later as vice president & general manager of various business units. Prior to joining Honeywell, Mr Wood worked at A.T. Kearney and Ford Motor Company. Mr Wood holds a master's degree in manufacturing engineering from Cambridge University, UK and an MBA from Cranfield School of Management, UK.

Group Executive Board continued

Lawrence Fok
President & General Manager, Asia-Pacific

Lawrence Fok is a Singapore citizen and has served as President and General Manager of the Asia-Pacific region since he joined the Company in 2012. Prior to joining the Company, Mr Fok held senior management positions at Norgren China, Alcan Global Pharmaceutical Packaging, SCA Packaging China and Avnet Asia. Mr Fok holds a bachelor's degree in mechanical engineering, a MSc in industrial & systems engineering from the National University of Singapore, and a Grad. Dip. in financial management from the Singapore Institute of Management.

Ricardo Rodriguez
President & General Manager, Americas

Ricardo Rodriguez is a Brazilian and Spanish citizen and has served as President and General Manager of the Americas region since 2015. Mr Rodriguez joined the Company in 2003 and previously served as director & general manager, South America and technical service director, South America. Prior to joining the Company, Mr Rodriguez worked at Tetra Pak in a number of roles, including general manager of the Belo Horizonte branch, key account manager and technical service manager. He holds a bachelor of science degree in aeronautical mechanical engineering from the Technological Institute of Aeronautics in Brazil, an MBA from the Getúlio Vargas Foundation and a specialisation course in management at IMD-Lausanne.

Martin Herrenbrück
President & General Manager, Europe

Martin Herrenbrück is a German citizen and has served as President and General Manager of the Europe region since 2017. Mr Herrenbrück joined the Company in 2006 and previously held the positions of head of cluster Europe, head of cluster Asia-Pacific South, head of global marketing and other corporate development roles. Prior to joining the Company, he worked for several years at Roland Berger Strategy Consultants in Germany. Mr Herrenbrück holds a Master Of Science in management from HHL–Leipzig Graduate School of Management and an MBA from KDI School of Public Policy and Management in Seoul, South Korea.

CORPORATE GOVERNANCE REPORT

This corporate governance report contains the information that is stipulated by the directive on information relating to corporate governance of the SIX Swiss Exchange AG (“**SIX Swiss Exchange**”) and follows its structure.

1 Group structure and shareholders

1.1 Group structure

SIG Combibloc Group AG (the “**Company**”) is the parent company of the SIG Group[1], which directly or indirectly holds all other Group companies and interests in joint ventures. The shares of the Company have been listed on SIX Swiss Exchange since 28 September 2018 (symbol: SIGN, valor symbol: 43 537 795, ISIN: CH0435377954). The market capitalisation of the Company amounted to CHF 4,948.0 million as of 31 December 2019.

Please see note 26 of the consolidated financial statements for the year ended 31 December 2019 for a comprehensive list of the Group’s subsidiaries and of its joint ventures. Except for the Company, the Group does not include any listed companies. The Group has effective oversight and efficient management structures at all levels. The operational Group structure as of 31 December 2019 is as follows:

The Company’s Board of Directors (the “**Board of Directors**” or the “**Board**”), acting collectively, has the ultimate responsibility for the conduct of business of the Company and for delivering sustainable shareholder and stakeholder value. The Board sets the Company’s strategic aims, ensures that the necessary financial and human resources are in place to meet the Company’s objectives, and supervises and controls the management of the Company. There are three permanent Board committees; an audit and risk committee (“**Audit and Risk Committee**”), a compensation committee (“**Compensation Committee**”), and nomination and governance committee (“**Nomination and Governance Committee**”; collectively “**Committees**”).

In accordance with, and subject to, Swiss law, the Company’s articles of association (“**Articles of Association**”) and the Company’s organisational regulations (“**Organisational Regulations**”), the Board of Directors has delegated the executive management of the Company’s business (Geschäftsleitung) to the Group Executive Board (“**Group Executive Board**”) which is headed by the chief executive officer (“**CEO**”) pursuant to the Organisational Regulations.[2] The Group Executive Board comprises seven members, specifically the CEO, the chief financial officer (“**CFO**”), the chief market officer (“**CMO**”), the chief supply chain officer (“**CSO**”), the president & general manager of Americas (“**President & General Manager Americas**”), the president & general manager of Europe (“**President & General Manager Europe**”), and the president & general manager of Asia-Pacific (“**President & General Manager Asia-Pacific**”). For further information on the Group’s segments please refer to note 7 of the consolidated financial statements for the year ended 31 December 2019. The Group Executive Board is directly supervised by the Board of Directors and its Committees.

1.2 Significant shareholders

According to the disclosure notifications reported to the Company during 2019 and published by the Company via

1 References to “SIG Group”, “Group” or “we” are to the Company and its consolidated subsidiaries.
2 For a comprehensive description on the delegation please refer to art. 19 of the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association) and the Organizational Regulations (https://www.sig.biz/investors/en/governance/organizational-regulations).

Corporate Governance Report continued

the electronic publishing platform of SIX Swiss Exchange, the following shareholders had holdings of 3% or more of the voting rights of the Company as of 31 December 2019[3]:

Significant shareholders	% of voting rights[4]	Number of shares[5]
Onex shareholders[6]	32.9%	105,253,240
Haldor Foundation[7]	6.00%	19,203,194

Notifications made in 2019 in accordance with art. 120 et seqq. of the Financial Market Infrastructure Act ("**FMIA**") can be viewed using the following link: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html/

As regards the value of the percentage of voting rights shown, it should be noted that any changes in the percentage voting rights between the notifiable threshold values are not subject to disclosure requirements.

As of 31 December 2019, the Company held 6,158 treasury shares.

1.3 Cross-shareholdings

The Company has no cross-shareholdings exceeding 5% in any company outside the Group.

3 The number of shares shown here as well as the holding percentages are based on the last disclosure of shareholdings communicated by the shareholder to the Company and the Disclosure Office of SIX Swiss Exchange. The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification.

4 According to SIX: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html/

5 According to SIX: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html/

6 Direct Shareholders: Onex SIG Co-Invest LP, Onex Partners IV LP, Onex Partners Holdings Limited, Wizard Management I GmbH & Co. KG, Onex Partners IV PV LP, Wizard Management II GmbH & Co. KG, Onex US Principals LP, Onex Advisor Subco III LLC, Onex Partners IV Select LP, Onex Partners IV GP LP. Mr Gerald W. Schwartz indirectly owns shares representing a majority of the voting rights of the shares of Onex Corporation, and as such may be deemed to beneficially own all of the common shares beneficially owned by Onex Corporation. Mr Schwartz disclaims such beneficial ownership. Further information is available under https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html/

7 Direct Shareholder: Winder Investment Pte Ltd.

2 Capital structure

2.1 Ordinary share capital

The ordinary share capital of the Company as registered with the commercial register of the Canton of Schaffhausen amounts to CHF 3,200,532.40 as of 31 December 2019.

It consists of 320,053,240 fully paid-up registered shares with a nominal value of CHF 0.01 per share.

2.2 Authorised and conditional share capital

The Company has authorised share capital and conditional share capital of CHF 640,106.48 each as of 31 December 2019.

The Board of Directors is authorised to increase the share capital at any time until 27 September 2020 by a maximum of CHF 640,106.48 through the issue of up to 64,010,648 shares of CHF 0.01 nominal value each.

The conditional capital of CHF 640,106.48 (i.e. 64,010,648 shares of CHF 0.01 nominal value each) is divided into the following amounts:

- CHF 160,026.62 for employee benefit plans
- CHF 480,079.86 for equity linked financing instruments

Capital increases from authorised and conditional share capital are subject to a single combined limit, i.e. the total number of new shares that may be issued from the authorised and conditional share capital together in accordance with art. 4, 5 and 6 of the Articles of Association may not exceed 64,010,648 shares (i.e. CHF 640,106.48, corresponding to 20% of the existing share capital). Within the limit outlined above, the proportion of new shares assigned to each of the categories is stipulated by the Board of Directors. Any newly issued shares are subject to the restrictions set out in art. 7 of the Articles of Association.

Reference is made to the Articles of Association for the precise wording of provisions relating to authorised and conditional share capital, in particular art. 4, 5 and 6 of the Articles of Association. Among other matters, these contain details regarding the entitlements to withdraw or restrict shareholders' subscription rights. The relevant provisions can be downloaded as a PDF document at https://www.sig.biz/investors/en/governance/articles-of-association.

2.3 Changes in capital

Until 4 September 2018, the legal form of the Company was a Luxembourg limited liability company (*société à responsabilité limitée*). The two changes in capital outlined hereafter correspond to those made under this (former) legal form within the last three years.

On 31 August 2016, additional equity contributions were made. Additional new shares, 49,114 ordinary shares and 46,814 preference shares, were issued and fully paid. This increased share capital by EUR 959 and additional paid-in capital by EUR 616,097.

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On 30 June 2017, additional contributions were made. Additional new shares, 48,366 ordinary shares and 44,327 preference shares, were issued and fully paid. This increased share capital by EUR 927 and additional paid-in capital by EUR 639,073.

On 4 September 2018 (prior to the listing of the Company), an extraordinary shareholders' meeting of the Company approved the conversion of the Company from a Luxembourg limited liability company (*société à responsabilité limitée*) into a Luxembourg corporation (*société anonyme*). The same shareholders' meeting resolved to convert with effect from 25 September 2018 (i) the six classes of ordinary shares (each with a nominal value of EUR 0.01) into one class of ordinary shares with a nominal value of EUR 0.01 per share and (ii) the five classes of preference shares (each with a nominal value of EUR 0.01) into one class of preference shares with a nominal value of EUR 0.01 per share.

On 27 September 2018, an extraordinary shareholders' meeting of the Company resolved to convert the 100,091,015 preference shares into 100,091,015 ordinary shares. Further, the meeting unanimously resolved to change the currency of the share capital of the Company from EUR to CHF. As a result, the Company's share capital immediately prior to the migration to Switzerland was CHF 2,150,532.40 and consisted solely of ordinary shares with a nominal value of CHF 0.01 per share.

For the purposes of the IPO, the Company further increased its share capital by CHF 1,050,000.00 from CHF 2,150,532.40 to CHF 3,200,532.40 through the issue of 105,000,000 shares. The shareholders' resolution approving the share capital increase was passed at an extraordinary shareholders' meeting on 27 September 2018 excluding the subscription rights (*Bezugsrechte*) of the existing shareholders of the Company.

2.4 Shares, participation certificates and profit-sharing certificates

The shares are registered shares with a nominal value of CHF 0.01 each and are fully paid-in. Each share carries one vote at a shareholders' meeting. The shares rank *pari passu* in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company, and to pre-emptive rights.

The Company issues its shares as uncertificated securities (*Wertrechte*), within the meaning of art. 973c of the Swiss Code of Obligations ("**CO**") and in accordance with art. 973c CO, the Company maintains a register of uncertificated securities (*Wertrechtebuch*).

The shares that are entered into the main register of SIS consequently constitute book-entry securities (*Bucheffekten*) within the meaning of the Federal Act on Intermediated Securities ("**FISA**").

The Company has neither outstanding participation certificates nor shares with preferential rights.

The Company has not issued any profit-sharing certificates (*Genussscheine*).

2.5 Limitations on transferability and nominee registrations

According to art. 7 of the Articles of Association, any person holding shares will upon application be entered in the share register without limitation as shareholders with voting rights, provided it expressly declares to have acquired the shares in its own name and for its own account.

Any person that does not expressly state in its application to the Company that the relevant shares were acquired for its own account may be entered in the share register as a shareholder with voting rights without further inquiry up to a maximum of 5% of the issued share capital outstanding at that time. Above this limit, shares held by nominees are entered in the share register with voting rights only if the nominee in question makes known the names, addresses and shareholdings of the persons for whose account it is holding 1% or more of the outstanding share capital available at the time and provided that the disclosure requirement stipulated in the FMIA is complied with. In addition, the Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements. Such agreements may further specify the disclosure of beneficial owners and contain rules on the representation of shareholders and the voting rights. The percentage limit mentioned above also applies in case of the acquisition of shares by way of exercising pre-emptive, subscription, option or conversion rights arising from shares or any other securities issued by the Company or any third party.[8]

The setting and cancelling of the limitation on transferability in the Articles of Association require a resolution of the general meeting of the Company ("**General Meeting**") passed by at least 2/3 of the represented share votes and an absolute majority of the par value of represented shares.

2.6 Convertible bonds and warrants/options

As of 31 December 2019, the Company has no outstanding bonds or debt instruments convertible into or option rights in the Company's securities.

8 For a comprehensive description on the limitations to transferability and nominee registration refer to art. 7 of the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association).

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3 Board of Directors

3.1 Members of the Board of Directors

The Articles of Association provide that the Board of Directors shall consist of a minimum of three members, including the chairman of the Board ("**Chairman of the Board of Directors**" or "**Chairman**"). Currently, the Board consists of the following seven members:

Name	Nationality	Position	Since	Expires[9]
Andreas Umbach	Swiss & German	Chairman	2018	AGM 2020
Matthias Währen	Swiss	Member	2018	AGM 2020
Colleen Goggins	American	Member	2018	AGM 2020
Werner Bauer	Swiss & German	Member	2018	AGM 2020
Wah-Hui Chu	Hong Kong Chinese	Member	2018	AGM 2020
Mariel Hoch	Swiss & German	Member	2018	AGM 2020
Nigel Wright	Canadian	Member	2014	AGM 2020

All seven members of the Board were re-elected at the annual general meeting of the Company ("**Annual General Meeting**" or "**AGM**") on 11 April 2019 ("AGM 2019") for a one-year term of office. David Mansell who was a member of the Board since 2018 did not stand for re-election and thus stepped down from the Board upon conclusion of the AGM 2019.

All current members of the Board of Directors are non-executive directors. None of the members of the Board of Directors has been a member of the management of the Company or a subsidiary of the Group in the three years preceding the year under review. However, from 2015 until the listing of the Company on 28 September 2018 ("**IPO**") Colleen Goggins, Werner Bauer, Wah-Hui Chu, and Nigel Wright have served as advisory board members of the Company. In addition, Nigel Wright is mandated by the majority shareholder Onex.

9 All Board members are elected annually in accordance with Swiss corporate law and the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association).

Andreas Umbach is a Swiss and German citizen and serves as the Chairman of the Board of Directors since the IPO. Mr Umbach further serves as the chairman of the board of directors of Landis+Gyr Group AG (SIX: LAND) (since 2017) and as a member of the board of directors of Ascom Holding AG (SIX: ASCN) (since 2010), where he also served as chairman of the board of directors from 2017 to 2019. Mr Umbach will not stand for re-election as member of the board of directors of Ascom Holding AG at its upcoming general meeting in April 2020. Mr Umbach also serves as the chairman of the supervisory board of Techem Energy Services GmbH (since 2018) and as a member of the board of directors of WWZ AG (since 2013). In addition, he serves as the president of the Zug Chamber of Industry and Commerce (since 2016). Mr Umbach previously served as a member of the board of directors of LichtBlick SE from 2012 to 2016. From 2002 to 2017, Mr Umbach was the president and CEO/COO of Landis+Gyr AG. Prior to serving as CEO, Mr Umbach served as president of the Siemens metering division within the power transmission and distribution group and held other positions within Siemens. Mr Umbach holds a Master of Business Administration ("**MBA**") from the University of Texas at Austin and a Master of Science ("**MS**") degree in mechanical engineering (Diplomingenieur) from the Technical University of Berlin.

Matthias Währen is a Swiss citizen and serves as a member of the Board of Directors since the IPO. Mr Währen further serves as a member of the board of trustees of the Givaudan Foundation (since 2014) and the HBM Fondation (since 2018). Mr Währen previously served as a member of the regulatory board of SIX Swiss Exchange from 2006 to 2017, a member of the board of scienceindustries from 2009 to 2017, a member of the board of Swiss Holdings from 2015 to 2017 and a member of the board of directors of various Givaudan subsidiaries from 2005 to 2019. Most recently, he served as CFO and a member of the executive committee of Givaudan SA from 2005 until his retirement in 2017. Prior to that, he served as the global head of finance and informatics of the Roche vitamin division and held a variety of other positions at Roche, including vice president finance and informatics at Roche USA, Nutley, New Jersey, head of finance and information technology at Nippon Roche, Tokyo and finance director of Roche Korea. Mr Währen started his career in corporate audit of Roche in 1983. Mr Währen holds a master's degree in economics from the University of Basel, Switzerland.

Colleen Goggins is an American citizen and serves as a member of the Board of Directors since the IPO. From 2015 until the IPO, she has served as an advisory board member for the Company. Ms Goggins also currently serves as a member of the board of directors of TD Bank Group (since 2012), where she serves on the Risk Committee as a member of the supervisory board of Bayer AG (since 2017) and a member of the board of directors of IQVIA (since 2017), where she sits on the audit and nominating and governance committees. Ms Goggins has been a member of the University of Wisconsin Foundation and a member of the board of the University's center for brand and product management, a member of the board of directors of New York Citymeals on Wheels and a trustee of the International Institute of Education. She previously served as a supervisory board member for KraussMaffei from 2013 to 2016 and as a member of the board of directors of Valeant Pharmaceuticals International from 2014 to 2016, where she was a member of the nominating committee and special ad hoc committee. Prior to that, Ms Goggins worked at Johnson & Johnson until 2011, where she held various leadership positions, including worldwide chairman, company group chairman, and president of the Johnson & Johnson Consumer Products Company, among others, and she served as a member of the executive committee. Ms Goggins holds a Bachelor of

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Science ("**BS**") degree in food chemistry from the University of Wisconsin-Madison and a master's degree in management from the Kellogg Graduate School of Management at Northwestern University.

Werner Bauer is a Swiss and German citizen and serves as a member of the Board of Directors since the IPO. From 2015 until the IPO, he has served as an advisory board member for the Company. Mr Bauer also currently serves as vice chairman of the board of directors of Givaudan SA (since 2014) and Bertelsmann SE & Co. KGaA (since 2012), chairman of the board of trustees at the Bertelsmann Foundation (since 2011), and as a member of the board of directors of Lonza Group AG (since 2013). From 2011 until 2018 he also served as a member of the boards of directors of GEA-Group AG. Prior to that, he served in a number of other board positions, including chairman of the board of directors of Nestlé Deutschland AG (from 2005 to 2017) and chairman of the board of directors of Galderma Pharma SA from (2011 to 2014). Most recently, Mr Bauer was the executive vice president and head of innovation, technology, research & development for Nestlé SA from 2007 to 2013, and prior to that, he served as executive vice president and head of technical, production, environment, research & development for Nestlé SA and held other positions within Nestlé. Furthermore, Mr Bauer served as chairman of the board of directors of Sofinol S.A. (from 2006 to 2012), and as a member of the board of directors of L'Oréal (from 2005 to 2012) and of Alcon Inc. (from 2002 to 2010). Mr Bauer started his career in 1980 as a professor in chemical engineering at Technical University in Hamburg, after which he was a professor in food process technology and director of the Fraunhofer Institute for food technology & packaging at the Technical University of Munich. Mr Bauer holds a diploma and PhD in chemical engineering from the University of Erlangen-Nürnberg.

Wah-Hui Chu is a Hong Kong Chinese citizen and serves as a member of the Board of Directors since the IPO. From 2015 until the IPO, he has served as an advisory board member for the Company. Mr Chu currently also serves as the founder and chairman of iBridge TT International Limited (Hong Kong) since 2018, as a member of the board of directors of Mettler Toledo International since 2007 and is the founder of M&W Consultants Limited (Hong Kong) since 2007. From 2013 to 2014 when he retired, Mr Chu served as the CEO and a member of the board of directors of Tingyi Asahi Beverages Holding, and from 2008 to 2011, he acted as executive director and CEO of Next Media Limited. He also served as member of the board of directors of Li Ning company limited from 2007 to 2012 and as chairman of PepsiCo Investment (China) Limited from 1998 to 2007, and again from 2012 to 2013. Mr Chu spent many years as an executive at PepsiCo, serving as non-executive chairman of PepsiCo International's Asia region in 2008 and president of PepsiCo International – China beverages business unit between 1998 and 2007. Before joining PepsiCo, Mr Chu held management positions at Monsanto Company, Whirlpool Corporation, H.J. Heinz Company and the Quaker Oats Company. Mr Chu holds a BS in agronomy from the University of Minnesota and an MBA from Roosevelt University.

Mariel Hoch is a Swiss and German citizen and serves as a member of the Board of Directors since the IPO. Ms Hoch has been a partner at the Swiss law firm Bär & Karrer since 2012. She currently also serves as a member of the board of directors of Comet Holding AG (since 2016), where she also sits on the nomination and compensation committee, of Komax Holding AG (since 2019), where she also sits on the audit committee, and of MEXAB AG (since 2014). Ms Hoch served as member of the board of directors of Adunic AG from 2015 to 2018. She has also been a member of the foundation board of The Schörling Foundation since 2013 and co-chair of the Zurich committee of Human Rights Watch (since 2017). Ms Hoch was admitted to the Zurich bar in 2005 and holds a PhD from the University of Zurich and a law degree from the University of Zurich.

Nigel Wright is a Canadian citizen and has been a member of the Board of Directors since 2014. Mr Wright is a managing director at Onex Corporation, where he manages European origination efforts in the business services, healthcare and packaging sectors for Onex's large-cap fund, Onex Partners. Furthermore, he is a member of Onex Partners' investment committee. He currently serves as a director of Childcare BV (doing business as KidsFoundation), Justitia, and of the Manning Foundation for Democratic Education, and as a trustee of the Policy Exchange. Mr Wright joined Onex in 1997, although from 2010 to 2013, he worked as chief of staff for the Prime Minister of Canada. Prior to joining Onex, Mr Wright was a partner at the law firm of Davies, Ward & Beck, and before that he worked in policy development in the office of the Prime Minister of Canada. Nigel holds an LL.M. from Harvard Law School, an LL.B. (with honours) from the University of Toronto Law School and a bachelor's degree in politics and economics from Trinity College at the University of Toronto.

There are no material business relationships of any Board member with the Company or with any subsidiary or joint venture.

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3.2 Number of permissible activities

In the interest of good governance, the Company's Articles of Association limit the number of outside mandates by the members of our Board as follows:

(i) up to four mandates in listed firms;

(ii) up to ten mandates in non-listed firms[10]; and

(iii) up to ten mandates in foundations, associations, charitable organisations and other legal entities.

Such a mandate shall mean an activity in superior governing or administrative bodies of legal entities that are obliged to register themselves in the commercial register or any comparable foreign register except for the Company and any entity controlled by, or controlling, the Company. The Board of Directors shall ensure that such activities do not conflict with the exercise of duties to the Group. Functions in various legal entities that are under joint control, or in entities in which this legal entity has a material interest, are counted as one function.

3.3 Election and term of office

The members of the Board of Directors are elected individually each year by the Annual General Meeting of the Company for a term of office of one year and can be re-elected. The Chairman of the Board of Directors is also elected each year by the Annual General Meeting for a period of office of one year. There is no limit on the term in office. The initial election year of each Board member is shown in the table on page 43.

3.4 Internal organisation

3.4.1 Division of roles within the Board of Directors and working methods

The Board of Directors represents the Company *vis-à-vis* third parties and attends to all matters which have not been delegated to or reserved for another corporate body of the Company. The Chairman convenes meetings of the Board of Directors as often as the Group's business requires, but at least four times a year. The Chairman prepares the meetings, draws up the agenda, and chairs them. Any member of the Board can ask for a meeting to be convened and for the inclusion of an item on the agenda. In order to pass resolutions, not less than a majority of the Board members must be participating in the meeting. Except as required by mandatory law, the Board will adopt resolutions by a simple majority of the votes cast. In case of a tie, the Chairman has no casting vote. Board resolutions may also be passed in writing by way of circular resolution, provided that no member of the Board of Directors requests oral deliberation (in writing, including by email) of the Chairman or the secretary. Board resolutions by means of a written resolution require the affirmative vote of a majority of all the members of the Board.

4 Committees

The Board of Directors may delegate the preparation and execution of its decisions to Committees or to its individual members. The Board of Directors has appointed three standing Committees: the Audit and Risk Committee, the Compensation Committee and the Nomination and Governance Committee. For each of the Committees, the Board of Directors elects a chairman from the members of the Board of Directors. The period of office of all Committee members is one year. Re-election is possible.

Subject to the provisions of the Articles of Association[11], the Audit and Risk Committee and the Compensation Committee shall generally comprise three or more members of the Board of Directors. The Nomination and Governance Committee shall generally comprise two or more members of the Board of Directors.

4.1 Compensation Committee

As required by Swiss law, the members of the Compensation Committee are elected each year by the Annual General Meeting. As of 31 December 2019, the members of the Compensation Committee were Colleen Goggins (chairperson), Mariel Hoch and Wah-Hui Chu.

Meetings of the Compensation Committee are held as often as required but in any event at least three times a year, or as requested by any of its members.

The members of the Compensation Committee shall be non-executive and independent, and a majority of the members of the Compensation Committee, including its chairperson, should be experienced in the areas of succession planning and performance evaluation, as well as the compensation of members of boards of directors and executive management boards.

The Compensation Committee shall assist the Board in fulfilling its responsibilities relating to the compensation of the members of the Board of Directors and the Group Executive Board. The Compensation Committee's responsibilities include, *inter alia*:

- issuance and review of the compensation policy and the performance criteria and periodical review of the implementation and submission of suggestions and recommendations to the Board, including as regards compliance with applicable laws;

10 Pursuant to art. 727 para. 1 number 1 CO.
11 https://www.sig.biz/investors/en/governance/articles-of-association.

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- preparation of the Board of Directors' proposals to the Annual General Meeting regarding the compensation of the Board of Directors and the Group Executive Board;
- review of the principles and design of compensation plans, long-term incentive and equity plans, pension arrangements and further benefits for the Group Executive Board, including review of the contractual terms of the members of the Group Executive Board and submission of adjustments to the Board of Directors for approval;
- for each performance period, preparation of the decisions for the Board of Directors regarding the compensation of the members of the Board of Directors and the Group Executive Board, including the breakdown of compensation elements (within the amount approved by the Annual General Meeting);
- submission of suggestions to the Board of Directors regarding the recipients of performance-related and/or long-term incentive compensation and submission of suggestions to the Board of Directors regarding the definition of the annual or other targets for performance-related and/or long-term incentive compensation; and
- review of the Compensation Report and submission to the Board of Directors for approval.

The Board of Directors may entrust the Compensation Committee with additional duties in related matters. The Compensation Committee is required to report its activities to the Board of Directors on a regular basis and to make recommendations and propose appropriate measures to the Board of Directors.

4.2 Audit and Risk Committee

The members and the chairman of the Audit and Risk Committee are appointed by the Board of Directors. As of 31 December 2019, the members of the Audit and Risk Committee were Matthias Währen (chairperson), Mariel Hoch and Werner Bauer.

Meetings of the Audit and Risk Committee are held as often as required but, in any event, at least four times a year, or as requested by any of its members.

The members of the Audit and Risk Committee shall be non-executive and independent, and a majority of the members of the Audit and Risk Committee, including its chairperson, must be experienced in financial and accounting matters.

The Audit and Risk Committee (i) assists the Board in fulfilling its supervisory responsibilities with respect to (a) the integrity of the Company's financial statements and financial reporting process, (b) the Company's compliance with legal, regulatory, and compliance requirements, (c) the system of internal controls, and (d) the audit process; (ii) monitors the performance of the Company's internal auditors and the performance, qualification, and independence of the Company's independent auditors; and (iii) considers the proper assessment and professional management of risks by supervising the Company's risk management system and processes.

The responsibilities of the Audit and Risk Committee in particular include, *inter alia*, to review and discuss with the CFO and, both together with the CFO and separately, with the auditors the Company's annual and semi-annual and quarterly (if quarterly financial statements are prepared) financial statements and reports intended for publication, as well as any other financial statements (including the notes thereto) intended for publication.

The Audit and Risk Committee also recommends the annual financial statements for approval by the Board of Directors for submission to the Annual General Meeting, and approves semi-annual and quarterly (if quarterly financial statements are prepared) financial statements (including the notes thereto) for publication. In addition, the Audit and Risk Committee discusses with the CFO and the auditors significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's accounting principles, the selection and disclosure of critical accounting estimates, and the effect of alternative assumptions, estimates or accounting principles on the Company's financial statements.

In connection with the risk management of the Company, the Audit and Risk Committee discusses with the CFO and, if appropriate, the Company's General Counsel any legal matters (including the status of pending or threatened litigation) that may have a material impact on the Company's business or financial statements and any material reports or inquiries from regulatory or governmental agencies that could materially impact the Company's business or contingent liabilities and risks. Its members periodically review the Company's policies and procedures designed to secure compliance with laws, regulations and internal rules regarding insider information, confidentiality, bribery and corruption, sanctions, and adherence to ethical standards, and assess the effectiveness thereof. The Audit and Risk Committee obtains and reviews reports submitted at least annually by the General Counsel and any other persons the Committee has designated as being responsible for assuring the Company's compliance with laws and regulations. In this context, it informs the Board at least annually about the most significant risks for the Company and the Group and how such risks are managed or mitigated.

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The Board of Directors may entrust the Audit and Risk Committee with additional duties in financial matters. In discharging its responsibilities, the Audit and Risk Committee has unrestricted and direct access to all relevant information in relation to the Company and the Group. The Audit and Risk Committee ensures that it is informed by the independent auditors on a regular basis. The Audit and Risk Committee is required to report its activities to the Board of Directors on a regular basis and to make recommendations and propose appropriate measures to the Board of Directors.

4.3 Nomination and Governance Committee

The members and the chairman of the Nomination and Governance Committee are appointed by the Board of Directors. As of 31 December 2019, the members of the Nomination and Governance Committee were Nigel Wright (chairperson), Wah-Hui Chu and Werner Bauer.

Meetings of the Nomination and Governance Committee are held as often as required but, in any event, at least two times a year, or as requested by any of its members.

The majority of the members of the Nomination and Governance Committee shall be non-executive and a majority of the members of the Nomination and Governance Committee, including its chairperson, must be experienced in nomination of members of boards of directors and the group executive boards and corporate governance matters.

The Nomination and Governance Committee assists the Board of Directors in fulfilling its responsibilities and discharging the Board's responsibility to (i) establish and maintain a process relating to nomination of the members of the Board and the Group Executive Board and (ii) establish sound practices in corporate governance across the Group. Its responsibilities include, *inter alia*, to assist the Board in identifying individuals who are qualified to become members of the Board or who are qualified to become the CEO when vacancies arise and, in consultation with the CEO, members of the Group Executive Board. Furthermore, the Nomination and Governance Committee reviews the performance of each current member of the Board of Directors, the CEO and each of the other members of the Group Executive Board. It also provides recommendations to the Board of Directors as to how the Board's performance can be improved.

The Nomination and Governance Committee also develops and makes recommendations to the Board of Directors regarding corporate governance matters and practices, including effectiveness of the Board of Directors, its committees and individual directors. It also oversees the Company's strategy and governance on corporate responsibility for environmental, social and governance matters, in particular regarding key issues that may affect the Company's business and reputation[12].

The Board of Directors may entrust the Nomination and Governance Committee with additional duties in related matters. The Nomination and Governance Committee is required to report its activities to the Board of Directors on a regular basis and to make recommendations and propose appropriate measures to the Board of Directors.

5 Frequency of meetings of the Board of Directors and its Committees

The Chairman convenes meetings of the Board of Directors as often as the Group's business requires, but at least four times a year, and whenever a member of the Board or the CEO requests a meeting of the Board indicating the reasons for such meeting in writing.

The Board of Directors convenes for full-day ordinary meetings as well as an annual joint strategy meeting with the Group Executive Board. The task at these meetings is to analyse the positioning of the Group in the light of current macroeconomic and company-specific circumstances and to review, and if necessary to redefine, the strategic orientation.

In the period under review, the Board has held eight meetings, thereof five meetings in person (two full-day meetings, one half-day meeting followed by the AGM 2019, one two-days strategy meeting and one two-days meeting in one of the Company's growth regions) and three conference calls (with an average duration of two hours each). The meetings had an overall attendance of 95% (apologies for absence had been received for two meetings from the Board member who did not stand for re-election at the AGM 2019 and for an extraordinary conference call from one of the other Board members). In addition, the Board passed two decisions by way of circular resolution.

12 The organisation, detailed responsibilities and reporting duties of the Nomination and Governance Committee are stipulated in the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association).

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For the period under review, the Compensation Committee held six meetings, thereof four meetings in person and two conference calls, each with 100% attendance and an average duration of approximately two hours. The Audit and Risk Committee held five in-person meetings, each with 100% attendance and an average duration of approximately 3.5 hours. The Nomination and Governance Committee held five meetings, thereof three meetings in person and two conference calls, each with 100% attendance and an average duration of approximately 1.5 hours.

The Board meetings were, with the exception of certain directors-only sessions, usually attended by the CEO, CFO and other members of the Group Executive Board and other representatives of senior management. Some of the meetings of the Board of Directors and its Committees were partially attended by external advisers, in particular an external advisor to the Compensation Committee regularly attended meetings of such committee. Meetings of the Audit and Risk Committee were attended by the CFO, Head of Internal Audit and Chief Compliance Officer, and usually by the CEO. Representatives of the auditor also attended individual meetings or individual agenda items of meetings of the Audit and Risk Committee. Meetings of the Compensation Committee were regularly attended by the CEO and the Head of Human Resources. The Nomination and Governance Committee meeting was attended by the CEO and by a member of management acting as Secretary.

6 Areas of responsibility

The Board, acting collectively, has the ultimate responsibility for the conduct of business of the Company and for delivering sustainable shareholder and stakeholder value. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place to meet the Company's objectives and supervises and controls the management of the Company. It may take decisions on all matters that are not expressly reserved to the shareholders' meeting or to another corporate body by law, by the Articles, or the Organisational Regulations. The Board's non-transferable and irrevocable duties, as set out in the CO and art. 19 para. 3 of the Articles of Association, include:[13]

- the ultimate direction of the Company and the power for issuing the necessary directives;
- determining the organisation of the Company;
- the overall structure of the accounting system, financial control and financial planning;
- the appointment and dismissal of those persons responsible for the conduct of business and for representing the Company, the regulation of signatory authorities and the determination of their other authorities;
- the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Association, regulations and directives;
- the preparation of the annual report, Compensation Report and the shareholders' meeting, including the implementation of the resolutions adopted by the shareholders' meeting;
- the notification of a judge in case of over-indebtedness;
- the passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares and the respective amendments of Articles of Association;
- the passing of resolutions concerning an increase of the share capital and regarding the preparation of capital increase reports as well as the respective amendments to the Articles of Association; and
- the non-transferable and inalienable duties and powers of the Board of Directors by law, such as the Swiss Federal Merger Act on Merger, Demerger, Transformation and Transfer of Assets of 1 July 2004, as amended or the Articles of Association.

In addition, Swiss law and the Organisational Regulations reserve to the Board the powers, *inter alia*,

- to set financial objectives and approve, via the budget and financial planning process, the necessary means to achieve these objectives, including approving a capital allocation framework;
- to decide on the Group entering into substantial new business areas or exiting from a substantial existing business area, in each case, insofar as not covered by the current approved strategic framework;
- to appoint and remove the CEO and the other members of the Group Executive Board;
- to set the risk profile and the risk capacities of the Group; and
- to approve all matters and business decisions where such decisions exceed the authority delegated by the Board to the board committees, the CEO or the Group Executive Board.

13 The detailed description of these responsibilities and duties of the Board of Directors, its Committees and the Group Executive Board are stipulated in the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association) and the Organizational Regulations (https://www.sig.biz/investors/en/governance/organizational-regulations).

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The Board of Directors has delegated the operational management of the Company and the Group to the Group Executive Board headed by the CEO, subject to the duties and powers reserved to the Board by Swiss law, the Articles of Association, and the Organisational Regulations. The Group Executive Board is responsible for implementing and achieving the Company's corporate objectives and for the management and control of all Group companies[14]. The Group Executive Board is directly supervised by the Board of Directors and its Committees.

Pursuant to the Organisational Regulations, the CEO is appointed upon recommendation by the Nomination and Governance Committee and may be removed by the Board of Directors. The other members of the Group Executive Board are appointed by the Board of Directors upon recommendation by the Nomination and Governance Committee in consultation with the CEO and may be removed by the Board of Directors.

7 Information and control instruments vis-à-vis Group Executive Board

The Board of Directors supervises the Group Executive Board and uses reporting and controlling processes to monitor its operating methods. At each of its meetings, the Board of Directors is informed by the CEO, or by another member of Group Executive Board, of the current business and significant events. At these meetings, members of the Board of Directors may ask other members of the Board of Directors or the CEO to provide information about the Group that they require in order to carry out their duties. The Chairman has regular interaction with the CEO between Board meetings. The course of business and all major issues of corporate relevance are discussed at least once a month. Executive Management provides monthly reports to the Board regarding the financial and operational performance of the business. All members of the Board of Directors are notified immediately of any exceptional occurrences.

The Head of Internal Audit, General Counsel, and auditing bodies assist the Board of Directors in carrying out its controlling and supervisory duties. In addition, the Committees monitor the performance of the Group Executive Board. The scope of this remit is agreed with the Board of Directors.

The Committees regularly receive information in the form of Group reports relevant to their needs. These reports are typically discussed in depth at regular meetings of the Committees involved. The Group Executive Board defines and evaluates the Group's most significant risks on the basis of a coordinated and consistent approach to risk management and control. Based on a list of the most important risks, the Group Executive Board establishes a list of measures to prevent and mitigate potential loss and damage. The list is presented to the Audit and Risk Committee. After review and discussion, the Audit and Risk Committee informs the Board of Directors that directs the Group Executive Board to ensure that the measures are put into practice.

In addition, the Board of Directors is supported by Internal Audit. The Audit and Risk Committee reviews and discusses with the Head of Internal Audit material matters arising in internal audit reports provided to the Audit and Risk Committee. Internal Audit has an unrestricted right to demand information and examine the records of all Group companies and departments.

In addition, after consultation with the Audit and Risk Committee, the Group Executive Board may ask Internal Audit to carry out special investigations above and beyond its usual remit. The Head of Internal Audit submits a report to the Audit and Risk Committee at least annually. The Audit and Risk Committee is responsible for reviewing and discussing such reports, the internal audit plan for the Company and budgeted resources for Internal Audit.

The SIG Group has risk management systems in place at all its Group companies. Potential risks are reviewed periodically and significant risks to which the Company is exposed are identified and assessed for probability of occurrence and effect. Action to manage and contain these risks is approved by the Board of Directors.

8 Group Executive Board

8.1 Members of Group Executive Board

The Group Executive Board is headed by the CEO and comprises seven members, specifically the CEO, the CFO, the CMO, the CSO, the President & General Manager Asia-Pacific, the President & General Manager Americas and the President & General Manager Europe. The members of the Group Executive Board are as follows:

Name	Nationality	Position
Rolf Stangl	Swiss and German	CEO
Samuel Sigrist	Swiss	CFO
Markus Boehm	German	CMO
Ian Wood	British	CSO
Lawrence Fok	Singaporean	President & General Manager Asia Pacific
Ricardo Rodriguez	Brazilian and Spanish	President & General Manager Americas
Martin Herrenbrück	German	President & General Manager Europe

14 The Group Executive Board exercises those duties which the Board of Directors has delegated to the management in accordance with the Company's Organisational Regulations (https://www.sig.biz/investors/en/governance/organizational-regulations) and Swiss law.

Corporate Governance Report continued

Rolf Stangl is a Swiss and German citizen and has served as CEO since 2008. Mr Stangl joined the Company in 2004 and has held a number of positions across the organisation, including, amongst others, head of corporate development and M&A, chief executive officer of SIG Beverage (a division subsequently divested) and CMO. Prior to joining the Company, Mr Stangl served as an investment director for small and mid-cap buyouts at a family office in London and as a senior consultant with Roland Berger Strategy Consultants in Germany. Mr Stangl holds a bachelor's degree in business administration from ESC Reims & ESB Reutlingen.

Samuel Sigrist is a Swiss citizen and has served as CFO and chairman of the Middle East Joint Venture since 2017. Mr Sigrist joined the Company in 2005 and has worked in various finance and corporate development roles, including director of group controlling & reporting, head of finance/CFO of Europe and head of group projects. From 2013 to 2017, Mr Sigrist was the Company's president & general manager, Europe and prior to joining the Company, he worked as a consultant. Mr Sigrist holds a bachelor's degree in business administration from the Zurich University of applied sciences, an MBA from the University of Toronto and a global executive MBA from the University of St. Gallen. Mr Sigrist is also a Swiss certified public accountant.

Markus Boehm is a German citizen and has served as CMO since 2009. Since 2012, he has also been responsible for the technology functions as well as the machine assembly business (until 2018). Mr Boehm joined the Company in 2004 as CFO of the Company in China, and after a brief period as COO China he took the role of CEO SIG Combibloc China in 2005. Prior to joining the Company, Mr Boehm worked at Hilti in Switzerland, Hong Kong and China and held various finance positions at Procter & Gamble in Germany and the UK. He graduated with a BS in economics from the Wharton School and a bachelor of arts in political science from the University of Pennsylvania.

Ian Wood is a British citizen and has served as Chief Supply Chain Officer since he joined the Company in 2018. Previously, Mr Wood spent 15 years at Honeywell initially in the supply chain function and later as vice president & general manager of various business units within the Home & Building technologies segment. Prior to joining Honeywell, Mr Wood worked at A.T. Kearney and Ford Motor Company. Mr Wood holds a master's degree in manufacturing engineering from Cambridge University, UK and an MBA from Cranfield School of Management, UK.

Lawrence Fok is a Singapore citizen and has served as President and General Manager of the Asia-Pacific region since he joined the Company in 2012. Prior to joining the Company, Mr Fok held senior management positions at Norgren China, Alcan Global Pharmaceutical Packaging, SCA Packaging China and Avnet Asia. Mr Fok holds a bachelor's degree in Mechanical Engineering, a MS in industrial & systems engineering from the National University of Singapore, and a Grad. Dip. in Financial Management from the Singapore Institute of Management.

Ricardo Rodriguez is a Brazilian and Spanish citizen and has served as President and General Manager of the Americas region since 2015. Mr Rodriguez joined the Company in 2003 and previously served as director & general manager, South America and technical service director, South America. Prior to joining the Company, Mr Rodriguez worked at Tetra Pak in a number of roles, including general manager of the Belo Horizonte branch, key account manager and technical service manager. He holds a BS degree in aeronautical mechanical engineering from the Technological Institute of Aeronautics in Brazil, an MBA from the Getúlio Vargas Foundation and a specialisation course in management at IMD-Lausanne.

Martin Herrenbrück is a German citizen and has served as President and General Manager of the Europe region since 2017. Mr Herrenbrück joined the Company in 2006 and previously held the positions of Head of Cluster Europe, Head of Cluster Asia-Pacific South, Head of Global Marketing and other corporate development roles. Prior to joining the Company, he worked for several years at Roland Berger Strategy Consultants in Germany. Mr Herrenbrück holds a MS in Management from HHL–Leipzig Graduate School of Management and an MBA from KDI School of Public Policy and Management in Seoul, South Korea.

Corporate Governance Report continued

8.2 Number of permissible activities

In the interest of good governance, the Company's Articles of Association limit the number of outside mandates by the members of the Group Executive Board as follows:

(i) up to one mandate in listed firms[15];

(ii) up to five mandates in non-listed firms; and

(iii) up to five mandates in foundations, associations, charitable organisations and other legal entities.

Such a mandate shall mean an activity in superior governing or administrative bodies of legal entities that are obliged to register themselves in the commercial registry or any comparable foreign register except for the Company and any entity controlled by, or controlling, the Company. The Board of Directors shall ensure that such activities do not conflict with the exercise of duties to the Group. Functions in various legal entities that are under joint control, or in entities in which this legal entity has a material interest, are counted as one function.

8.3 Management agreements

The Company has not entered into any management contracts with persons outside the Group for the delegation of executive management tasks.

9 Compensation, shareholdings and loans

All details of compensation, shareholdings and loans are listed in the Compensation Report on pages 56 et seqq.

10 Shareholders' rights of participation

10.1 Restrictions of voting rights and representation

Each share that is entered in the share register entitles the shareholder to one vote. The voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights up to a specific qualifying day (record date) which is designated by the Board of Directors. On application, persons acquiring shares are entered in the share register as shareholders with voting rights without limitations, provided they expressly declare having acquired the shares in their own name and for their own account and that they comply with the disclosure requirement stipulated by the FMIA. Entry in the share register of registered shares with voting rights is subject to the approval of the Company.

The entry may be refused based on the grounds set forth in art. 7, para. 3, para. 4, para. 5 and para. 6 of the Articles of Association. The respective rules have been described in Section 2.5 "Limitations on Transferability and Nominee Registrations" of this Corporate Governance Report. If the Company does not refuse to register the applicant acquirer as a shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Acquirers that are not eligible for registration are entered in the share register as shareholders without voting rights. The corresponding shares are considered as not represented in the General Meeting.

The rights of shareholders to participate in General Meetings comply with legal requirements and the Articles of Association (https://www.sig.biz/investors/en/governance/articles-of-association). Every shareholder may personally participate in the General Meeting and cast his/her vote(s), or be represented by a proxy appointed in writing, which proxy need not be a shareholder, or be represented by the independent proxy. Shareholders may issue their power of attorney and instructions to the independent proxy by post or electronically. The independent proxy is obliged to exercise the voting rights that are delegated to him/her by shareholders according to their instructions. Should he/she have received no instructions, he/she shall abstain from voting.

On an annual basis, the Annual General Meeting elects the independent proxy with the right of substitution. His/her term of office terminates at the conclusion of the next Annual General Meeting. Re-election is possible. Should the Company have no independent proxy, the Board of Directors shall appoint an independent proxy for the next Annual General Meeting.

10.2 Quorum requirements

Unless a qualified majority is stipulated by law or the Articles of Association, the General Meeting makes its decisions on the basis of the relative majority of valid votes cast, regardless of the number of shareholders present or shares represented. Abstentions and blank votes do not count as votes. The resolutions require the approval of a simple majority of votes represented.

15 Pursuant to art. 727 para. 1 number 1 CO.

Corporate Governance Report continued

10.3 Convening the Annual General Meeting

The Annual General Meeting is convened by the Board of Directors or, if necessary, by the Company's independent auditors. Extraordinary General Meetings may be held when deemed necessary by the Board of Directors or the Company's auditors. Liquidators may also call a General Meeting. Furthermore, Extraordinary General Meetings must be convened if resolved at a General Meeting or upon written request by one or more shareholder(s) representing in aggregate at least 10% of the Company's share capital registered with the commercial register.

General Meetings are convened by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the date of the meeting. Such publication and letters of invitation must indicate the date, time and venue of the meeting, the items on the agenda, and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convention of a General Meeting or the inclusion of an item on the meeting's agenda.

10.4 Inclusion of agenda items

The Board of Directors is responsible for specifying the agenda. Registered shareholders with voting rights individually or jointly representing at least 5% of the Company's share capital or shares with a nominal value of at least CHF 1 million may request that an item be placed on the agenda of a General Meeting of the Company, provided they submit details thereof to the Company in writing at least 45 calendar days in advance of the shareholders' meeting concerned.

10.5 Registration in the share register

Only shareholders who are registered in the share register as shareholders with voting rights at a specific qualifying day (record date) designated by the Board of Directors are entitled to attend a General Meeting and to exercise their voting rights. In the absence of a designation of the record date by the Board of Directors, the record date shall be ten days prior to the General Meeting.

11 Change of control and defence measures

11.1 Duty to make an offer

Art. 9 of the Company's Articles of Association provides for a "selective opting-out", according to which the Onex Persons[16] are, acting individually or in joint agreement with other Onex Persons, exempted from the obligation to submit a public takeover offer pursuant to art. 135 para. 1 FMIA in respect of the following circumstances:

a) transactions in shares or other reportable securities under FMIA (i) between any Onex Person and (ii) between any Onex Person on the one hand and any member of the Board of Directors or the management of the Company or of the SIG Group on the other hand;

b) any other arrangements between the persons mentioned in (a) above potentially triggering the obligation to submit a public takeover offer; and

c) any change of the holder of multiple voting shares (MVS) of Onex Corporation held by its president and CEO, Gerald W. Schwartz, but not any change of control in the subordinated voting shares (SVS) of Onex Corporation that are publicly traded on the Toronto Stock Exchange.

11.2 Change of control clauses

There are no change-of-control provisions in favour of any member of the Board of Directors and/or the Group Executive Board and/or other management personnel. However, in the event of a change of control, restricted share units, performance share units as well as shares subject to transfer restrictions or vesting periods granted to members of the Board of Directors and the Group Executive Board may be subject to accelerated vesting or early lifting of restrictions under the applicable plans.[17]

12 Auditors

12.1 Duration of the mandate and term of office of the Auditor in charge

The auditors are elected annually at the Annual General Meeting for one year. The grounds for selection of external auditors are customary criteria such as independence, quality, reputation and cost of services. PricewaterhouseCoopers AG, St. Jakobstrasse 25, 4002 Basel, Switzerland ("**PwC**") have been the statutory auditors of the Company since the migration of the Company from Luxembourg to Switzerland which occurred on 27 September 2018 and were re-elected at the AGM 2019. Prior to the Company's migration, the independent registered auditors (*réviseur d'entreprises agréé*) of SIG Combibloc Group AG (formerly SIG Combibloc Group Holdings S.à r.l.) were PricewaterhouseCoopers, *Société coopérative*, Luxembourg, who have been the independent registered auditors of the Company since the period ended 31 December 2015. The main Group companies are also audited by PwC.

16 Onex Partners IV LP, George Town, Cayman Islands; Onex Partners IV PV LP, Wilmington, Delaware, United States of America; Onex Partners IV Select LP, George Town, Cayman Islands; Onex Partners IV GP LP, George Town, Cayman Islands; Onex US Principals LP, Wilmington, Delaware, United States of America; Onex Partners Holdings Limited SARL, Munsbach, Grand Duchy of Luxembourg; Onex Advisor Subco LLC, Delaware, United States of America; Onex SIG Co-Invest LP, George Town, Cayman Islands; Wizard Management I GmbH & Co. KG, Munich, Germany and Wizard Management II GmbH & Co. KG, Munich, Germany, together the current direct shareholders, as well as all other companies directly or indirectly held now or in the future by Onex Corporation, Toronto, Ontario, Canada.

17 For further information on compensation with respect to a change of control please refer to page 68.

Corporate Governance Report continued

Thomas Brüderlin (audit expert) as auditor in charge is responsible for auditing the financial statements of the Company as well as for the consolidated financial statements of the Group. The lead auditor has to rotate every seven years in accordance with Swiss law. Thomas Brüderlin's last year as auditor in charge will be YE 2019.

12.2 Fees

The fees charged by PwC as the auditors of the Company and of the Group companies audited by them, as well as their fees for audit-related and additional services, are as follows:

CHF 1,000	2019
Audit	1,638
Audit related services	254
Tax and other services	264
Total	**2,156**

12.3 Informational instruments pertaining to the Auditors

The Board exercises its responsibilities for supervision and control of the external auditors through the Audit and Risk Committee. The Audit and Risk Committee assesses the professional qualifications, independence, quality and expertise of the auditors as well as the fees paid to them each year and prepares an annual appraisal. It recommends to the Board proposals for the general shareholders' meeting regarding the election or dismissal of the Company's independent auditors. The assessment of the performance of the external auditor is based on key criteria, such as efficiency on the audit process, validity of the priorities addressed in the audit, objectivity, scope of the audit focus, quality and results of the audit reports, resources used and the overall communication and coordination with the Audit and Risk Committee and Group Executive Board as well as the audit fees. The Audit and Risk Committee further coordinates cooperation between the external auditors and the internal auditors.

Prior to the audit, the auditors agree the proposed audit plan and scope, approach, staffing and fees of the audit with the Audit and Risk Committee. Special assignments from the Board of Directors are also included in the scope of the audit.

PwC presents to the Audit and Risk Committee, on an annual basis, a comprehensive report on the results of the audit of the consolidated financial statements, the findings on significant accounting and reporting matters, and findings on the internal control system, including any significant changes in the Company's accounting principles, the selection and disclosure of critical accounting estimates, and the effect of alternative assumptions, estimates or accounting principles on the Company's financial statements as well as the status of findings and recommendations from previous audits. The results and findings of this report are discussed in detail with the CFO and the Audit and Risk Committee where representatives of the auditor explain their activities and respond to questions. The Audit and Risk Committee also monitors whether and how the Group Executive Board implements measures based on the auditor's findings.

Each year, the Audit and Risk Committee evaluates the effectiveness of the external audit, performance, fees and independence of the auditors and the audit strategy. The Board of Directors discusses and reviews the scope of the audits and the resulting reports. On this basis, it decides on any changes or improvements to be made. Representatives of the auditor attend individual meetings or individual agenda items of meetings of the Audit and Risk Committee. Furthermore. There is regular contact between the auditors, the Group Executive Board, and the Audit and Risk Committee outside of meetings. During the period under review there were four meetings between the Audit and Risk Committee and the auditors at which PwC presented their proposal for the scope of the audit of the Group's financial statements for the year ended 31 December 2019.

Additional services or consulting assignments are delegated to the auditors only if they are permitted by law and the auditor's code of independence. The auditors are required to confirm that their performance of these additional services will not affect the independence of their auditing mandate. The Audit and Risk Committee pre-approves all permitted non-audit services performed by the auditors, and reviews the compatibility of non-audit services performed by them with their independence requirements. This procedure is aimed at ensuring PwC's independence in their capacity as auditors to the Group. PwC monitors its independence throughout the year and confirms its independence to the Audit and Risk Committee annually.

13 Information policy

The Group is committed to communicating in a timely and transparent way to shareholders, potential investors, financial analysts and customers. Toward this end, the Board of Directors takes an active interest in fostering good relations and engagement with shareholders and other stakeholders. In addition, the Company complies with its obligations under the rules of SIX Swiss Exchange, including the requirements on the dissemination of material and price-sensitive information.

Corporate Governance Report continued

The Group publishes an annual report that provides audited consolidated financial statements, audited financial statements and information about the Company including the business results, strategy, products and services, corporate governance and executive compensation. The Annual Report is published within four months after the 31 December balance sheet date. The annual results are also authorised in the form of a press release. In addition, the Company releases results for the first half of each year within three months after the 30 June balance sheet date. The published half year and annual consolidated financial statements comply with the requirements of Swiss company law, the listing rules of SIX Swiss Exchange and International Financial Reporting Standards ("**IFRS**"). Furthermore, the Group publishes trading statements for the first and third quarters in the form of a press release. The quarterly press releases contain unaudited financial information prepared in accordance with IFRS.

The Company's Annual Report, Half-Year Report, and quarterly releases are distributed pursuant to the rules and regulations of SIX Swiss Exchange and are announced via press releases and investor conferences in person or via telephone. An archive containing annual reports, half-year reports, quarterly releases, and related presentations can be found at https://investor.sig.biz.

In addition, the Company publishes a Corporate Responsibility Report on an annual basis, produced in accordance with the Global Reporting Initiative (GRI) G4 Guidelines Core option. An archive containing corporate responsibility reports can be found in the "Responsibility" section at https://www.sig.biz/investors/en/performance/corporate-responsibility-report.

The Group reports in accordance with the disclosure requirements of art. 124 FMIA and the ad hoc publication requirements of art. 53 of the listing rules of SIX Swiss Exchange. At https://investor.sig.biz/en-gb/contact/, interested parties can register for the free Company email distribution list in order to receive direct, up-to-date information at the time of any potentially price-sensitive event (ad hoc announcements). Ad hoc announcements may be viewed at https://www.sig.biz/investors/en/news-events/media-releases at the same time as notification to SIX Swiss Exchange and for two years thereafter.

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). To the extent the Company communicates to its shareholders by mail, such communications shall be sent by ordinary mail to the recipient and address recorded in the share register or in such other form as the Board of Directors deems fit.

The Company's website:

https://www.sig.biz

Ad hoc messages (pull system):

https://www.sig.biz/investors/en/news-events/media-releases

Subscription for ad hoc messages (push system):

https://www.sig.biz/investors/en/contact

Financial reports:

https://www.sig.biz/investors/en/performance/historical-financial-statements

Corporate Responsibility Reports:

https://www.sig.biz/investors/en/performance/corporate-responsibility-report

Corporate calendar:

https://www.sig.biz/investors/en/news-events/overview

Contact address:

The SIG Group Investor Relations Department can be contacted through the website or by telephone, email or letter.

SIG Combibloc Group AG
Laufengasse 18
8212 Neuhausen am Rheinfall
Switzerland

+41 (52) 674 6508
jennifer.gough@sig.biz

Financial calendar

The important dates for 2020 include:

2019 full year results	25 February 2020
Publication of the Annual General Meeting 2020 invitation	13 March 2020
Annual General Meeting 2020	7 April 2020
Release of first quarter 2020 key financial data	5 May 2020
Publication of half-year report 2020	28 July 2020
Release of third quarter 2020 key financial data	27 October 2020

COMPENSATION REPORT

Colleen Goggins
Chairwoman of the Compensation Committee

Our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders' interests.

Letter from the Chairwoman of the Compensation Committee

Dear Shareholders,
On behalf of the Board of Directors and the Compensation Committee, I am pleased to introduce SIG Combibloc Group's ("SIG") Compensation Report for the year ended 31 December 2019. This report on compensation completes our business, financial, and corporate governance reports and explains SIG's compensation system and its governance, as well as how the performance of SIG impacts the variable compensation of the Group Executive Board.

The Compensation Committee can now look back on one full term of service after the IPO in September 2018. 2019 was characterised by implementing our performance-based Long-Term Incentive plan ("LTIP") under which the first grant occurred. This fosters the alignment of the participating Group Executive Board members and the key managers with our shareholders and is a key element to reflect the principle of "pay for performance" in our compensation framework. Further details of our LTIP are provided in Section 5. The Compensation Committee also educated itself on recent developments in compensation, legal, and governance-related matters pertaining to Swiss-listed companies.

The purpose of SIG's compensation framework is to attract, engage, and retain executives and employees, to drive performance and to encourage behaviours that are in line with SIG's values as well as with the long-term interests of shareholders. The Compensation Committee regularly assesses, reviews and develops the compensation framework at SIG to ensure that it is fulfilling its purpose, reflecting the performance and culture of the Company, and aligning the interests of different stakeholders.

At the upcoming Annual General Meeting, we will ask the shareholders to approve prospectively in binding votes the maximum aggregate amount of compensation for the Board of Directors until the next Annual General Meeting in 2021 and the maximum aggregate amount of compensation for the Group Executive Board for the year 2021. Further, this Compensation Report will be submitted for a non-binding, consultative vote of the shareholders.

We will continue an open and regular dialogue with our shareholders as we continue to further develop the compensation system. We are confident that this report includes all relevant information and that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders' interests.

On behalf of SIG, the Compensation Committee and the entire Board of Directors, I would like to thank you, our shareholders, for your contributions and continued trust in SIG.

Colleen Goggins
Chairwoman of the Compensation Committee

Compensation Report continued

1. Introduction

This Compensation Report has been prepared in compliance with Swiss laws and regulations, including the Ordinance against Excessive Compensation of Listed Stock Companies. The report is in line with the Directive on Information relating to Corporate Governance of SIX and also takes into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The Compensation Report contains the following information:

- A description of the compensation governance and compensation framework at SIG
- The compensation of the members of the Board of Directors ("Board") for 2019
- The compensation of the Group Executive Board for 2019

2. Compensation governance

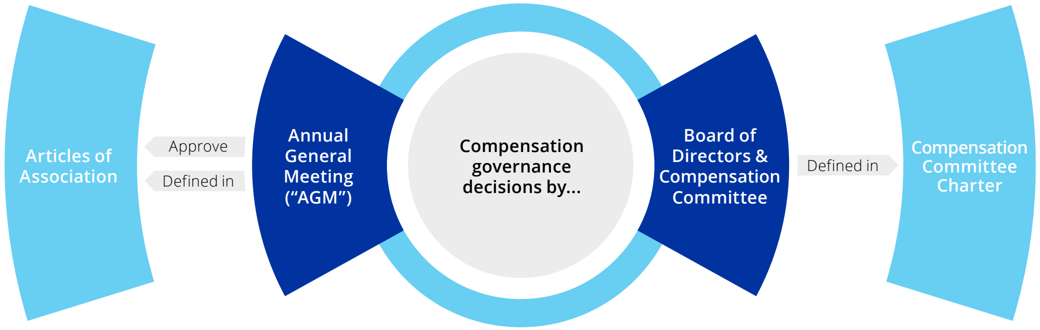


Figure 1: Compensation governance at SIG

The compensation governance structure at SIG involves three primary bodies, as depicted in Figure 1: (1) the Board, (2) the Compensation Committee ("CC"), acting in an advisory capacity for the Board and (3) SIG's shareholders at the Annual General Meeting ("AGM"). The Compensation Committee Charter and the Articles of Association outline and define the roles and responsibilities of these bodies. The Articles of Association contain the following relevant provisions on compensation:

- Principles for the compensation of the members of the Board and the Group Executive Board (Art. 24 to 26)
  Members of the Board of Directors receive fixed compensation, while members of the Group Executive Board receive fixed and variable compensation. The variable compensation may include short-term and long-term variable compensation components. These are governed by quantitative and qualitative performance criteria that take into account the performance of SIG.
- Compensation approvals by the General Meeting (Art. 27)
  The AGM has the authority to approve the maximum aggregate amount of compensation for the Board of Directors for the ensuing term of office and the maximum aggregate amount of compensation for the Group Executive Board for the following year.
- Supplementary amounts available for members joining the Group Executive Board or being promoted within the Group Executive Board to CEO after the relevant approval of compensation by the AGM (Art. 27, para. 4)
  SIG is authorised to pay compensation to such members of the Group Executive Board without further approval even in excess of the maximum aggregate amount approved by the AGM for the relevant year, provided that the sum of such excess amount is not greater than 40% of the approved maximum aggregate amount of compensation for the Group Executive Board for such year.
- Retirement benefits (Art. 30)
  SIG may establish or join one or more independent pension funds for occupational pension benefits. Instead or in addition, SIG may directly offer retirement benefits (such as pensions, purchase of health care insurances, etc.) outside of the scope of occupational pension benefit regulations to members of the Group Executive Board and may pay them out after retirement.

The Articles of Association can be found on our homepage for investors www.sig.biz/investors/en/governance/articles-of-association or download the document directly here: cms.sig.biz/media/5241/aoa-sig-combibloc-group-ag.pdf.

Compensation Report continued

The roles of the Compensation Committee and the AGM are described in more detail in the following paragraph. The general split of responsibilities and authorities between the Board, the Compensation Committee and the AGM is illustrated in Figure 2.

	CEO	Compensation Committee	Board of Directors	AGM
Compensation principles (Articles of Association)			Approval (subject to AGM approval)	Approval (in case of changes, binding vote)
Compensation strategy and guidelines		Proposal	Approval	
Key terms of compensation plans and programmes for members of the Board of Directors and Group Executive Board		Proposal	Approval	
Total compensation for members of the Board of Directors		Proposal	Approval (subject to AGM approval)	Approval (binding vote)
Total compensation and benefits for members of the Group Executive Board		Proposal	Approval (subject to AGM approval)	Approval (binding vote)
Employment and termination agreements for the CEO		Proposal	Approval	
Employment and termination agreements for members of the Group Executive Board	Proposal	Review	Approval	
Compensation Report		Proposal	Approval	Approval (consultative vote)
Individual total compensation of the CEO		Proposal	Approval	
Individual total compensation of other members of the Group Executive Board	Proposal	Review	Approval	

Figure 2: Authority table regarding compensation

Role of the shareholders (AGM) – shareholder engagement

In line with SIG's Articles of Association, particularly Art. 11 and Art. 27, the Board will submit three separate compensation-related resolutions for shareholder approval at the 2020 AGM, as illustrated in Figure 3:

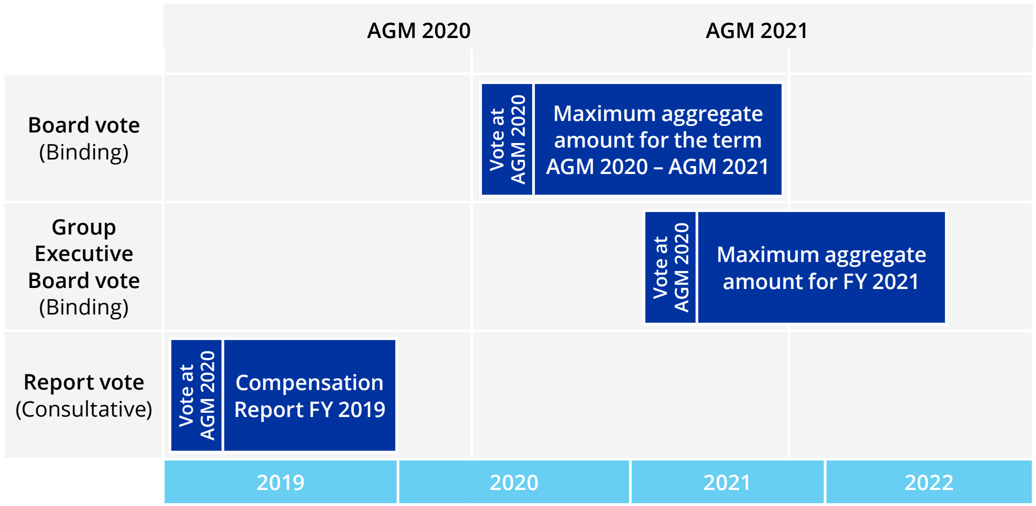


Figure 3: Overview of votes at the 2020 AGM

Compensation Committee – activities during 2019

The Compensation Committee consists of three independent, non-executive Board members who are elected annually and individually by the Annual General Meeting for a one-year term until the following Annual General Meeting. The main role of the Compensation Committee is to assist the Board in fulfilling its responsibilities relating to the compensation of the members of the Board and the Group Executive Board of SIG. It supports the Board in discharging its duties, sets guidelines regarding the compensation of the members of the Board, the Chief Executive Officer ("CEO"), and the other members of the Group Executive Board, proposes the maximum aggregate amount of compensation to be awarded, and prepares the related motions for the Annual General Meeting.

The Compensation Committee Chairperson ensures that the Board members are kept informed in a timely and appropriate manner of all material matters within the Compensation Committee's area of responsibility.

Compensation Report continued

The Compensation Committee Chairperson convenes the meetings of the Compensation Committee as often as any business affairs of SIG require, but at least three times a year. In 2019, the Committee held six meetings. The topics covered are described in Figure 4. Details on the Compensation Committee members are provided in the Corporate Governance Report included elsewhere in the 2019 Annual Report. All members of the Committee had full meeting attendance during the reporting year.

	Agenda Item	January	February	May	July	September	December
Principles and design of compensation plans	Market intelligence (recent developments in compensation, legal, governance landscapes)				O		
	Long-term incentive framework for 2020 and onwards to enlarge participants group				O	O	O
Compensation Group Executive Board	Short-term Incentive Plan – Target achievement 2018 – Target setting 2019 – General target framework review including KPI measures 2020	O	O			O	O
	Long-term Incentive Plan – Target setting for grant 2019 and approval of plan participants		O				
	Review target compensation for the CEO and the Group Executive Board for 2020 Proposal to the Board of Directors						O
Compensation Board of Directors	Review compensation for the Board of Directors and Proposal to the Board of Directors						O
General framework	Shareholding Guidelines Assessment		O				
	General review of policies and partial update					O	O
Communication	AGM invitation including determination of the maximum amounts of compensation for the Board of Directors (for the term AGM 2019 to AGM 2020) and the Group Executive Board (year 2020)		O				
	Analysis of the compensation voting results of the AGM and the proxy advisers feedback			O	O		
	Compensation Report		O				O

Figure 4: Topics covered by the Compensation Committee in 2019

A performance review of members of the Board and of the Group Executive Board was conducted by the Nomination and Governance Committee with the members of the Compensation Committee in attendance, so that close coordination was ensured.

Compensation Report continued

The Compensation Committee may ask members of the Group Executive Board, one or more senior managers in the human resources function and third parties to attend meetings in an advisory capacity and may provide them with all appropriate information. The Chairperson of the Board and the CEO did not attend the meeting when their own compensation was discussed. The Chairperson of the Compensation Committee reported to the Board after each meeting on the substance of the meeting. All documents and the minutes of the Compensation Committee meetings are available to all members of the Board and all members of the Board may attend any committee meetings as guests. The Compensation Committee regularly holds private sessions (i.e. without the presence of members of the Group Executive Board, senior managers or third parties). The Compensation Committee may decide to consult external advisers for specific compensation matters. In 2019, the Compensation Committee mandated different external consultants for specific advisory services. One of these external advisers is part of one of the big four accounting firms (however not our external auditor). Separate practice groups of this firm were retained to advise the Group on certain compensation unrelated matters in 2019.

3. Compensation principles

The compensation framework of SIG reflects the commitment to attract, engage and retain top talents globally. SIG's overall compensation framework is long-term in nature and designed to reward outperformance and effectively address underperformance, with performance defined relative to targets and, in some case, relative to peers. SIG endeavours to make its compensation principles simple and transparent for the benefit of shareholders, Board and management. The compensation principles are illustrated in Figure 5.

Objectives and Principles

- **Be competitive to attract and retain top talent and at the same time be reasonable in terms of amount and composition**
- **Be balanced in terms of weight between base salary, STIP and LTIP**
- **Be long-term as well as simple and transparent**
- **Be developed to reward outperformance and effectively tackle underperformance**
- **Be fully compliant with relevant laws and regulations**

Figure 5: SIG compensation framework, objectives and principles

To assess SIG's compensation system not only from an internal equity perspective but also from an external competitiveness perspective, regular market benchmark analyses are conducted by the Compensation Committee regarding the level as well as the structure of the compensation of the Board and the Group Executive Board.

For the Board, Swiss-listed industrial companies are considered the most relevant reference market for compensation comparison, reflecting the specific governance regime and regulatory aspects of the Swiss market[1]. For the Group Executive Board, a broader industry-related European comparator group is considered appropriate to assess compensation practices, structure and pay levels given SIG's international footprint and reflecting the recruiting[2]. In both cases, size criteria apply.

A benchmark analysis for the Group Executive Board was conducted in 2019 using the same comparison groups as in the previous benchmark to ensure consistency. The Committee will continue to review the compensation packages with regards to level and structure for the Board as well as the Group Executive Board on a regular basis. Similarly, the composition of the respective comparison group will also be reviewed regularly.

Figure 6 provides an overview of the compensation elements for the Board and the Group Executive Board:

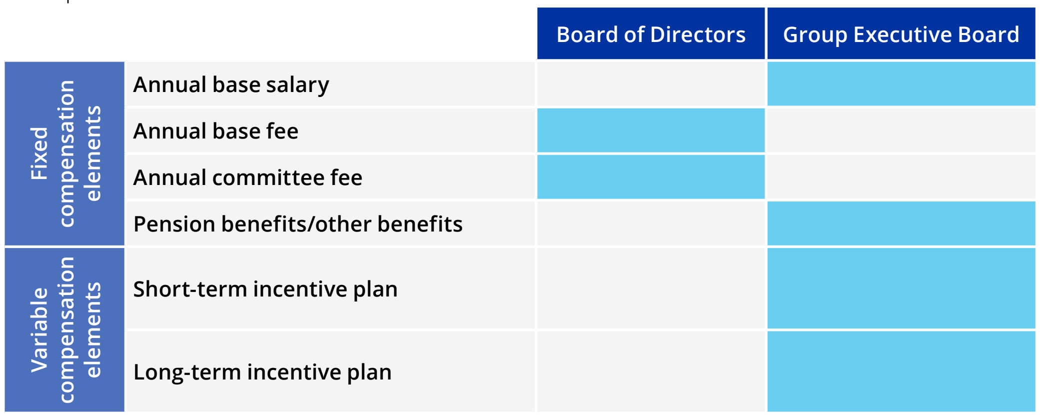


Figure 6: Overview of compensation elements

Additional details for all the compensation elements are included later in the report.

1 The comparison group used for the most recent compensation benchmarking analysis of the Board consisted of the following Swiss listed industrial companies: ARYTZA, Barry Callebaut, BKW, Bucher, Clariant, DKSH, dormakaba, Dufry, Flughafen Zuerich, Geberit, Georg Fischer, OC Oerlikon, SFS Group, Straumann, Sulzer, Sunrise, Vifor Pharma.

2 The comparison group used for the compensation benchmarking analysis of the Group Executive Board conducted in 2019 consisted of the following comparators: Aalberts, AMS, ARYTZA, Barry Callebaut, BKW, Bucher, Clariant, DKSH, DMG MORI, dormakaba, Duerr, Dufry, Flughafen Zuerich, GEA; Georg Fischer, IMI, Kingspan, OC Oerlikon, PRC, SFS Group, Spirax-Sarco, Straumann, Sulzer, Vifor Pharma, Weir.

Compensation Report continued

4. Compensation framework for the Board of Directors

Compensation approach for the Board of Directors

To underline the role of the Board to perform independent oversight and supervision of SIG, the entire compensation of the Board is fixed and does not contain any variable pay component.

The compensation for the members of the Board of Directors is composed of two components: a fixed annual base fee and fixed annual committee fee(s) for assuming the role of the Chairperson of a Board Committee or as a member of Board committees. Only ordinary members of the Board are entitled to the additional committee fees. The compensation of the Chairperson of the Board consists of the annual base fee only. Required employee social security contributions under the relevant country's applicable law are included in the compensation. No additional compensation components such as pension entitlements, lump-sum expenses or attendance fees are awarded to the members.

The amount of the annual base fee and annual committee fees for the Chairperson and the members of the respective committees are illustrated in Figure 7.

	Annual base fee (in CHF, gross)	Annual committee fees (in CHF, gross)					
		Audit and Risk		Compensation		Nomination and Governance	
		Chair	Member	Chair	Member	Chair	Member
Chairperson	550,000	Not entitled					
Ordinary member	175,000	50,000	25,000	40,000	15,000	40,000	15,000

Figure 7: Overview of the Board of Director's fees

The individual sum of the annual base fee and, where applicable, the annual committee fee per member is to be paid 60% in cash and 40% in either SIG blocked shares or Restricted Share Units ("RSUs"), entitling the respective Board member to receive SIG shares upon vesting of the RSUs. Dividend equivalents are paid to those members of the Board opting for RSUs, as a substitute for dividends, if any, paid on shares. In order to simplify the payout process, the Compensation Committee discussed adjustments to the Board of Director's compensation approach. Details are outlined in Section 8 of this Compensation Report.

The equity component is intended to further strengthen the long-term focus of the Board in performing its duties. Both the cash and share elements are paid out in arrears on a quarterly basis in four equal instalments. A three-year blocking/vesting period is applied to the shares and RSUs, expiring at the third anniversary of each respective grant. This approach is illustrated in Figure 8.

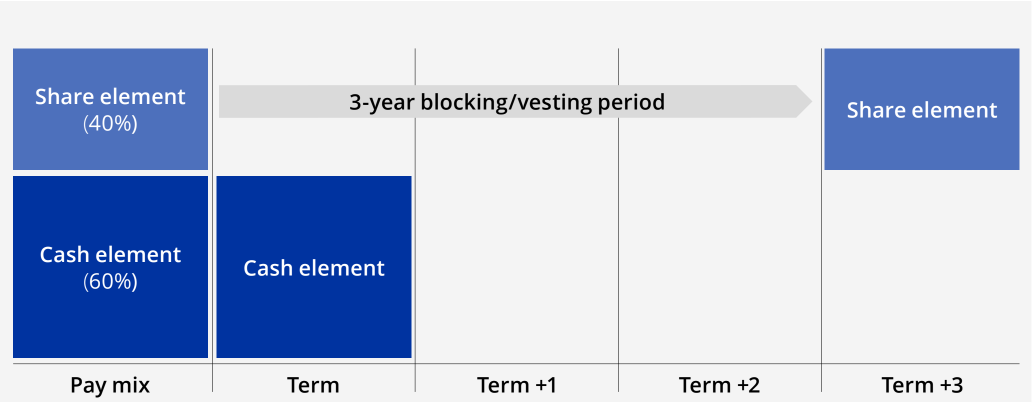


Figure 8: Compensation approach of the Board of Directors

Shareholding Guidelines for the Board of Directors

In order to further strengthen the long-term focus of the members of the Board and to increase the alignment of their interests with those of SIG's shareholders, Shareholding Guidelines are in place. Over a three-year period from the first equity grant date, the members of the Board (including the Chairperson) are expected to build up an investment in SIG worth the equivalent of 100% of their annual base fees. All blocked or unblocked shares and vested or unvested entitlements to shares (such as RSUs) received as a compensation, and shares acquired privately, either outright or beneficially, by the Board member or his or her immediate family members count toward meeting this threshold.

In the event that the Shareholding Guidelines are not met by a member of the Board at the end of the build-up period, non-fulfilment consequences, including sale restrictions on equity instruments received as compensation, would apply until the Shareholding Guidelines are met.

Compensation Report continued

Compensation awarded to the Board of Directors (Audited)

Table 1 summarises the compensation for 2019 of the seven non-executive members of the Board. Nigel Wright and David Mansell (until he retired at the AGM 2019) are associated with Onex Corporation, the major shareholder of SIG, and waived any form of compensation for their services on the Board in 2019.

Table 1: Total compensation of the Board of Directors in 2019 (1 January to 31 December) including information of the prior year

Members of the Board of Directors on 31 December 2019	Board membership	ARC [1]	CC [2]	NGC [3]	Settled in cash, CHF [4]	Settled in shares, CHF [5]	Social security payments, CHF [6]	Total compensation earned in 2019, CHF	Total compensation earned in 2018, CHF [8]
Andreas Umbach	Chair				330,000	220,012	36,847	586,859	147,262
Matthias Währen	●	Chair			135,000	90,005	12,501	237,506	59,584
Colleen Goggins	●		Chair		129,000	86,002	14,118	229,120	56,924
Werner Bauer	●	●		●	129,000	86,002	11,897	226,899	56,924
Wah-Hui Chu	●		●	●	123,000	82,013	13,411	218,424	54,264
Mariel Hoch	●	●	●		129,000	86,002	15,054	230,056	57,729
Nigel Wright	●			Chair	–	–	–	–	–
David Mansell [7]					–	–	–	–	–
Total					**975,000**	**650,036**	**103,826**	**1,728,865**	**432,687**

1 Audit and Risk Committee.
2 Compensation Committee.
3 Nomination and Governance Committee.
4 Represents gross amounts paid, prior to any deductions such as employee social security and income withholding tax for services rendered from 1 January until 31 December 2019.
5 Represents gross amounts settled either in blocked shares or in RSUs, prior to any deductions such as employee social security and income withholding tax for services rendered from 1 January until 31 December 2019. The number of blocked shares/RSUs is determined by dividing each Board member's individual compensation amount for one award cycle by the average closing price of the SIG share of the last ten trading days immediately preceding each award date. For the December payment the average closing price of the SIG share of the first ten trading days of the month December applied.
6 Employer social security contributions.
7 Mandate until AGM 2019.
8 Payments are pro rata amounts for the shorter time period between IPO and December 2018.

Compensation Report continued

Assessment of compensation paid to the Board of Directors

The compensation levels for the members of the Board of Directors remained unchanged in 2019 relative to the post-IPO period in the prior year. Given the fact that the compensation in 2018 was paid only for the period from the IPO on 28 September 2018 until year-end 2018 (three months) while the compensation for 2019 reflects a full year of service, the compensation figures in Table 1 rose accordingly.

For a reconciliation of the approved and granted amounts, see Figure 9.

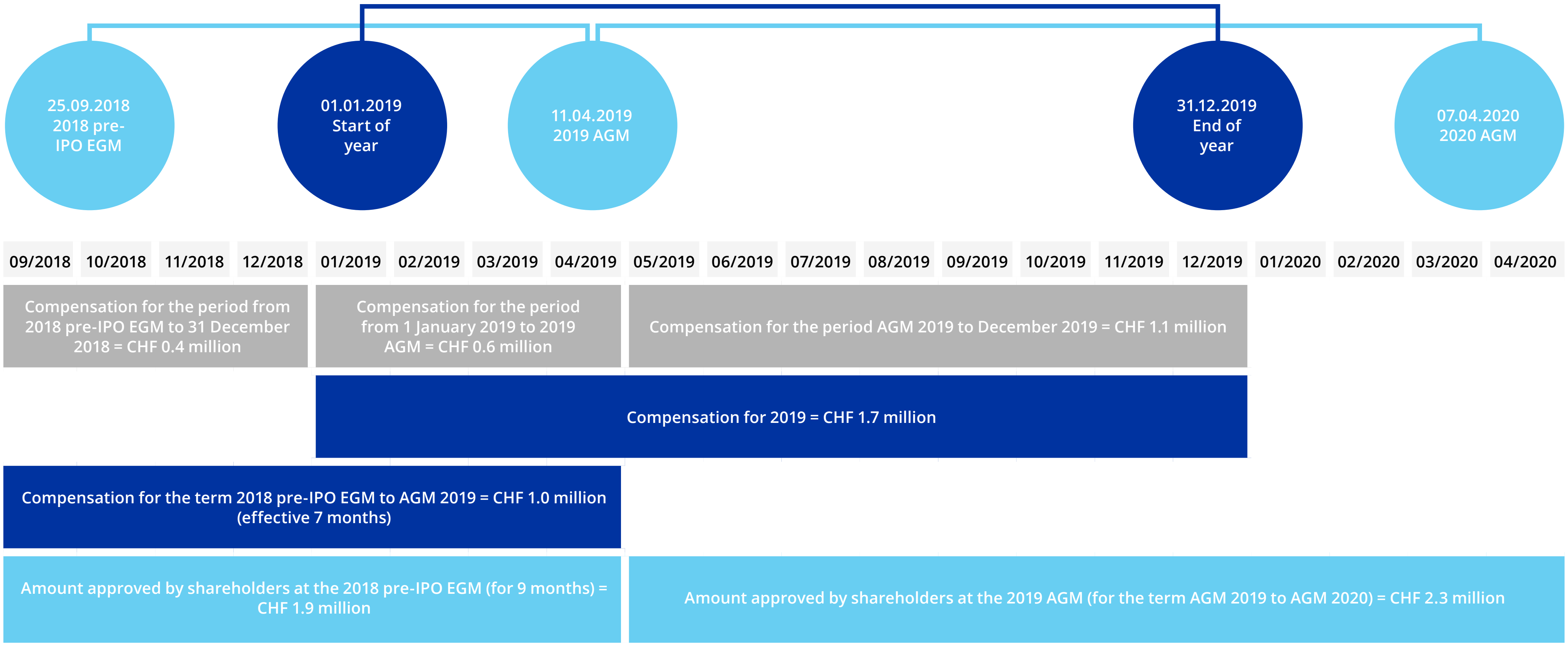


Figure 9: Reconciliation of compensation of the Board of Directors

Compensation Report continued

Shareholdings of the Board of Directors (Audited)

Table 2 shows the shareholdings of the Board as of 31 December 2019. Since the Shareholding Guidelines foresee a build-up period for members of the Board of three years after the first equity grant starting from 2019, adherence will be assessed for the first time in 2022.

Table 2: Shareholdings of the Board of Directors as of 31 December 2019 including information of the prior year

	Number of directly or beneficially held shares[1]	RSUs[7]	Number of indirectly held shares	Total shareholdings including RSUs 31 Dec. 2019	Total shareholdings 31 Dec. 2018
Andreas Umbach	67,529	–	–	67,529	48,888
Matthias Währen	20,960	–	–	20,960	13,333
Colleen Goggins	–	7,287	23,820[2]	31,107	23,820[2]
Werner Bauer	22,842	–	23,820[2]	46,662	39,375[5]
Wah-Hui Chu	8,888	6,949	23,820[2]	39,657	32,708[5]
Mariel Hoch	7,287	–	–	7,287	–
Nigel Wright	–	–	106,422[3]	106,422	170,634[3]
David Mansell[4]	n/a	n/a	n/a	n/a	62,379[3]
Total	**127,506**	**14,236**	**177,882**	**319,624**	**391,137**[6]

1 Ordinary registered shares of SIG Combibloc Group AG, including blocked shares.
2 Shares are held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (for further details see section 6) (figures rounded).
3 Indirectly attributable through minority investment in affiliates of Onex Corporation, the major shareholder (figures rounded).
4 The mandate of David Mansell ended at the AGM 2019 so that the Shareholding Guidelines no longer apply for him.
5 Thereof 23,820 shares held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (for further details see section 6) (figures rounded).
6 Thereof 86,664 shares directly or beneficially held; 304,473 shares held indirectly.
7 The RSUs will be converted into SIG shares after a three-year vesting period.

5. Compensation framework for the Group Executive Board

Compensation approach for the Group Executive Board

Compensation of the members of the Group Executive Board is provided through the following main components: Annual base salary and pension benefits/other benefits, which together form the fixed compensation component, a short-term incentive plan (“STIP”) and a long-term incentive plan (“LTIP”), which together form the variable compensation component. The first grant under the LTIP occurred in 2019. This compensation framework, fully implemented in 2019, is presented in Figure 10. Compensation principles are generally reviewed every two to three years and were last reviewed by the Compensation Committee in 2019.

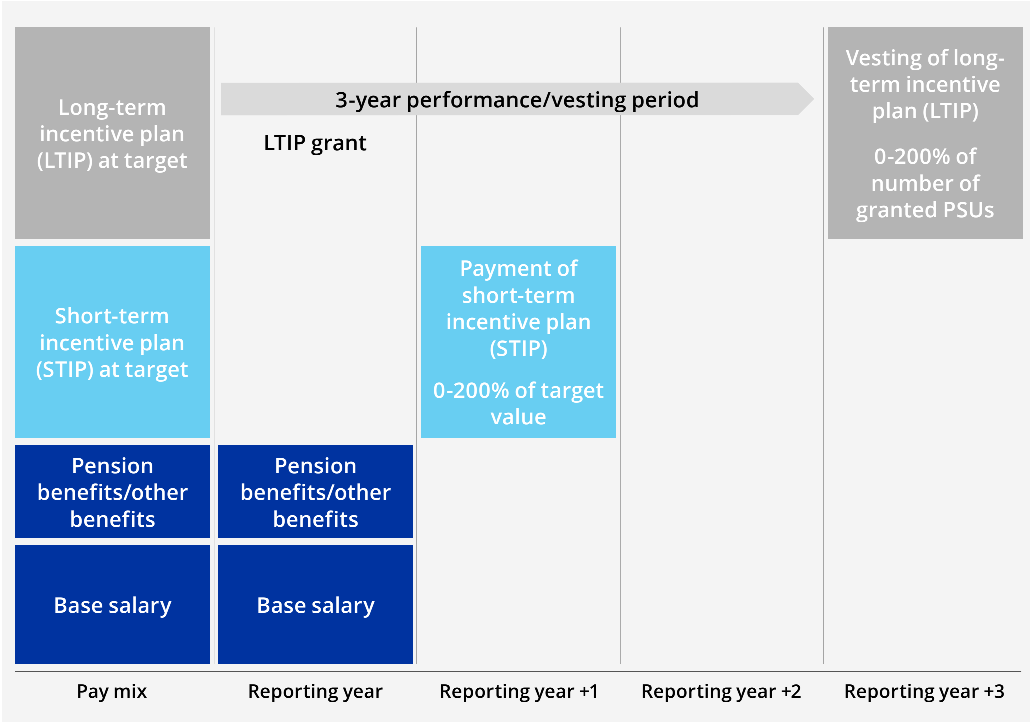


Figure 10: Illustrative overview of compensation framework of the Group Executive Board in 2019

Compensation Report continued

Fixed compensation components:

Annual base salary

The base salary is the main fixed compensation component paid to the members of the Group Executive Board at SIG. It is paid in cash in twelve equal monthly instalments unless local law requires otherwise. The level of base salary is determined by the specific role performed and the responsibilities accepted thereunder. It rewards the experience, expertise and know-how necessary to fulfil the demands of a specific position. In addition, the market value of the role in the location where the Company competes for talent is considered.

Pension benefits/other benefits

As the Group Executive Board is international in its nature, the members participate in the benefit plans available in the country of their employment contract. Pension benefits are provided through SIG's regular pension plan. Members of the Group Executive Board who are under a foreign employment contract receive benefits in line with local current market practice. Besides the pension coverage, benefits mainly include insurance and health care plans. In addition to this, the Group Executive Board members are also provided with certain executive perquisites and benefits in kind according to competitive market practice in the country of their employment (e.g. company cars). The fair value of these benefits is part of compensation and disclosed in Table 3.

Members of the Group Executive Board with a Swiss employment contract also receive a lump-sum cash payment as reimbursement for business and representational expenses, in accordance with the expense policy document approved by the cantonal tax authority of Schaffhausen.

Variable compensation components:

The variable compensation consists of a short-term incentive and a long-term incentive component.

Short-term incentive plan ("STIP")

Under the STIP, the members of the Group Executive Board are rewarded for the achievement of pre-defined annual financial targets for key performance indicators ("KPIs") derived from SIG's business strategy. In 2019, the STIP framework remained unchanged. The targets are determined by the Board, based on the recommendation of the Compensation Committee each year in advance, following a robust process. To calibrate the achievement curve for the following year, a target achievement level is identified based on the budget of the respective year. Minimum and maximum performance achievement levels are defined considering, among other metrics, the previous year's performance level as well as the notion that higher payouts should require proportionally higher levels of performance achievement, which leads to non-linear achievement curves. To determine the payout, the performance against each KPI will be assessed individually in a range from 0% to 200% and then combined according to the assigned weightings (see Figure 11). The overall payout is capped at 200% of the target amount and can fall to zero should the minimum performance achievement level not be attained.

Eligible participants who have particular regional responsibilities have KPIs reflecting their regional as well as group performance. The same weighting is assigned to group and regional KPIs for members who have such responsibilities. Other Group Executive Board members' performance, including the performance of the CEO and CFO, is assessed based on group level only.

Compensation Report continued

In 2019, the target individual short-term incentive equals 100% of the base salary for the CEO and between 66% and 82% of the base salary for other members of the Group Executive Board. The framework is also illustrated in Figure 11.

Target individual short-term incentive

(100% of base salary for CEO, 66%-82% of base salary of other members of the Group Executive Board)

×

Performance regarding financial targets

=

Actual individual short-term incentive

(0% to 200% of individual target short-term incentive)

KPIs	Weight 2019	GEB member without regional responsibility	GEB member with regional responsibility
Group			
Group adjusted EBITDA	60%	100%	50%
Group net leverage ratio	20%		
Group core revenue	20%		
Regional			
Regional adjusted EBITDA	60%		50%
Regional adjusted operating net working capital	20%		
Regional core revenue	20%		

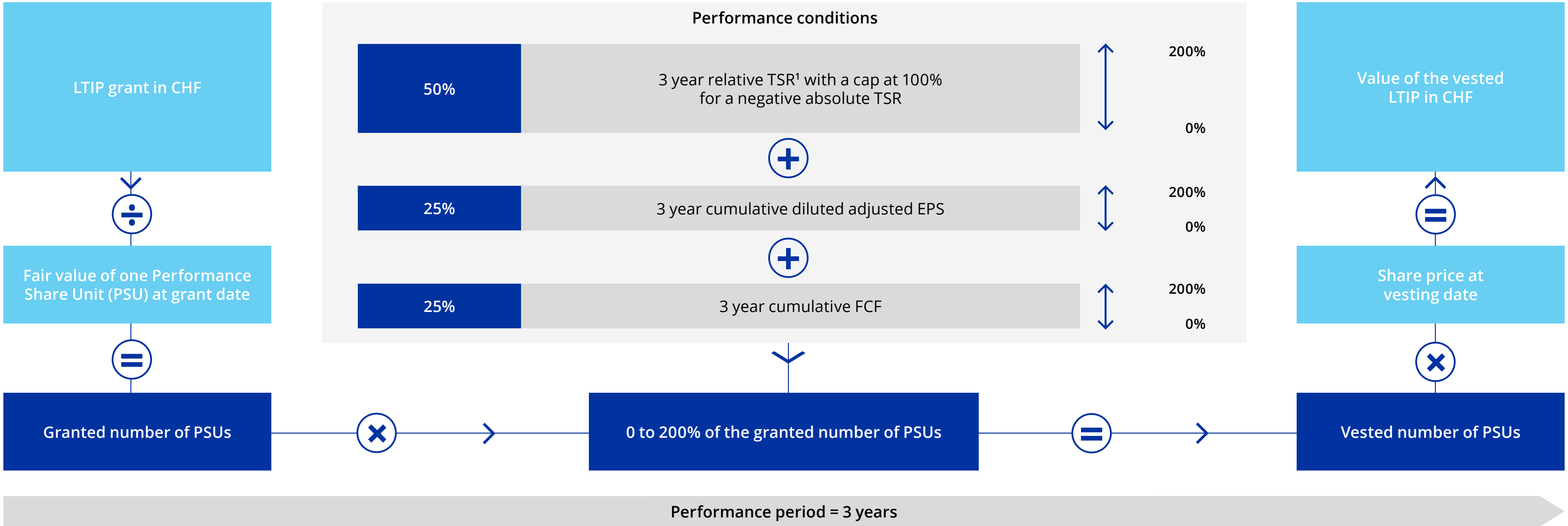
Figure 11: Overview of the Group Executive Board STIP compensation framework in 2019

Compensation Report continued

Long-term incentive plan ("LTIP")

Since 2019, members of the Group Executive Board participate in SIG's long-term success via the LTIP. This LTIP completes the compensation landscape at SIG by offering executives the opportunity to participate in the long-term success of SIG, thereby reinforcing their focus on longer-term performance and aligning their interests with those of shareholders. The following provides an outline of the plan specifics.

The mechanics behind the LTIP are illustrated in Figure 12. At the beginning of each three-year performance period, a certain number of Performance Share Units ("PSUs") is granted to each participant, which represents a contingent entitlement to receive SIG shares in the future. The number of granted PSUs depends on (i) the individual LTIP grant level in CHF, determined by the Board each year but never exceeding 200% of the base salary of any member of the Group Executive Board, including the CEO, and (ii) the fair value of one PSU at the grant date. In 2019, the LTIP grant in CHF amounted to 183% of the base salary for the CEO and between 108% and 161% of the base salary for other members of the Group Executive Board.



1 SPI® Industry Industrials (Return) Index.

Figure 12: Overview of the principles of the LTIP

Compensation Report continued

After the three-year performance period, a certain number of the granted PSUs vest, depending on the performance of SIG over the period. The number of PSUs vesting in SIG shares may vary between 0% and 200% of granted PSUs and is based on the achievement of the following three weighted KPIs.

Relative total shareholder return (TSR)	Earnings per share (EPS)	Free cash flow (FCF)
50%	25%	25%
Total shareholder return measured relative to the SPI® ICB Industry Industrials (Return) Index	SIG's cumulative diluted adjusted earnings per share	SIG's cumulative free cash flow

To determine the multiple of the granted PSUs ultimately vesting in shares, the performance against each KPI will be assessed individually in a range from 0 to 200% and then combined according to the assigned weightings. This means that a low performance in one KPI can be balanced by a higher performance in another KPI. Overall, the combined vesting multiple will never exceed 200%. If the performance of each of the three KPIs lies below the respective minimum performance requirement, the resulting combined vesting multiple would be 0% and consequently no PSUs would vest. Additionally, if the absolute TSR falls below zero over the period, the vesting factor of the relative TSR metric would be capped at 1.0.

In setting the targets, the Compensation Committee has been supported by an external, independent adviser. Investors' return expectations on market value, stock risk profile, investment projections and current profitability levels were taken as a starting point and translated into EPS and FCF targets, using multifactor valuation models and statistical analyses in order to establish an appropriate link between LTIP payouts and the value created for investors. The results of the outside-in approach were assessed against historical company performance, as well as equity analysts' expectations and strategic plan as suggested by management, to reinforce the Compensation Committee's and Board's confidence in the overall quality and robustness of the EPS and FCF targets. The Compensation Committee discussed different options for target setting and the corresponding vesting curves for each KPI and submitted a recommendation to the Board, which approved the respective vesting curves for the 2019 grant.

Key Performance Indicators (KPIs)	Threshold (0% vesting)	Target (100% vesting)	Cap (200% vesting)
3 years relative TSR against SPI® ICB Industrials (Return) Index	-16% of median of index	+0% Median of index	+10% of median of index
3 years cumulative diluted adjusted EPS	64.6% of target	100% target as set by the Board of Directors	135.4% of target
3 years cumulative FCF	62.5% of target	100% target as set by the Board of Directors	137.5% of target

Figure 13: Overview of the vesting curve of the LTIP 2019

Other circumstances under which no PSUs vest include various forfeiture clauses relating to termination of employment during the performance period of the LTIP grant.

Compensation Report continued

Compensation mix

Figure 14 illustrates the compensation mix for the CEO and the Group Executive Board at target level. This compensation mix reflects SIG's high-performance orientation and it represents the Company's strong emphasis on aligning the interests of the Group Executive Board and the shareholders to create long-term shareholder value and profitable growth, by making a large part of compensation dependent on the achievement of long-term goals.

CEO
(%)

GEB EXCL. CEO
(% average)

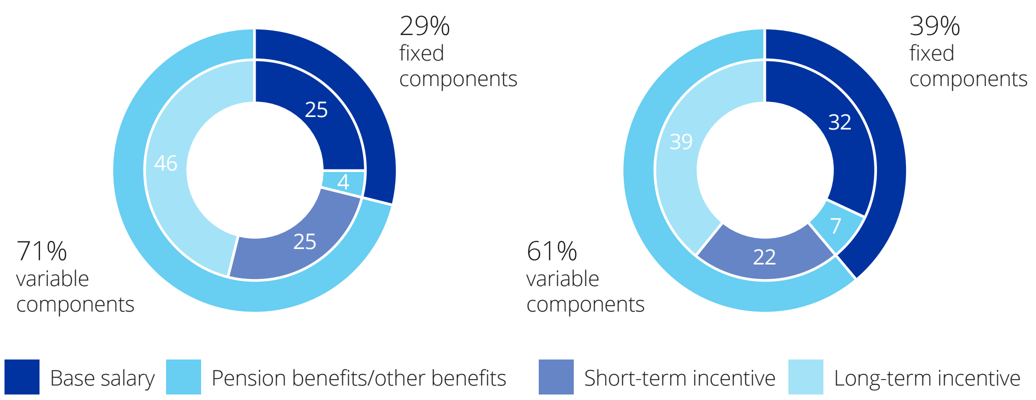


Figure 14: Overview of the compensation mix for the CEO and the Group Executive Board (excl. CEO) at target level

For the Group Executive Board members (excluding the CEO), the fixed components (including annual base salary and pension benefits/other benefits) vary between 33% and 42% (39% on average) of the total target compensation and the variable components vary between 58% and 67% (61% on average) of the package.

Employment conditions for the Group Executive Board

All members of the Group Executive Board have employment contracts of unlimited duration and a notice period of 12 months, ensuring compliance with the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies and other applicable laws and regulations. The employment contracts provide, for a period of up to one-year post-termination, compensation for adherence to the non-compete clause. Such contracts do not include any severance payments, any change of control provisions other than accelerated vesting and/or unblocking of unvested share awards.

In case of a change of control, the LTIP will automatically terminate as of the date of the change of control (which will be defined by the Board if unclear). There are generally no special arrangements in place from which the Group Executive Board members (as well as the Board members) could benefit in divergence from other plan participants.

Shareholding Guidelines for the Group Executive Board

In order to reinforce the long-term focus of the members of the Group Executive Board and to sustain and increase the alignment of their interests with those of SIG's shareholders, Shareholding Guidelines have been issued. Over a five-year period from the first equity grant date in 2019, the members of the Group Executive Board are expected to build up an investment in SIG worth the equivalent of 100% of their annual base salary, or 200% for the CEO.

All blocked or unblocked shares as well as vested or unvested entitlements to shares (including RSUs but excluding PSUs) and shares acquired privately, either outright or beneficially, by the Group Executive Board member or his or her immediate family members count towards meeting these Shareholding Guidelines. In the event that the Shareholding Guidelines are not met by a Group Executive Board member at the end of the build-up period, non-fulfilment consequences, including sale restrictions on equity instruments received as compensation, would apply until the Shareholding Guidelines are met.

Compensation Report continued

Compensation awarded to the Group Executive Board (Audited)

Table 3 summarises the total compensation for the seven current members of the Group Executive Board in 2019. The total compensation for the Group Executive Board amounted to CHF 13.2 million.

Table 3: Total compensation of the Group Executive Board in 2019, including information of the prior year

CHF[1]	Group Executive Board (including the CEO) 2019	Group Executive Board (including the CEO) 2018	CEO, Rolf Stangl 2019	CEO, Rolf Stangl 2018
Annual base salary	3,214,722	3,105,302	875,000	856,250
Pension benefits	536,405	486,213	129,518	120,280
Short-term variable compensation[2]	3,410,295	1,865,822	1,224,720	612,048
Long-term variable compensation[3]	4,700,000	–	1,600,000	–
Other benefits[4]	331,256	259,728	28,916	7,227
Social security contributions[5]	966,097	443,409	303,876	114,631
Total regular compensation for the Group Executive Board	**13,158,775**	**6,160,473**	**4,162,030**	**1,710,436**
One-time awards including employer social security[6]	–	2,886,455	–	1,817,398

1 Exchange rates 2019: EUR/CHF 1.11282; THB/CHF 3.20216; CNY/CHF 14.39436; BRL/CHF 25.23583. Exchange rates 2018: EUR/CHF 1.15485; THB/CHF 3.02613; CNY/CHF 14.79878; BRL/CHF 26.89541.
2 Represents effective short-term variable compensation for 2019 for the seven current Group Executive Board members, which will be paid in 2020, after the publication of SIG's audited consolidated financial statements.
3 Amount granted under the LTIP; the number of vested PSUs is subject to the achievement of the performance targets. The number of granted PSUs is equal to the participant's granted amount under the LTIP divided by the fair value of one PSU at the grant date (CHF 9.49, see note 31 of the consolidated financial statements for additional details).
4 Comprises payments related to additional insurances, car benefits and other allowances and benefits.
5 Employer social security contributions include estimates for the short-term incentive plan attributable to 2019 which will be paid in 2020 as well as for the long-term incentive plan at target level on accrual basis.
6 IPO-related one-time award to selected members of the Group Executive Board in 2018.

Approved versus total regular compensation for the Group Executive Board

The total compensation for the Group Executive Board for 2019 of CHF 13.2 million (including social security contributions) is below the maximum aggregate compensation amount of CHF 18.0 million, which was approved at the Extraordinary General Meeting on 27 September 2018 (pre-IPO) for 2019.

Assessment of actual compensation paid/granted to the Group Executive Board

In comparison to the previous year, the total compensation of the Group Executive Board, excluding the IPO-related one-time award in 2018, rose by 114%. This increase is caused primarily by the post-IPO implementation of the LTIP, performance-related aspects regarding the STIP as well as some exchange rate movements. There were no increases in base salaries nor in target STIP levels versus post-IPO. There are two main factors that impacted the increase in compensation to the Group Executive Board in 2019:

- SIG's operating performance in 2019 increased, the Group Executive Board 2019 STI achievement ranging from 85% to 142% in 2019 compared to a range of 61% to 89% in 2018
- Introduction of the LTIP in 2019

Figure 15 illustrates the 2019 actual compensation mix for the CEO and the Group Executive Board, which underlines the strong focus on the short- and long-term variable compensation elements.

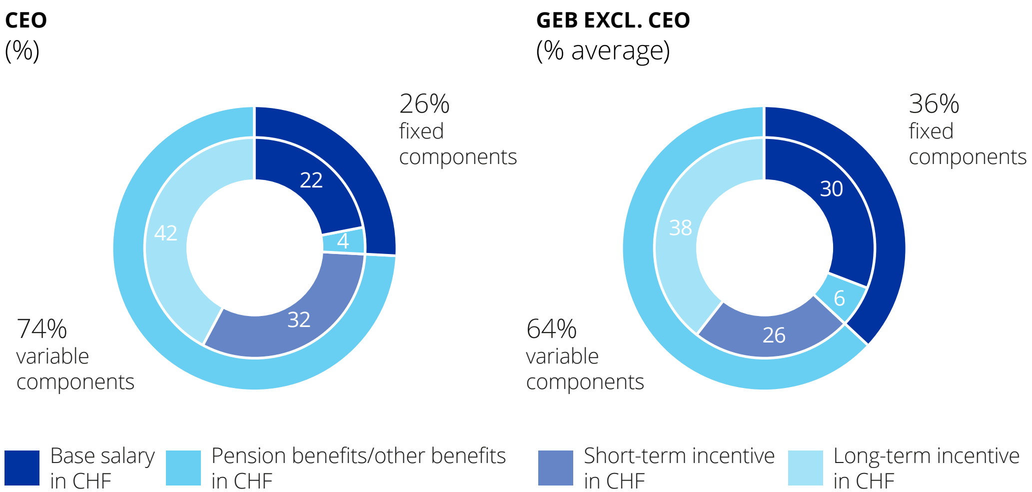


Figure 15: Overview of the actual compensation mix in 2019 for the CEO and the Group Executive Board (excl. CEO) (reflects the amount granted under the LTIP)

Compensation Report continued

Shareholdings of the Group Executive Board (Audited)

Table 4 shows the shareholdings of the Group Executive Board at 31 December 2019. Since the Shareholding Guidelines foresee a five-year build-up period for members of the Group Executive Board commencing with the first equity grant in 2019, compliance will be assessed for the first time in 2024.

Table 4: Shareholdings of the Group Executive Board as of 31 December 2019 including information of the prior year

	Total shareholdings 31 Dec. 2019 Number of indirectly[1], directly or beneficially held shares[2]	Total shareholdings[2] 31 Dec. 2018
Rolf Stangl	665,544[3]	1,065,471[3]
Samuel Sigrist	290,063[3]	464,362[3]
Markus Boehm	268,648[3]	549,703[3]
Ian Wood	84,225[4]	99,107[4]
Lawrence Fok	359,955[3]	509,612[3]
Martin Herrenbrück	134,633[4]	166,610[4]
Ricardo Rodriguez	263,702[3]	422,160[3]
Total	**2,066,770**	**3,277,025**

1 Indirect ownership of shares can change in case of an exit, depending on the reason for resignation.
2 Ordinary registered shares of SIG Combibloc Group AG.
3 Shares are held indirectly through partnership interests in Wizard Management I GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (for further details see section 6) (figures are rounded).
4 Shares are held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (details see section 6) (figures are rounded).

Performance Share Unit Plan

In 2019, the PSU plan was introduced and the members of the Group Executive Board and certain other members of management were granted PSUs for the first time. Table 5 gives an overview of the first grant.

Table 5: Performance Share Unit overview

	2019
Grant date	01.04.2019
Vesting date	31.03.2022
Fair value of one PSU at grant date	CHF 9.49
Granted numbers of PSUs	537,414
Thereof granted to members of the Group Executive Board	495,263

6. Previous and discontinued compensation plans

Management Equity Plan (MEP)

In 2015, a Management Equity Plan ("MEP") was established for selected managers of SIG. The purpose of the MEP was to enable eligible managers to participate in the value creation of the Company and to align their interests with those of other shareholders. It was intended to generate returns to the eligible managers upon liquidity events. The shares in the Company are held by the managers via two limited liability partnerships. Table 2 and Table 4 show the shareholdings of the Board and the Group Executive Board at 31 December 2019. No further share purchases or awards under the MEP have been made in 2019 and there will be none in the future.

7. Loans granted to members of the Board of Directors or the Group Executive Board

SIG's Articles of Association do not allow for loans to be granted by the Group or its consolidated subsidiaries to members of the Board or the Group Executive Board. As a consequence, no loans were granted to or are outstanding from either Board or Group Executive Board members.

Compensation Report continued

8. Outlook for 2020

To create a stronger shareholder alignment and performance orientation within the leadership team below the Group Executive Board, the Compensation Committee recommended, and the Board of Directors approved, a new Equity Investment Plan, which will be implemented in 2020. With this new plan, SIG is committed to fostering strong shareholder alignment below the Group Executive Board level.

In 2019, the Compensation Committee reviewed the payment terms and conditions of the compensation for the Board of Directors. In order to ensure a leaner payment process, the Board of Directors has decided to forego the choice between blocked shares and RSUs. As of 1 January 2020, the equity element will be provided solely in the form of blocked shares. The overall compensation regarding level and structure will remain unchanged.

Report of the statutory auditor to the General Meeting of SIG Combibloc Group AG Neuhausen am Rheinfall

We have audited the remuneration report of SIG Combibloc Group AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14-16 of the ordinance against Excessive Com-pensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled 'audited' on page 61, page 63 and pages 69-70 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-statements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of SIG Combibloc Group AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Brüderlin	**Manuela Baldisweiler**
Audit expert	Audit expert
Auditor in charge	

Basel, 20 February 2020

Consolidated financial statements
for the year ended 31 December 2019

SIG Combibloc Group AG

See note 3 for further details on the consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

(In € million)	Note	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Revenue	6, 7	1,783.9	1,676.1
Cost of sales		(1,370.1)	(1,300.3)
Gross profit		**413.8**	**375.8**
Other income	8	20.4	8.5
Selling, marketing and distribution expenses		(75.1)	(64.1)
General and administrative expenses		(172.6)	(155.8)
Other expenses	8	(9.3)	(49.9)
Share of profit of joint ventures	28	15.4	8.9
Profit from operating activities		**192.6**	**123.4**
Finance income		12.0	67.3
Finance expenses		(56.6)	(273.7)
Net finance expense	23	**(44.6)**	**(206.4)**
Profit/(loss) before income tax		**148.0**	**(83.0)**
Income tax expense	32	(41.1)	(0.9)
Profit/(loss) for the period	9	**106.9**	**(83.9)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translations of foreign operations:			
– recognised in translation reserve		60.0	(60.7)
– transfer from translation reserve		–	0.1
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		24.0	(2.1)
Total other comprehensive income, net of income tax		**84.0**	**(62.7)**
Total comprehensive income		**190.9**	**(146.6)**
Basic earnings/(loss) per share (in €)	10	0.33	(0.35)
Diluted earnings/(loss) per share (in €)	10	0.33	(0.35)

Consolidated statement of financial position

(In € million)	Note	As of 31 Dec. 2019	As of 31 Dec. 2018
Cash and cash equivalents	17	261.0	157.1
Trade and other receivables	16	271.6	242.7
Inventories	15	167.2	144.4
Current tax assets	32	1.2	1.0
Other current assets	20	22.2	19.2
Total current assets		**723.2**	**564.4**
Non-current receivables	16	5.6	4.4
Investments in joint ventures	28	193.4	198.7
Deferred tax assets	32	21.8	12.1
Property, plant and equipment	5.2, 12	1,073.1	1,068.8
Right-of-use assets	5.2, 13	49.0	–
Intangible assets	14, 27	2,460.3	2,486.6
Employee benefits	30	168.4	129.3
Other non-current assets	20	29.3	18.3
Total non-current assets		**4,000.9**	**3,918.2**
Total assets		**4,724.1**	**4,482.6**
Trade and other payables	18	492.3	440.6
Loans and borrowings	5.2, 22	50.8	34.9
Current tax liabilities	32	43.5	25.6
Employee benefits	30	45.2	34.6
Provisions	19	12.1	20.1
Other current liabilities	20	59.9	53.4
Total current liabilities		**703.8**	**609.2**
Non-current payables	18	10.4	7.6
Loans and borrowings	5.2, 22	1,541.9	1,556.5
Deferred tax liabilities	32	172.5	187.8
Employee benefits	30	126.3	108.7
Provisions	19	15.5	16.1
Other non-current liabilities	20	165.0	101.2
Total non-current liabilities		**2,031.6**	**1,977.9**
Total liabilities		**2,735.4**	**2,587.1**
Share capital	24	2.8	2.8
Additional paid-in capital	24	2,059.8	2,158.8
Translation reserve		(82.1)	(142.1)
Treasury shares	24	(0.1)	–
Retained earnings		8.3	(124.0)
Total equity		**1,988.7**	**1,895.5**
Total liabilities and equity		**4,724.1**	**4,482.6**

Consolidated statement of changes in equity

(In € million)	Note	Share capital	Additional paid–in capital	Translation–reserve	Treasury shares	Retained earnings	Total equity
Equity as of 1 January 2019		**2.8**	**2,158.8**	**(142.1)**	**–**	**(124.0)**	**1,895.5**
Profit for the period						**106.9**	**106.9**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Currency translations of foreign operations:							
– recognised in translation reserve				60.0			**60.0**
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit plans						24.0	**24.0**
Total other comprehensive income, net of income tax		**–**	**–**	**60.0**	**–**	**24.0**	**84.0**
Total comprehensive income for the period		**–**	**–**	**60.0**	**–**	**130.9**	**190.9**
Share–based payments	31					1.8	**1.8**
Purchase of treasury shares	24				(0.5)		**(0.5)**
Settlement of share–based payment plans and arrangements	24				0.4	(0.4)	**–**
Dividends	24		(99.0)				**(99.0)**
Total transactions with owners		**–**	**(99.0)**	**–**	**(0.1)**	**1.4**	**(97.7)**
Equity as of 31 December 2019		**2.8**	**2,059.8**	**(82.1)**	**(0.1)**	**8.3**	**1,988.7**
Equity as of 1 January 2018		**2.2**	**1,154.1**	**(81.5)**	**–**	**(38.0)**	**1,036.8**
Loss for the period						**(83.9)**	**(83.9)**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Currency translations of foreign operations:							
– recognised in translation reserve				(60.7)			**(60.7)**
– transfer from translation reserve				0.1			**0.1**
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit plans						(2.1)	**(2.1)**
Total other comprehensive income, net of income tax		**–**	**–**	**(60.6)**	**–**	**(2.1)**	**(62.7)**
Total comprehensive income for the period		**–**	**–**	**(60.6)**	**–**	**(86.0)**	**(146.6)**
Conversion of share categories	24	(0.3)	0.3				**–**
Issue of shares in the IPO	24	0.9	1,043.0				**1,043.9**
Costs for issue of shares in the IPO	24		(38.6)				**(38.6)**
Total transactions with owners		**0.6**	**1,004.7**	**–**	**–**	**–**	**1,005.3**
Equity as of 31 December 2018		**2.8**	**2,158.8**	**(142.1)**	**–**	**(124.0)**	**1,895.5**

Consolidated statement of cash flows

(In € million)	Note	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cash flows from operating activities			
Profit/(loss) for the period		106.9	(83.9)
Adjustments for:			
Depreciation and amortisation	12, 13, 14	287.1	271.7
Impairment losses	12	2.8	0.6
Change in fair value of derivatives		(10.1)	23.1
Share-based payment expense	31	1.8	–
Gain on sale of property, plant and equipment and non-current assets	9	(0.3)	(0.9)
Share of profit of joint ventures	28	(15.4)	(8.9)
IPO-related costs	9	–	7.4
Net finance expense	23	44.6	206.4
Interest paid		(43.0)	(133.0)
Payment of transaction and other costs relating to financing	22	–	(29.7)
Payment of fee for early redemption of notes	22, 23	–	(26.2)
Income tax expense	32	41.1	0.9
Income taxes paid, net of refunds received		(56.6)	(59.0)
		358.9	**168.5**
Change in trade and other receivables		(11.3)	37.8
Change in inventories		(9.3)	(22.9)
Change in trade and other payables		31.7	34.6
Change in provisions and employee benefits		0.9	1.1
Change in other assets and liabilities		67.2	41.1
Net cash from operating activities	11	**438.1**	**260.2**

(In € million)	Note	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cash flows from investing activities			
Acquisition of business, net of cash acquired	27	(40.5)	–
Acquisition of property, plant and equipment and intangible assets	12, 14	(182.2)	(213.9)
Proceeds from sale of property, plant and equipment and other assets	9	4.2	15.9
Dividends received from joint ventures	28	20.7	23.7
Investment in joint venture	28	–	(0.6)
Interest received		0.5	1.2
Net cash used in investing activities		**(197.3)**	**(173.7)**
Cash flows from financing activities			
Proceeds from loans and borrowings	22	–	1,600.0
Proceeds from issue of shares in the IPO	24	–	1,043.9
Payments relating to the IPO	24	(3.4)	(42.6)
Repayment of loans and borrowings	22	(31.3)	(2,637.0)
Payment of lease liabilities	22	(9.8)	(1.8)
Purchase of treasury shares	24	(0.5)	–
Payment of dividends	24	(99.0)	–
Other		4.6	2.9
Net cash used in financing activities		**(139.4)**	**(34.6)**
Net increase in cash and cash equivalents		**101.4**	**51.9**
Cash and cash equivalents as of the beginning of the period		157.1	103.9
Effect of exchange rate fluctuations on cash and cash equivalents		2.5	1.3
Cash and cash equivalents as of the end of the period	17	**261.0**	**157.1**

BASIS OF PREPARATION

This section includes information on the parent company and the Group. It also includes details about the preparation of the consolidated financial statements and explains the structure of the consolidated financial statements.

1 Reporting entity and overview of the Group

SIG Combibloc Group AG ("SIG" or the "Company") is domiciled in Switzerland and is listed on SIX Swiss Exchange.

Prior to its initial public offering ("IPO") on 28 September 2018, the Company was named SIG Combibloc Group Holdings S.à r.l. (also the "Company", as explained below) with its domicile in Luxembourg. In September 2018, the Company migrated to Switzerland and changed its name to SIG Combibloc Group AG (see note 26).

"Company" refers to SIG Combibloc Group AG in relation to the period after the IPO and to SIG Combibloc Group Holdings S.à r.l. in relation to the period before the IPO.

The Company, via its subsidiaries, obtained control of SIG Combibloc Group AG (a subsidiary renamed to SIG Combibloc Services AG in connection with the IPO) and SIG Holding USA, LLC and their respective subsidiaries (together the "SIG Group") on 13 March 2015.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The subsidiaries and joint ventures reflected in the consolidated financial statements of the Company are listed in note 26.

The Group is a global system supplier of aseptic carton packaging solutions for both beverage and liquid food products, ranging from juices and milk to soups and sauces. Its solutions offering consists of aseptic carton packaging filling machines, aseptic carton packaging sleeves and closures as well as after-market services.

2 Preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They were approved by the Board of Directors of the Company on 20 February 2020. They also comply with the Listing Rules of SIX Swiss Exchange and with Swiss company law.

The consolidated financial statements are presented in Euros ("€ or EUR") as Euro is deemed to be the currency most representative of the Group's activities. The functional currency of the Company is Swiss Franc.

The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments such as derivatives that are measured at fair value, certain components of inventory that are measured at net realisable value and defined benefit obligations that are measured under the projected unit credit method.

3 Structure of the consolidated financial statements

The consolidated financial statements are structured into different sections that should facilitate an overview and understanding of the Group's operations, financial position and performance. The notes are included in these sections based on their relevance and include information that is material and relevant to the consolidated financial statements.

Basis of preparation	Our operating performance	Our operating assets and liabilities	Our financing and financial risk management	Our Group structure and related parties	Our people	Other
1 Reporting entity and overview of the Group 2 Preparation of the consolidated financial statements 3 Structure of the consolidated financial statements 4 Key events and transactions 5 General accounting policies and topics	6 Revenue 7 Segment information 8 Other income and expenses 9 Alternative performance measures 10 Earnings per share 11 Cash flow information	12 Property, plant and equipment 13 Right-of-use assets 14 Intangible assets 15 Inventories 16 Trade and other receivables 17 Cash and cash equivalents 18 Trade and other payables 19 Provisions 20 Other assets and liabilities	21 Capital management 22 Loans and borrowings 23 Finance income and expenses 24 Equity 25 Financial risk management	26 Group entities 27 Business combination 28 Joint ventures 29 Related parties	30 Employee benefits 31 Share-based payment plans and arrangements	32 Income tax 33 Financial instruments and fair value information 34 Contingent liabilities 35 Subsequent events

Significant accounting policies and information about management judgements, estimates and assumptions are provided in the respective notes throughout the consolidated financial statements. Accounting policies that relate to the financial statements as a whole or are relevant for several notes are included in this "Basis of preparation" section.

4 Key events and transactions

There were no key events or transactions occurring in the year ended 31 December 2019 that had a significant impact on the financial position and performance of the Group. The Group's acquisition of Visy Cartons Pty Ltd ("Visy Cartons") is described in note 27.

Regarding the comparative information presented for the year ended 31 December 2018, it should be noted that the Group was significantly affected by the IPO in September 2018 and the refinancing transactions that took place in connection with the IPO. The refinancing transactions have resulted in lower interest expense and interest payments.

5 General accounting policies and topics

5.1 Application of accounting policies

The accounting policies applied by the Group in the consolidated financial statements for the year ended 31 December 2019 are, except as noted below and in note 5.2, consistent with those applied in the consolidated financial statements for the year ended 31 December 2018.

The Group has in 2019 introduced share-based payment plans for certain members of management. These plans are accounted for under IFRS 2 *Share-based Payment*. The members of the Board of Directors have since January 2019 been partly compensated in the form of SIG shares. See note 31 for further information. The Group is settling its obligations under the share-based payment plans and arrangements via purchases of own shares. These shares are accounted for as treasury shares under IAS 32 *Financial Instruments: Presentation*. See note 24 for further information.

5.2 Impact of new or amended standards and interpretations

A number of new or amended standards and interpretations were effective for annual periods beginning on 1 January 2019. The applicable standards and interpretations had no, or no material, impact on the consolidated financial statements. However, IFRS 16 *Leases* is the most relevant new standard for the Group.

IFRS 16 *Leases*

IFRS 16 *Leases* replaces the current guidance under IFRS on leases (including IAS 17 *Leases*) and contains new requirements in relation to the accounting for leases by lessees.

The Group adopted IFRS 16 on 1 January 2019, applying the standard's modified retrospective approach. Comparative information has therefore not been restated. The Group adopted IFRS 16 only to contracts that were previously identified as leases.

Assets leased by the Group are under IFRS 16 recognised on the statement of financial position as a right-of-use asset with a corresponding liability, representing the present value of the future lease payments. However, leases of low-value assets and short-term leases continue to be accounted for off-balance sheet as allowed by the standard's practical expedients. Leases with a remaining contract period of 12 months or less on 1 January 2019 have also been accounted for off-balance sheet. Under IAS 17, assets leased by the Group were classified as finance leases if the terms of the lease contract transferred substantially all the risks and rewards of ownership to the Group. All other leases were classified as operating leases and accounted for off-balance sheet.

The Group is not materially impacted by IFRS 16. The Group recognised lease liabilities as of 1 January 2019 of €15.9 million relating to lease contracts that previously were accounted for as operating leases. The same amount has been recognised as right-of-use assets. No adjustment of the right-of-use assets was required for any onerous lease contracts. The Group also chose to exclude initial direct costs from the measurement of the right-of-use assets upon the adoption of IFRS 16. As a consequence, there was no impact from the adoption of IFRS 16 on the Group's opening retained earnings as of 1 January 2019.

For leases that had been classified as finance leases under IAS 17 (including leases under sale and leaseback transactions resulting in finance leases), the carrying amounts of lease liabilities and right-of-use assets as of 1 January 2019 equalled the carrying amounts of finance lease liabilities and related assets immediately before this date. Assets with a carrying amount of €27.6 million were reclassified from property, plant and equipment to right-of-use assets. The Group's finance lease liabilities amounted to €26.5 million as of 31 December 2018.

The table below provides an overview of the impact on the Group's financial position of the transition to IFRS 16.

(In € million)	1 January 2019
Operating lease commitments disclosed as of 31 December 2018	**20.2**
IFRS 16 recognition exemptions:	
Leases of low-value assets	(1.1)
Short-term leases (including leases with a remaining contract period of 12 months or less as of 1 January 2019)	(2.2)
Impact of discounting	(1.0)
Lease liabilities as of 1 January 2019 for contracts previously accounted for as operating leases, discounted using the incremental borrowing rate as of 1 January 2019	**15.9**
Finance lease liabilities as of 31 December 2018	26.5
Total lease liabilities as of 1 January 2019	**42.4**
Right-of-use assets as of 1 January 2019 relating to contracts previously accounted for as operating leases	**15.9**
Assets as of 31 December 2018 relating to contracts previously accounted for as finance leases	27.6
Total right-of-use assets as of 1 January 2019	**43.5**

When measuring the lease liabilities as of 1 January 2019 for contracts that were previously accounted for as operating leases, the weighted-average discount rate applied was 2.51%.

The right-of-use assets are presented separately on the face of the statement of financial position, while the lease liabilities are included in loans and borrowings. Further details about the accounting for these items are included in notes 13 and 22.

With the exception of certain variable lease payments and lease payments for leases of low-value assets and short-term leases, the larger part of the Group's total lease expense for lease contracts that previously were accounted for as operating leases will under IFRS 16 be presented as depreciation of right-of-use assets and interest expense on the lease liabilities rather than as part of operating expenses as they had been under IAS 17. The Group recognised €6.1 million of depreciation charges and €0.3 million of interest expense in the year ended 31 December 2019 relating to lease contracts that were previously accounted for off-balance sheet. The expense relating to lease contracts that are accounted for off-balance sheet in the year ended 31 December 2019 totals €3.7 million.

Lease payments under operating lease contracts had been included in cash flows from operating activities under IAS 17. Variable lease payments that are not included in the measurement of the lease liability, lease payments for leases of low-value assets and short-term leases as well as payments for the interest portion of the lease liability are also included in cash flows from operating activities under IFRS 16. Payments for the principal portion of the lease liability are presented as part of cash flows from financing activities. Payments of €6.1 million for the year ended 31 December 2019 presented as part of cash flows from financing activities relate to lease contracts for which such payments were previously included in cash flows from operating activities.

The Group is as a lessee also impacted by new disclosure requirements under IFRS 16.

The accounting for lease contracts by lessors remains substantially unchanged under IFRS 16. There is no change in the accounting for the Group's filling lines deployed with customers under contracts accounted for as operating leases.

5.3 Adoption of standards and interpretations in 2020 and beyond

A number of new or amended standards and interpretations are effective for annual periods beginning on 1 January 2020 or later and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards and interpretations before their effective dates. Many of them are not applicable to the Group or are expected to have no, or no material, impact on the consolidated financial statements.

5.4 Critical accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from estimates and assumptions made. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Management believes that the following accounting policies involve the most significant judgements, estimates and assumptions:

- Liabilities for various customer incentive programmes – see notes 6 and 18.
- Impairment testing and recognition of impairment losses – see notes 12 and 14.
- Business combinations and fair value assessments – see note 27.
- Measurement of obligations under defined benefit plans – see note 30.
- Determination of income tax liabilities – see note 32.
- Realisation of deferred tax assets – see note 32.

5.5 Accounting policies and other topics relating to the consolidated financial statements as a whole

5.5.1 Foreign currency

Items included in the financial statements of individual Group entities are recognised in their respective functional currency, which is the currency of the primary economic environment in which each Group entity operates.

Foreign currency transactions

Foreign currency transactions are translated into the respective functional currency of the Group entity at the exchange rates at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities in foreign currencies that are measured based on historical cost are translated at the exchange rates at the dates of the transactions. Foreign currency exchange gains or losses are generally recognised in profit or loss.

Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at average rates for the reported periods, which approximate the exchange rates at the dates of the transactions. This also applies to the statement of cash flows and all movements in assets and liabilities as well as any items of other comprehensive income. The foreign currency exchange gains and losses arising on the translation of the net assets of foreign operations are recognised in other comprehensive income, in the translation reserve.

When a foreign operation is disposed of or liquidated, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal (or liquidation). The Group does not apply hedge accounting to the foreign currency exchange differences arising between the functional currency of the foreign operation and the Euro.

Significant exchange rates

The following significant exchange rates against the Euro applied during the periods presented:

	Average rate for the year		Spot rate as of	
	31 Dec. 2019	31 Dec. 2018	**31 Dec. 2019**	31 Dec. 2018
Australian Dollar (AUD)	1.61017	1.57935	1.59949	1.62200
Brazilian Real (BRL)	4.40968	4.29386	4.51570	4.44400
Chinese Renminbi (CNY)	7.73094	7.80368	7.82050	7.87510
Swiss Franc (CHF)	1.11282	1.15485	1.08540	1.12690
Mexican Peso (MXN)	21.56039	22.70877	21.22019	22.49212
New Zealand Dollar (NZD)	1.69855	1.70513	1.66531	1.70559
Thai Baht (THB)	34.75217	38.16260	33.41502	37.05202
U.S. Dollar ($ or USD)	1.11967	1.18082	1.12340	1.14500

5.5.2 Lease accounting

The Group as lessor

The Group deploys filling lines at its customers' sites under both lease and sale contracts. These contracts generally contain certain terms showing that the Group retains control of the filling line and does not transfer the significant risks and rewards of ownership to the customer. As a consequence of these contractual terms, the majority of the Group's filling line contracts qualify to be accounted for as operating leases in accordance with IFRS 16 *Leases*. See further notes 6, 12 and 20. Sale contracts that do not contain such terms are accounted for in accordance with IFRS 15 *Revenue from Contracts with Customers*.

The Group's lease contracts do not include unconditional rights for customers to extend the lease or to purchase the filling line at the end of the stated lease period. Due to the Group's long-term relationships with its customers and changing customer needs, contracts could be modified or terminated at any time. Customers may for example want to change to a different filling machine model. Filling lines taken back from customers are generally overhauled and redeployed with other existing or new customers.

The Group as lessee

The Group leases a few buildings as well as facility and production equipment that in the past qualified to be accounted for as finance leases (including sale and leaseback transactions resulting in finance leases). It also leases assets including offices, some production-related buildings and equipment, warehouses and cars that in the past qualified to be accounted for as operating leases. Since the adoption of IFRS 16 *Leases*, the majority of the leases are accounted for on-balance sheet (see further note 5.2).

Under IAS 17 (until 31 December 2018)

Leases under which the Group is the lessee were classified as finance leases whenever the terms of the lease contract transferred substantially all the risks and rewards of ownership to the Group. All other leases were classified as operating leases. The Group's sale and leaseback transactions qualified to be accounted for as finance leases.

Under IFRS 16 (from 1 January 2019)

The majority of the Group's leased assets are recognised as right-of-use assets with corresponding lease liabilities. See notes 13 and 22 for further details about the accounting for right-of-use assets and lease liabilities.

Leases of low-value assets and short-term leases (leases with a lease term of 12 months or less) are accounted for off-balance sheet. The lease payments are recognised as an expense on a straight-line basis over the lease term. Variable lease payments that are not included in the measurement of lease liabilities are also accounted for off-balance sheet and are recognised as expense when incurred. The Group's off-balance sheet leases have an insignificant impact on the Group's result.

The accounting for sale and leaseback transactions depends on whether the initial transfer of the Group's underlying asset to the buyer-lessor is a sale. If the transfer of the asset is not a sale (i.e. control of the asset is retained), the Group accounts for the transaction as a financing transaction. The asset is kept on the statement of financial position (as part of property, plant and equipment) and a financial liability is recognised equal to the proceeds received from the buyer-lessor. The financial liability is decreased by the payments made less the portion considered interest expense. If the transfer of the asset is a sale (i.e. control of the asset is transferred), the Group derecognises the underlying asset and applies lease accounting to the lease back. The right-of-use asset is measured at the retained portion of the previous carrying amount of the asset. Such a transfer may result in a gain or loss.

5.5.3 Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and investments in joint ventures are reviewed regularly and at least annually to identify whether there is an indication of impairment. If an impairment indicator exists, the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis and whenever there is an indication that they may be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. An impairment loss is allocated to first reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Further details on impairment testing are provided in the respective notes on property, plant and equipment, right-of-use assets and intangible assets (see notes 12, 13 and 14).

5.5.4 Contingent assets

Contingent assets are possible assets arising from a past event to be confirmed by future events not wholly within the control of the Group. Contingent assets are not recognised in the statement of financial position but are separately disclosed.

OUR OPERATING PERFORMANCE

This section covers our operating performance on a Group as well as on a segment level. It includes alternative performance measures that management believes are relevant in evaluating the Group's performance and liquidity.

6 Revenue

Revenue derives from the sale of goods (i.e. sleeves, closures, board and filling lines) and the provision of after-market services and is presented net of returns, trade discounts, volume rebates and other customer incentives. The Group also presents income from the deployment of filling lines under contracts that qualify to be accounted for as operating leases and revenue under royalty agreements as part of revenue.

Approximately 87% of the Group's revenue from its offering of aseptic carton packaging solutions relates to the sale of sleeves and closures. The remaining 13% consists of revenue relating to filling lines and to servicing of the Group's deployed filling lines.

Composition of revenue

The Group has recognised the following amounts of revenue.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Revenue from sale and service contracts (including royalty agreements)	1,691.8	1,597.9
Revenue from filling line contracts accounted for as operating leases	92.1	78.2
Total revenue	**1,783.9**	**1,676.1**
of which		
Core revenue	**1,766.9**	**1,644.3**

Core revenue represents revenue generated from the Group's core activities and excludes revenue from sales of folding box board, which amounted to €17.0 million for the year ended 31 December 2019 and €31.8 million for the year ended 31 December 2018. Core revenue is not a defined performance measure in IFRS (see further note 9).

The Group's total revenue is further disaggregated by major product/service lines in the following table. Filling line revenue is composed of revenue from the deployment of filling lines under contracts that qualify to be accounted for as operating leases and from the sale of filling lines (see note 5.5.2). Service revenue relates to after-market services in relation to the Group's filling lines. Revenue under royalty agreements and from the sale of folding box board and liquid paper board is included in other revenue.

(In € million)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Revenue from sale of sleeves and closures	1,472.7	1,378.2
Filling line revenue	111.9	99.2
Service revenue	113.4	99.3
Other revenue	85.9	99.4
Total revenue	**1,783.9**	**1,676.1**

The Group's three segments (EMEA, APAC and Americas) are providing the same aseptic carton packaging solutions, comprising filling machines, sleeves and closures as well as after-market services. The split of revenue between revenue from sale of sleeves and closures, filling line revenue and service revenue is broadly the same at Group level, between the Group's three segments and over recent years. Other revenue is mainly divided between EMEA and APAC. See note 7 for further information about the Group's segments.

Notes 18 and 20 include information about the Group's liabilities relating to various incentive programmes, advance payments from customers and deferred revenue, which had or will have an impact on the amount of revenue recognised.

Accounting policy, significant judgements and estimates

Revenue from sale of sleeves and other related products, deployment of filling lines under contracts accounted for as sales contracts and provision of service is measured at the fair value of the consideration received or receivable net of returns, trade discounts, volume rebates and other customer sales incentives.

Revenue is recognised when the Group transfers control over a product or service to a customer. Transfer of control varies depending on the individual contract terms. Revenue from sale of sleeves and other related products and deployment of filling lines under contracts accounted for as sales contracts is recognised at a point in time while revenue from service contracts is recognised over time.

Lease payments for filling lines that are deployed under operating lease contracts are recognised on a straight-line basis over the lease period. The payment (i.e. the sales price) for the use of filling lines that are deployed under sales contracts that qualify to be accounted for as operating leases is recognised as a deferred revenue liability in the statement of financial position, and recognised as revenue on a straight-line basis over the shorter of the period over which the customer relation is expected to last and the ten years useful life of a filling line. The control and significant risks and rewards of ownership are retained by the Group in respect of such sales contracts (see further note 5.5.2).

When sales incentives are offered to customers, only the amount of revenue that is highly probable of not being reversed is recognised. The amount of sales incentives expected to be earned or taken by customers in conjunction with incentive programmes is therefore estimated and deducted from revenue. Estimates in respect of the incentives are based on historical and current market trends, which are affected by the business seasonality and competitiveness of promotional programmes being offered. Estimates are reviewed quarterly for possible revisions.

7 Segment information

The Group has three operating segments, which are also the reportable segments: Europe, Middle East and Africa ("EMEA"), Asia Pacific ("APAC") and Americas. All segments provide aseptic carton packaging solutions.

Overview of segments and Group Functions

The following section provides an overview of the Group's three segments (EMEA, APAC and Americas) as well as the activities not forming part of any of the segments (Group Functions).

EMEA includes sleeves manufacturing as well as production of closures for the Group's customers in Europe. EMEA also supplies Americas and APAC with sleeves and, to a lesser extent, closures. EMEA further includes the result from the sale of supply from the Group's European manufacturing entities to the Group's joint ventures in the Middle East. The Group's central procurement activities are part of EMEA with the European sleeves manufacturing and closures production entities being the main internal customers. The Group's joint ventures in the Middle East contribute to the performance of EMEA through dividend payments and royalty payments related to the use of SIG technical solutions and sleeves sales in the Middle East.

APAC includes sleeves manufacturing for the Group's customers in China, South East Asia and Oceania. The China-based filling machine assembly facility is also included in APAC, as is the production of liquid paper board and folding box board in New Zealand. The liquid paper board produced in New Zealand is mainly used by the sleeves manufacturing facilities in Asia and the joint ventures in the Middle East.

Americas covers the Group's customers in North and South America. North America is primarily supplied by sleeves from the European and Asian sleeves manufacturing facilities. South America has its own sleeves manufacturing facility.

The **Group Functions** include activities that are supportive to the Group's business, such as the global filling machine assembly, global technology (including R&D), information technology, marketing, finance, legal, human resources and other support functions. The Group Functions are involved in transactions with third parties only in relation to the Group's joint ventures, of which the majority relate to the sale of filling machines. Global filling machine assembly also sells filling machines and spare parts, and provides assembly-related services, to all three of the segments.

Inter-company transactions between the segments, and between the segments and the Group Functions, are eliminated in consolidation. They mainly relate to the sale of filling machines, sleeves and closures. Pricing is determined on a cost-plus basis.

Information about the Group's segments is reported to the chief operating decision maker ("CODM") on a regular basis for the purposes of resource allocation and assessment of performance of the segments. The performance of the segments is assessed by the CODM primarily on the basis of adjusted EBITDA (as defined in the section below).

Segment financial information

The following tables present financial information about the Group's segments. Group Functions include activities that are supportive to the Group's business. The same measurement basis is used when presenting the segment information as is used in the Group's consolidated financial statements.

	Year ended 31 December 2019						
(In € million)	EMEA	APAC	Americas	Total segments	Group Functions	Reconciling items	Total
Revenue from transactions with external customers	755.1	683.8	329.5	**1,768.4**	15.5	–	**1,783.9**
Revenue from inter-segment transactions	237.7	12.7	–	**250.4**	40.6	(291.0)	**–**
Segment revenue	992.8	696.5	329.5	**2,018.8**	56.1	(291.0)	**1,783.9**
Core revenue from transactions with external customers [1]	755.1	666.8	329.5	**1,751.4**	15.5	–	**1,766.9**
Adjusted EBITDA [2]	**242.2**	**228.9**	**84.1**	**555.2**	**(69.8)**	**–**	**485.4**
Capital expenditure: [3]	(62.1)	(86.1)	(40.9)	**(189.1)**	6.9	–	**(182.2)**
PP&E (excl. filling machines) [3 4]	(16.0)	(34.1)	(3.4)	**(53.5)**	(4.8)	–	**(58.3)**
Net filling machines [3 4]	(14.2)	(14.7)	(34.9)	**(63.8)**	11.7	–	**(52.1)**
Net capital expenditure [3]	(30.2)	(48.8)	(38.3)	**(117.3)**	6.9	–	**(110.4)**

	Year ended 31 December 2018						
(In € million)	EMEA	APAC	Americas	Total segments	Group Functions	Reconciling items	Total
Revenue from transactions with external customers	733.3	630.2	297.3	**1,660.8**	15.3	–	**1,676.1**
Revenue from inter-segment transactions	202.6	9.6	2.8	**215.0**	39.1	(254.1)	**–**
Segment revenue	935.9	639.8	300.1	**1,875.8**	54.4	(254.1)	**1,676.1**
Core revenue from transactions with external customers [1]	733.3	598.4	297.3	**1,629.0**	15.3	–	**1,644.3**
Adjusted EBITDA [2]	**245.4**	**191.1**	**81.0**	**517.5**	**(56.0)**	**–**	**461.5**
Capital expenditure: [3]	(70.0)	(137.5)	(37.2)	**(244.7)**	30.8	–	**(213.9)**
PP&E (excl. filling machines) [3 4]	(24.6)	(47.5)	(2.2)	**(74.3)**	17.3	–	**(57.0)**
Net filling machines [3 4]	(11.1)	(55.1)	(33.5)	**(99.7)**	13.5	–	**(86.2)**
Net capital expenditure [3]	(35.7)	(102.6)	(35.7)	**(174.0)**	30.8	–	**(143.2)**

1 Core revenue from transactions with external customers represents revenue from external customers, excluding revenue from sales of folding box board to third parties. Core revenue is not a defined performance measure in IFRS (see further note 9).

2 The performance of the segments is presented with reference to adjusted EBITDA. Adjusted EBITDA is defined by the Group as EBITDA, adjusted to exclude certain non-cash transactions and items of a significant or unusual nature and to include the cash impact of dividends received from joint ventures. EBITDA and adjusted EBITDA are not defined performance measures in IFRS. Refer to note 9 for the detailed definitions of these performance measures and the reconciliation between the Group's profit or loss, EBITDA and adjusted EBITDA.
See note 5.2 for the impact on adjusted EBITDA of the adoption of IFRS 16 *Leases* on 1 January 2019.

3 The Group's capital expenditure mainly relates to investments in its own production, plant and equipment (PP&E capital expenditure, excluding filling machines) and to the manufacture and deployment of filling machines with customers (filling machine capital expenditure).
Net capital expenditure is defined by the Group as capital expenditure less upfront cash. Upfront cash is defined as consideration received as an upfront payment for filling machines from customers. Capital expenditure relating to filling machines is presented net of this upfront payment in the table above. Net capital expenditure is not a defined performance measure in IFRS. Refer to note 11 for the reconciliation between capital expenditure and net capital expenditure.

4 Group Functions may report positive net filling machine capital expenditure if the capital expenditure of the global filling machine assembly during a period is smaller than the payments it received under intra-group sales of filling machines. This could also happen occasionally in the case of PP&E capital expenditure, excluding filling machines.

Segment revenue per major product/service lines

Information about the Group's revenue is included in note 6, where total revenue is disaggregated by major product/service lines. In respect of the segments, the split of revenue between revenue from sale of sleeves and closures, filling line revenue and service revenue is broadly the same as at Group level and over recent years. Other revenue is primarily divided between EMEA and APAC.

Geographic information

The Group operates seven manufacturing facilities that produce carton sleeves (two in Germany and one each in Austria, China, Thailand, Brazil and Australia). The facility in Australia was part of the business combination that took place in November 2019 (see note 27). The Group also operates two assembly facilities for filling machines in Germany and China, a production facility for closures in Switzerland and a paper mill for the production of liquid paper board and folding box board in New Zealand. It further operates three R&D centres (one each in Germany, Switzerland and China) as well as four training centres (one each in Germany, Brazil, Thailand and China). Furthermore, the joint ventures in the Middle East operate a sleeves manufacturing facility and a training centre in their region.

The table below includes information about the Group's non-current assets on a country basis. Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

(In € million)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Germany	1,110.7	1,138.4
Switzerland[1]	501.9	515.7
China	547.9	550.9
Thailand	548.7	515.1
Austria	342.6	348.1
Other countries	749.8	705.8
Total non-current assets	**3,801.6**	**3,774.0**

1 The Company's country of domicile is Switzerland.

The non-current assets are reported based on the geographic location of the business operations. The non-current assets are predominantly located in the countries in which the Group's manufacturing, assembly and production facilities are situated. The Group's intellectual property is primarily held by a company based in Switzerland.

The table below includes information about the Group's revenue from external customers on a country basis.

(In € million)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
China	292.4	278.1
Germany	198.0	192.0
Brazil	151.3	150.8
Switzerland	12.3	11.5
Other countries	1,129.9	1,043.7
Total revenue from external customers	**1,783.9**	**1,676.1**

Revenue is reported based on the geographic location of customers. The customer base of the Group includes international companies, large national and regional companies as well as small local companies.

Information about major customers

The Group does not have revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue in any of the periods presented.

8 Other income and expenses

Other income and expenses relate to activities and transactions that are outside the Group's principal revenue generating activities. Foreign currency exchange gains and losses as well as fair value changes on commodity and foreign currency exchange derivatives entered into as part of the operating business are also presented as other income and expenses. Activities and transactions of a significant or unusual nature are generally adjusted for in the performance measures adjusted EBITDA and adjusted net income used by management (see note 9).

Composition of other income

(In € million)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Net change in fair value of derivatives	10.1	–
Income from miscellaneous services	4.0	4.1
Rental income	0.7	0.7
Other	5.6	3.7
Total other income	**20.4**	**8.5**

Composition of other expenses

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Net foreign currency exchange loss	(4.1)	(3.4)
Net change in fair value of derivatives	–	(23.1)
Transaction- and acquisition-related costs	(4.1)	(19.7)
Other	(1.1)	(3.7)
Total other expenses	**(9.3)**	**(49.9)**

Transaction- and acquisition-related costs include IPO-related costs that relate to the listing of existing shares on SIX Swiss Exchange in September 2018, acquisition-related costs and costs for pursuing other initiatives. These costs are excluded in the calculation of adjusted EBITDA and adjusted net income. See note 9 for further details about these costs.

9 Alternative performance measures

Management uses a number of measures to assess the performance of the Group that are not defined in IFRS, including core revenue, adjusted EBITDA, adjusted net income, adjusted earnings per share, net capital expenditure and free cash flow.

These alternative non-IFRS performance measures are presented as management believes that they are important supplemental measures of the Group's performance. Management believes that they are useful and widely used in the markets in which the Group operates as a means of evaluating performance. In certain cases, these alternative performance measures are also used to determine compliance with covenants in the Group's credit agreement and compensation of certain members of management. However, these alternative performance measures should not be considered as substitutes for the information contained elsewhere in these consolidated financial statements.

This note includes information about adjusted EBITDA and adjusted net income. Core revenue is presented in notes 6 and 7, adjusted earnings per share in note 10 and net capital expenditure and free cash flow in note 11.

Adjusted EBITDA

Adjusted EBITDA is used by management for business planning and to measure operational performance. Management believes that adjusted EBITDA provides investors with further transparency in the Group's operational performance and facilitates comparison of the performance of the Group on a period-to-period basis and versus peers.

EBITDA is defined by the Group as profit or loss before net finance expense, income tax expense, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets. Adjusted EBITDA is defined by the Group as EBITDA, adjusted to exclude certain non-cash transactions and items of a significant or unusual nature including, but not limited to, transaction- and acquisition-related costs, restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write-downs and share of profit or loss of joint ventures, and to include the cash impact of dividends received from joint ventures.

See note 5.2 for the impact on adjusted EBITDA of the adoption of IFRS 16 *Leases* on 1 January 2019.

The following table reconciles profit or loss to EBITDA and adjusted EBITDA.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Profit/(loss) for the period	**106.9**	**(83.9)**
Net finance expense	44.6	206.4
Income tax expense	41.1	0.9
Depreciation and amortisation	287.1	271.7
EBITDA	**479.7**	**395.1**
Adjustments to EBITDA:		
Replacement of share of profit or loss of joint ventures with cash dividends received from joint ventures	5.3	14.8
Restructuring costs, net of reversals	1.8	4.3
Unrealised (gain)/loss on derivatives	(10.1)	23.1
Transaction- and acquisition-related costs	4.3	19.7
Other	4.4	4.5
Adjusted EBITDA	**485.4**	**461.5**

Transaction- and acquisition-related costs include IPO-related costs that relate to the listing of existing shares on SIX Swiss Exchange in September 2018, acquisition-related costs and costs for pursuing other initiatives. Costs incurred for the IPO that are directly attributable to the issue of new shares (€38.6 million) are recognised as a deduction from equity (see further note 24). IPO-related costs relating to both the issue of new shares and the listing of existing shares have been proportionally allocated between new shares and existing shares based on the total number of shares (new and existing). Payments of IPO-related costs for listing new and existing shares are presented as part of cash flows from financing activities. Payments of other transaction- and acquisition-related costs are presented as part of cash flows from operating activities.

The “Other” category for the year ended 31 December 2019 primarily includes operational process-related costs and impairment losses on property, plant and equipment. For the year ended 31 December 2018, “Other” primarily includes management fees and operational process-related costs. It also includes a gain of €0.7 million relating to the sale of a piece of land regarded as an investment property. The sale resulted in a cash inflow of €13.9 million.

Adjusted net income

Adjusted net income is used by management to measure performance. Management believes that adjusted net income is a meaningful measure because by removing certain non-recurring charges and non-cash expenses, the Group’s operating result directly associated with the period’s performance is presented. The use of adjusted net income may also be helpful to investors because it provides consistency and comparability with past performance and facilitates period-to-period comparisons of results of operations.

Adjusted net income is defined by the Group as profit or loss adjusted to exclude certain items of significant or unusual nature including, but not limited to, the non-cash foreign exchange impact of non-functional currency loans, amortisation of transaction costs, the net change in fair value of financing-related derivatives, purchase price allocation (“PPA”) depreciation and amortisation, adjustments made to reconcile EBITDA to adjusted EBITDA and the estimated tax impact of the foregoing adjustments. The PPA depreciation and amortisation arose due to the acquisition accounting that was performed when the SIG Group was acquired by Onex in 2015.

The following table reconciles profit or loss for the period to adjusted net income.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Profit/(loss) for the period	**106.9**	**(83.9)**
Non-cash foreign exchange impact of non-functional currency loans and realised foreign exchange impact due to refinancing	(1.2)	(58.8)
Amortisation of transaction costs	2.8	11.0
Net change in fair value of derivatives	1.5	7.4
Net effect of early redemption of notes	–	82.5
Net effect of early repayment of term loans	–	56.3
PPA depreciation and amortisation	136.5	140.1
Adjustments to EBITDA:		
Replacement of share of profit or loss of joint ventures with cash dividends received from joint ventures	5.3	14.8
Restructuring costs, net of reversals	1.8	4.3
Unrealised (gain)/loss on derivatives	(10.1)	23.1
Transaction- and acquisition-related costs	4.3	19.7
Other	4.4	4.5
Tax effect on above items	(34.8)	(72.1)
Adjusted net income	**217.4**	**148.9**

10 Earnings per share

Basic and diluted earnings per share

Basic earnings (or loss) per share are calculated by dividing the consolidated profit or loss for the period by the weighted average number of shares in issue during the period, excluding the weighted average number of treasury shares. Diluted earnings per share for the year ended 31 December 2019 reflects the effect of potentially dilutive shares under the Group's share-based payment plans and arrangements introduced in the same period.

The Group changed its share structure in connection with the IPO (as further described in note 24). Prior to the IPO, different classes of ordinary and preference shares were converted into one class of ordinary shares. The conversion was made on a one-share-for-one-share basis and the number of shares remained unchanged. The earnings per share information is therefore calculated as if the Group had always had only one class of shares, also in the comparative period.

	Total number of ordinary shares
Issued shares as of 1 January 2018	215,053,240
Capital increase in connection with the IPO	105,000,000
Issued shares as of 31 December 2018	**320,053,240**
Issued shares as of 1 January 2019	320,053,240
Issued shares as of 31 December 2019	**320,053,240**

The below table shows the weighted average numbers of shares outstanding before and after adjustments for the effect of potentially dilutive shares. For the year ended 31 December 2018, the Group did not have any potentially dilutive shares.

	Weighted average number of ordinary shares
Issued shares as of 1 January 2018	215,053,240
Effect of capital increase in connection with the IPO	26,178,082
Weighted average number of shares as of 31 December 2018 – basic and diluted	**241,231,322**
Issued shares as of 1 January 2019	320,053,240
Effect of treasury shares held	(10,732)
Weighted average number of shares as of 31 December 2019 – basic	**320,042,508**
Effect of share-based payment plans and arrangements	15,552
Weighted average number of shares as of 31 December 2019 – diluted	**320,058,060**

The following table shows the profit or loss attributable to shareholders and the weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share.

(In € million unless indicated)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Profit/(loss) for the period	106.9	(83.9)
Weighted average number of shares for the period – basic (in numbers)	320,042,508	241,231,322
Basic earnings/(loss) per share (in €)	**0.33**	**(0.35)**
Profit/(loss) for the period	106.9	(83.9)
Weighted average number of shares for the period – diluted (in numbers)	320,058,060	241,231,322
Diluted earnings/(loss) per share (in €)	**0.33**	**(0.35)**

Adjusted earnings per share

Adjusted earnings per share is defined by the Group as adjusted net income divided by the weighted average number of shares. Management believes that (basic) adjusted earnings per share is a useful measure as adjusted net income is used to measure performance. Adjusted net income and adjusted earnings per share are not defined performance measures in IFRS (see further note 9).

The table below shows the adjusted net income and the weighted average number of outstanding shares used in the calculation of basic and diluted adjusted earnings per share.

(In € million unless indicated)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Adjusted net income	217.4	148.9
Weighted average number of shares for the period – basic (in numbers)	320,042,508	241,231,322
Adjusted earnings per share – basic (in €)	**0.68**	**0.62**
Adjusted net income	217.4	148.9
Weighted average number of shares for the period – diluted (in numbers)	320,058,060	241,231,322
Adjusted earnings per share – diluted (in €)	**0.68**	**0.62**

11 Cash flow information

This note includes information about the Group's cash flows from a capital expenditure perspective and from a performance perspective in general. It also includes information about non-cash transactions. Where more relevant for the understanding of a transaction, cash inflows and outflows are described in the notes of the respective assets or liabilities to which the cash flows relate. The same applies to non-cash transactions.

Net capital expenditure

The Group's capital expenditure primarily relates to investments in own production, plant and equipment (PP&E capital expenditure, excluding filling machines) and to the manufacture and deployment of filling machines with customers under contracts accounted for as operating leases (filling machine capital expenditure).

Net capital expenditure is defined by the Group as capital expenditure less upfront cash. Upfront cash is defined as consideration received as an upfront payment for filling machines from customers. Net capital expenditure is not a defined performance measure in IFRS (see further note 9).

Management uses net capital expenditure as it better demonstrates how cash generative the business is. As the Group typically receives a portion of the total consideration for a filling machine as an upfront payment from the customer (see also note 20), the cash outflow relating to filling machines is generally lower than implied by the gross capital expenditure figure. Payments received for filling lines (including upfront payments) are included in cash flows from operating activities.

The following table reconciles capital expenditure to net capital expenditure.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
PP&E (excluding filling machines)	58.3	57.0
Gross filling machines	123.9	156.9
Capital expenditure (gross)	**182.2**	**213.9**
Upfront cash (for filling machines)	(71.8)	(70.7)
Net capital expenditure	**110.4**	**143.2**

Free cash flow

Free cash flow is used by management to evaluate the performance of the Group. Free cash flow is defined by the Group as net cash from operating activities plus dividends received from the joint ventures less capital expenditure and payments of lease liabilities (finance lease liabilities before adoption of IFRS 16 *Leases* – see note 5.2). Free cash flow is not a defined performance measure in IFRS (see further note 9).

The following table reconciles net cash from operating activities to free cash flow.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Net cash from operating activities	**438.1**	**260.2**
Dividends received from joint ventures	20.7	23.7
Acquisition of PP&E and intangible assets	(182.2)	(213.9)
Payment of lease liabilities	(9.8)	(1.8)
Free cash flow	**266.8**	**68.2**

The increase in net cash from operating activities in the year ended 31 December 2019 compared to the prior period is mainly a result of lower interest payments since the refinancing transactions that took place in connection with the IPO in 2018. The Group also had payments in the comparative period presented as part of cash flows from operating activities relating to the refinancing transactions and the IPO.

Non-cash transactions

The Group has entered into lease contracts in the year ended 31 December 2019 and 31 December 2018 that are accounted for on-balance sheet (see notes 13 and 22). The initial recognition of a lease on the statement of the financial position is a non-cash transaction. The Group also introduced share-based payments plans and arrangements in the year ended 31 December 2019. The granting of instruments under these plans and arrangements are non-cash transactions (see note 31).

Other non-cash transactions for the year ended 31 December 2018 include the derecognition of capitalised transaction costs and original issue discount resulting from the early redemption of notes and repayment of term loans, the derecognition of derivative instruments that were related to the debt (see notes 22 and 23) and the conversion of shares (see note 24).

Cash outflows under lease contracts

The total cash outflow for the Group's lease contracts for the year ended 31 December 2019 was €15.7 million (€15.9 million for the year ended 31 December 2018).

OUR OPERATING ASSETS AND LIABILITIES

This section includes certain information about the Group's operating assets and liabilities. The main operating assets relate to the Group's production equipment and its deployed filling lines accounted for as operating leases. The Group also has right-of-use assets resulting from lease contracts entered into as a lessee. The Group's trade receivables balance is reduced by selling trade receivables under securitisation and factoring programmes. A substantial part of the Group's assets relates to goodwill and other intangible assets. Impairment testing of goodwill and trademarks with indefinite useful lives is described in this section. The main operating liabilities relate to trade payables and accruals for various incentive programmes.

12 Property, plant and equipment

Property, plant and equipment ("PP&E") is mainly composed of filling lines that are deployed at customers' sites under contracts accounted for as operating leases (see also note 5.5.2) and the Group's plant and production equipment. PP&E also includes work in progress, which relates to construction of filling machines and to filling lines under installation at customers' sites as well as to construction of various types of production equipment used by the Group in its manufacturing and assembly facilities.

Impact of new IFRS standards

Upon the adoption of IFRS 16 *Leases* on 1 January 2019, assets with a carrying amount of €27.6 million that are leased by the Group under contracts that previously were accounted for as finance leases were reclassified from PP&E to the new asset category right-of-use assets. See further note 5.2. There was no impact on the accounting for filling lines deployed at customers' sites by the Group (as a lessor).

Composition of PP&E

(In € million)	Land	Buildings	Plant and equipment	Work in progress	Filling lines [1]	Total
Cost	39.3	184.5	559.4	170.0	680.1	1,633.3
Accumulated depreciation and impairment losses	–	(36.3)	(309.2)	–	(219.0)	(564.5)
Carrying amount as of 31 Dec. 2018	**39.3**	**148.2**	**250.2**	**170.0**	**461.1**	**1,068.8**
Cost	40.1	181.6	620.7	156.0	854.2	1,852.6
Accumulated depreciation and impairment losses	–	(47.0)	(399.6)	–	(332.9)	(779.5)
Carrying amount as of 31 Dec. 2019	**40.1**	**134.6**	**221.1**	**156.0**	**521.3**	**1,073.1**
Carrying amount as of 1 Jan. 2018	**39.7**	**142.0**	**274.0**	**209.2**	**350.5**	**1,015.4**
Additions	–	14.9	3.3	205.6	7.8	231.6
Disposals	–	(0.1)	(0.6)	(1.8)	(0.5)	(3.0)
Depreciation	–	(9.9)	(83.8)	–	(78.6)	(172.3)
Impairment losses	–	–	–	–	(0.6)	(0.6)
Transfers	–	3.2	61.6	(242.9)	178.1	–
Effect of movements in exchange rates	(0.4)	(1.9)	(4.3)	(0.1)	4.4	(2.3)
Carrying amount as of 31 Dec. 2018	**39.3**	**148.2**	**250.2**	**170.0**	**461.1**	**1,068.8**
Carrying amount as of 1 Jan. 2019	**39.3**	**148.2**	**250.2**	**170.0**	**461.1**	**1,068.8**
Additions	–	0.5	3.5	167.7	6.5	178.2
Additions through business combination	–	–	6.4	2.8	4.7	13.9
Reclassification to right-of-use assets	–	(14.3)	(13.3)	–	–	(27.6)
Disposals	–	–	(4.3)	–	(5.4)	(9.7)
Depreciation	–	(9.2)	(75.5)	–	(92.5)	(177.2)
Impairment losses	–	–	–	–	(2.8)	(2.8)
Transfers	–	7.6	49.3	(186.6)	129.7	–
Effect of movements in exchange rates	0.8	1.8	4.8	2.1	20.0	29.5
Carrying amount as of 31 Dec. 2019	**40.1**	**134.6**	**221.1**	**156.0**	**521.3**	**1,073.1**

1 The filling lines qualify to be accounted for as operating lease contracts. The Group does not lease out any other assets.

Notes 7 and 11 include further information about the Group's capital expenditure with regard to its production equipment and filling lines.

Depreciation of PP&E

Depreciation of PP&E is recognised in the following components in the statement of profit or loss and other comprehensive income.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cost of sales	170.9	167.0
Selling, marketing and distribution expenses	1.2	1.2
General and administrative expenses	5.1	4.1
Total depreciation	**177.2**	**172.3**

Capital expenditure commitments

As of 31 December 2019, the Group had entered into contracts to incur capital expenditure of €99.7 million (€42.1 million as of 31 December 2018) for the acquisition of PP&E. The commitments relate to filling machine assembly, certain downstream equipment and equipment for the Group's sleeves manufacturing facilities. The increase between the two periods is mainly due to upcoming investments in relation to the second sleeves manufacturing facility in China. The facility is expected to be ready in early 2021 and will then be leased by the Group (see also note 13). Out of the total amount of committed capital expenditure, €9.3 million of commitments as of 31 December 2019 concern contracts with a related party (Erwepa – see note 29).

Accounting policy, significant judgements and estimates

Items of PP&E are measured at cost less accumulated depreciation and accumulated impairment losses. Gains and losses on disposals of items of PP&E are recognised in profit or loss as part of other income or expenses.

The cost of an acquired or self-constructed item of PP&E includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. The cost of the Group's filling lines also includes the estimated cost of dismantling to the extent such an amount is recognised as a provision. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. The costs of the day-to-day servicing of PP&E are recognised in profit or loss as incurred.

Items of PP&E are depreciated on a straight-line basis over their estimated useful lives, with depreciation generally recognised in profit or loss. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Buildings	15 to 40 years
Plant and equipment:	
Production-related equipment and machinery	4 to 12 years
Furniture and fixtures	3 to 8 years
Filling lines (leased assets, SIG as the lessor)	10 years

The Group as a lessor – filling lines

The Group mainly deploys filling lines under contracts that qualify to be accounted for as operating leases (see note 5.5.2 for additional details). As further described in this accounting policy section, the filling lines are measured at cost and depreciated over their estimated useful life of ten years and tested for impairment when there is an impairment indicator.

Impairment of PP&E

Items of PP&E are reviewed regularly and at least annually to identify whether there is an indication of impairment. If an impairment indicator exists, the asset's recoverable amount is estimated. See note 5.5.3 for further details about impairment testing of non-financial assets.

A change in the Group's intended use of certain assets, such as a decision to rationalise manufacturing locations, may trigger a future impairment. Value in use calculations require management to estimate the future cash flows expected to arise from an individual asset or cash generating unit and to determine a suitable discount rate to calculate present value.

13 Right-of-use assets

The Group generally purchases its production-related buildings and equipment (see note 12). However, it also enters into lease contracts. Right-of-use assets relate to lease contracts that the Group has entered into as a lessee. The contracts mainly cover leases of assets such as office buildings, production-related buildings and equipment, warehouses and cars.

Impact of new IFRS standards

Upon the adoption of IFRS 16 *Leases* on 1 January 2019, an amount of €15.9 million relating to lease contracts that previously were accounted for as operating leases was recognised as right-of-use assets and will be depreciated over the remaining term of the respective lease contracts. At the same time, assets with a carrying amount of €27.6 million relating to lease contracts that were previously accounted for as finance leases were reclassified from PP&E to right-of-use assets. They continue to be depreciated over the same period. See further note 5.2.

Composition of right-of-use assets

(In € million)	Buildings	Plant and equipment	Cars	Total
Carrying amount as of 1 January 2019	**–**	**–**	**–**	**–**
Initial effect of adopting IFRS 16	12.0	1.1	2.8	15.9
Reclassification from PP&E upon adoption of IFRS 16	14.3	13.3	–	27.6
Additions	2.0	10.1	2.3	14.4
Additions through business combination	0.9	0.5	0.1	1.5
Depreciation	(5.3)	(3.1)	(1.6)	(10.0)
Other adjustments	(0.2)	(0.5)	(0.3)	(1.0)
Effect of movements in exchange rates	0.4	0.2	–	0.6
Carrying amount as of 31 December 2019	**24.1**	**21.6**	**3.3**	**49.0**

The Group's most significant lease is the 20 year lease contract entered into in 2018 relating to the SIG Tech Centre in China (approximately 60% of the carrying amount of leased buildings as of 31 December 2019). The lease term of other assets is most commonly in the range of three to five years.

Depreciation of right-of-use assets

Depreciation of right-of-use assets is recognised in the following components in the statement of profit or loss and other comprehensive income.

(In € million)	**Year ended 31 Dec. 2019**	Year ended 31 Dec. 2018
Cost of sales	5.8	–
Selling, marketing and distribution expenses	1.8	–
General and administrative expenses	2.4	–
Total depreciation	**10.0**	**–**

Lease commitments

In the year ended 31 December 2019, the Group signed a 20 year lease contract relating to a second sleeves manufacturing facility in China. The Group expects the lease of the facility to commence in early 2021. The Group has also signed a few lease contracts concerning mainly production equipment, with the leases expected to commence within the next year. The present value of the estimated future lease payments under these contracts approximates €74 million as of 31 December 2019.

Accounting policy

At the commencement date of lease, the Group recognises a lease liability and a related right-of-use asset. The accounting for lease liabilities is described in note 22.

The right-of-use asset represents the Group's right to use the leased asset. A right-of-use asset is initially measured at cost, which in many cases will equal the amount recognised as a lease liability. However, adjustments are required for any lease payments made at or before the commencement date of the lease and any initial direct costs incurred. The cost also includes the estimated cost to dismantle and remove the leased asset, to restore it to the condition required under the lease contract or to restore the site on which it is located, to the extent such an amount is recognised as a provision.

Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses. A right-of-use asset is subsequently also adjusted for certain remeasurements of the related lease liability.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

As for PP&E, right-of-use assets are reviewed regularly and at least annually to identify whether there is an indication of impairment. If an impairment indicator exists, the asset's recoverable amount is estimated. See note 5.5.3 for further details about impairment testing of non-financial assets.

14 Intangible assets

The largest portion of the Group's intangible assets is goodwill, arising as a result of the acquisition of the SIG Group by Onex in 2015. The other intangible assets mainly consist of trademarks, customer relationships and technology-related assets. The trademarks have indefinite useful lives.

The acquisition of Visy Cartons on 29 November 2019 resulted in an increase of goodwill and customer relationships. See further note 27.

Composition of intangible assets

(In € million)	Goodwill	Trademarks	Customer relationships	Technology and other assets	Total
Cost	1,583.7	298.2	626.6	359.9	2,868.4
Accumulated amortisation and impairment losses	–	–	(238.0)	(143.8)	(381.8)
Carrying amount as of 31 Dec. 2018	**1,583.7**	**298.2**	**388.6**	**216.1**	**2,486.6**
Cost	1,621.9	309.6	646.2	365.2	2,942.9
Accumulated amortisation and impairment losses	–	–	(305.4)	(177.2)	(482.6)
Carrying amount as of 31 Dec. 2019	**1,621.9**	**309.6**	**340.8**	**188.0**	**2,460.3**
Carrying amount as of 1 Jan. 2018	**1,577.5**	**287.1**	**453.3**	**243.1**	**2,561.0**
Additions	–	–	–	2.1	2.1
Amortisation	–	–	(62.7)	(36.7)	(99.4)
Effect of movements in exchange rates	6.2	11.1	(2.0)	7.6	22.9
Carrying amount as of 31 Dec. 2018	**1,583.7**	**298.2**	**388.6**	**216.1**	**2,486.6**
Carrying amount as of 1 Jan. 2019	**1,583.7**	**298.2**	**388.6**	**216.1**	**2,486.6**
Additions	–	–	–	1.6	1.6
Additions through business combination	14.5	–	9.7	–	24.2
Amortisation	–	–	(63.6)	(36.3)	(99.9)
Effect of movements in exchange rates	23.7	11.4	6.1	6.6	47.8
Carrying amount as of 31 Dec. 2019	**1,621.9**	**309.6**	**340.8**	**188.0**	**2,460.3**

Research and development

Research and development costs (excluding depreciation and amortisation expense) are recognised as a component of general and administrative expenses, totalling €51.7 million for the year ended 31 December 2019 and €52.6 million for the year ended 31 December 2018.

Amortisation of intangible assets

Amortisation of intangible assets is recognised in the following components in the statement of profit or loss and other comprehensive income.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cost of sales	63.9	64.3
Selling, marketing and distribution expenses	–	0.1
General and administrative expenses	36.0	35.0
Total amortisation	**99.9**	**99.4**

Annual impairment tests of goodwill and trademarks with indefinite useful lives

Goodwill with a carrying amount of €1,621.9 million as of 31 December 2019 (€1,583.7 million as of 31 December 2018) and trademarks with indefinite useful lives with a carrying amount of €309.6 million as of 31 December 2019 (€298.2 million as of 31 December 2018) are not subject to amortisation but tested for impairment on an annual basis and whenever there is an impairment indicator. The annual impairment tests are performed in the fourth quarter each year.

The Group does not monitor goodwill at a lower level than Group level for internal management purposes but goodwill must for impairment testing purposes be allocated to a cash generating unit ("CGU"), or group of CGUs, that is not larger than an operating segment before aggregation. The Group has allocated the goodwill for impairment testing purposes to its three operating segments (EMEA, APAC and Americas).

Goodwill

For the impairment test of goodwill, the recoverable amount has been estimated with reference to value in use. In assessing the value in use, the estimated future cash flows over the next five years (for the 2018 impairment test over the next four years) have been discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money as well as the risks specific to each segment. The weighted average cost of capital ("WACC") is used to determine the discount rate. Cash flows for the first five years (2018: four years) are based on financial plans approved by management. Cash flows after the five year (2018: four year) internal planning period are extrapolated using terminal growth rates based on the estimated global and regional market growth for companies in the aseptic carton packaging industry. The terminal growth rates used by the Group for impairment testing purposes are conservative and do not exceed the estimated long-term growth rates in the aseptic carton packaging industry.

Goodwill is allocated to the Group's three operating (and reportable) segments as per the table below. The goodwill that resulted from the acquisition of Visy Cartons in November 2019 has been allocated to APAC (preliminary assessed, see further note 27) and has been considered as of 31 December 2019. The table also includes information about the key assumptions used in the impairment test.

(In € million or %)	Year ended 31 December 2019			Year ended 31 December 2018		
	Carrying amount	Growth rate	Pre-tax discount rate	Carrying amount	Growth rate	Pre-tax discount rate
EMEA	757.2	1.25%	7.1%	757.2	1.25%	7.5%
APAC	657.3	2.5%	9.0%	620.8	2.5%	9.4%
Americas	207.4	2.25%	12.1%	205.7	2.25%	14.5%
Total goodwill	**1,621.9**			**1,583.7**		

No impairment of goodwill was identified in any of the periods. Management considers it unlikely that any realistic change in the assumptions used would result in an impairment loss. The estimated recoverable amounts of the goodwill allocated to the segments significantly exceed the respective carrying amounts in both periods.

Trademarks with indefinite useful lives

The value of the Group's trademarks with indefinite useful lives is associated with the Group as a whole. Trademarks are tested for impairment at Group level as all SIG entities benefit from the trademarks. The entities are charged a royalty fee for the use of the SIG trademarks. For the impairment test, the recoverable amount has been estimated with reference to value in use. The assessed royalty fees over the next five years (for the 2018 impairment test over the next four years) have been discounted to their present value using a pre-tax discount rate at Group level of 8.8% (9.8% in the 2018 annual impairment test) and a terminal growth rate at Group level of 2.0% (2.0% in the 2018 annual impairment test). The WACC is used to determine the discount rate. The royalty fees for the first five years (2018: four years) are based on financial plans approved by management. Cash flows after the five year (2018: four year) internal planning period are extrapolated using a terminal growth rate based on the estimated global market growth for companies in the aseptic carton packaging industry. The terminal growth rate used by the Group for impairment testing purposes is conservative and does not exceed the estimated long-term growth rates in the aseptic carton packaging industry.

No impairment of trademarks with indefinite useful lives was identified in any of the periods. Management considers it unlikely that any realistic change in the assumptions used would result in an impairment loss.

Accounting policy

Goodwill arising upon business combinations is measured at cost less accumulated impairment losses. With respect to investments in joint ventures accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.

The Group's trademarks are assessed to have indefinite useful lives considering the long history of the SIG brand and its expected future continuous use. They are measured at cost less accumulated impairment losses. Other intangible assets, including customer relationships and technology assets, have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Gains and losses on disposals of intangible assets are recognised in profit or loss as part of other income or expenses.

Accounting policy *continued*

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technologically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. If the capitalisation criteria are not met, development expenditure is recognised in profit or loss as incurred. Due to uncertainties inherent in the development of new products and processes, notably regarding the difficulty of reliably estimating expected future economic benefits, development costs typically do not meet the capitalisation criteria but are recognised as general and administrative expenses as incurred. Expenditure on research activities is recognised in profit or loss as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, with amortisation generally recognised in profit or loss. The estimated useful lives of amortisable intangible assets for the current and comparative periods are as follows:

Customer relationships	10 years
Technology assets (including patented and non-patented technology and know-how)	6 to 10 years
Other intangible assets (including software)	3 to 6 years

Impairment of goodwill and other intangible assets

Intangible assets with finite useful lives are reviewed regularly and at least annually to identify whether there is an indication of impairment. If an impairment indicator exists, the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis and whenever there is an indication that they may be impaired. Note 5.5.3 includes further details about the assessment of the recoverable amounts of non-financial assets and recognition of any impairment losses.

Significant judgements and estimates

Significant judgement is involved in the annual impairment testing of goodwill and trademarks with indefinite useful lives. The judgements and assumptions used in estimating the recoverable amount are included above under "Annual impairment tests of goodwill and trademarks with indefinite useful lives", where the outcome of the annual impairment tests is also described.

15 Inventories

Composition of inventories and other financial information

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Raw materials and consumables	56.8	59.6
Work in progress	17.2	17.6
Finished goods	93.2	67.2
Total inventories	**167.2**	**144.4**

As of 31 December 2019, inventories included a provision of €17.2 million due to write-downs to net realisable value (€13.4 million as of 31 December 2018).

Raw materials and consumables recognised as an expense in cost of sales in the statement of profit or loss and other comprehensive income amounted to €715.9 million in the year ended 31 December 2019 (€676.0 million in the year ended 31 December 2018).

Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula and includes costs incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price less the estimated costs of completion and estimated costs necessary to make the sale.

16 Trade and other receivables

Trade and other receivables mainly comprise trade receivables. The Group has a securitisation programme under which it sells a portion of its sleeves-related trade receivables without recourse. It also maintains a small number of minor factoring programmes.

Composition of trade and other receivables

The table below provides an overview of the Group's current and non-current trade and other receivables. Trade receivables that will be sold under the securitisation and factoring programmes are presented as trade receivables at fair value. Trade receivables that will not be sold are presented as trade receivables at amortised cost.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Trade receivables at amortised cost	109.6	80.2
Trade receivables at fair value	52.9	54.8
Related party trade receivables	22.7	16.3
Note receivables	20.2	34.1
VAT receivables	16.8	14.1
Other receivables	49.4	43.2
Total current trade and other receivables	**271.6**	**242.7**
Non-current receivables	**5.6**	**4.4**
Total current and non-current receivables	**277.2**	**247.1**

Trade receivables at amortised cost – loss allowance and ageing

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Current	86.1	50.8
Past due up to 29 days	15.4	19.5
Past due 30 days to 89 days	6.2	7.3
Past due 90 days or more	1.9	2.6
Trade receivables at amortised cost, net of loss allowance	**109.6**	**80.2**
Loss allowance	(3.4)	(3.8)
Trade receivables at amortised cost, gross	**113.0**	**84.0**

The loss allowance represents the Group's estimate of individually impaired trade receivables as well as expected credit losses on trade receivables that are not individually impaired. It primarily relates to trade receivables past due more than 90 days. The expected credit losses are calculated using a provision matrix based on historical credit loss experience and assessments of current and future conditions. The expected loss rate for trade receivables past due more than 90 days that are not individually impaired is between 25% and 100%. For trade receivables past due 30 to 89 days that are not individually impaired, the expected loss rate is around 5%.

Management believes that the recognised loss allowance sufficiently covers the risk of default based on historical payment behaviour and assessments of future expectations of credit losses, including regular analysis of customer credit risk.

The table below shows the movements in the loss allowance for trade receivables at amortised cost.

(In € million)	2019	2018
Loss allowance as of 1 January	3.8	3.5
Change in loss allowance recognised in profit or loss during the year	(0.4)	0.6
Foreign exchange differences	–	(0.3)
Loss allowance as of 31 December	**3.4**	**3.8**

Securitisation programme

The Group has an asset-backed securitisation programme under which it sells without recourse a portion of its sleeves-related trade receivables to a special purpose entity. This entity is not controlled, and therefore not consolidated, by the Group. The trade receivables sold qualify for derecognition by the Group. The Group transfers the contractual rights to the cash flows of the trade receivables at their nominal value less a retained reserve in exchange for cash. The net amount is presented as part of other current receivables and represents the Group's right to receive this amount once the trade receivables sold have been settled by the customers.

Trade receivables sold under the securitisation programme amounted to €112.5 million as of 31 December 2019 (€102.3 million as of 31 December 2018), of which €95.8 million (€84.0 million as of 31 December 2018) has been derecognised and €16.7 million (€18.3 million as of 31 December 2018), representing the retained reserve, is presented as part of other current receivables. The retained reserve represents the Group's maximum exposure to any losses in respect of trade receivables previously sold under the programme. The interest expense paid under the asset-backed securitisation programme amounted to €2.4 million in the year ended 31 December 2019 (€2.0 million as of 31 December 2018) and is presented as part of other finance expenses.

Factoring programmes

The Group has a small number of minor factoring programmes under which trade receivables sold by the Group qualify for derecognition. The factored amounts totalled €24.7 million as of 31 December 2019 (€21.3 million as of 31 December 2018). The interest expense paid under the factoring programme amounted to €0.6 million in the year ended 31 December 2019 (€0.4 million as of 31 December 2018) and is presented as part of other finance expenses.

Accounting policy

Trade receivables at amortised cost

Trade and other receivables that will not be sold under the Group's securitisation and factoring programmes are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest method less a loss allowance. The loss allowance represents the Group's estimate of individually impaired trade receivables as well as expected credit losses on trade receivables that are not individually impaired. The expected credit losses are calculated using a provision matrix based on historical credit loss experience and assessments of current and future conditions. Any subsequent recoveries of amounts previously written off relating to individually impaired trade receivables are credited to the same line item in profit or loss where the original write-off was recognised. The Group holds these trade receivables to collect the contractual cash flows and these cash flows are solely payments of principal and interest on the principal outstanding.

Trade receivables at fair value through profit or loss

Trade receivables that will be sold under the Group's securitisation and factoring programmes are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are also recognised at fair value. These trade receivables are sold and derecognised shortly after their initial recognition in the statement of financial position. Any change in fair value is recognised through profit or loss. The objective with these trade receivables is to realise the cash flows primarily through selling them.

Derecognition of trade receivables

A financial asset is derecognised when the contractual rights to the cash flows from the asset have expired, when the contractual rights to receive the cash flows have been transferred and the Group has transferred substantially all of the risks and rewards of ownership, or when the Group transfers a financial asset but retains the contractual rights to receive the cash flows but at the same time assumes a contractual obligation to pay the cash flows to another recipient (and remits the cash flows to the other recipient once having collected an amount from the original asset without material delay, also being prohibited to sell or pledge the original asset). Any interest in such a derecognised financial asset that is retained by the Group is recognised as a separate asset or liability.

17 Cash and cash equivalents

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cash and cash equivalents (unrestricted)	254.9	154.5
Restricted cash	6.1	2.6
Total cash and cash equivalents	**261.0**	**157.1**

Cash and cash equivalents mainly consist of cash at banks but may also include short-term deposits at banks with maturities of three months or less from the date of acquisition (€35.6 million as of 31 December 2019 and nil as of 31 December 2018). The restricted cash relates to cash collected for the benefit of the Group's securitisation partner.

18 Trade and other payables

Trade and other payables are mainly comprised of trade payables, accruals for various customer incentives and other accrued expenses.

Composition of trade and other payables

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Trade payables	179.6	165.8
Related party payables	2.9	2.2
Liability for various customer incentive programmes	210.7	144.8
VAT payables	9.5	5.9
Accrued interest third parties	6.2	3.3
Other current payables and accrued expenses	83.4	118.6
Current trade and other payables	**492.3**	**440.6**
Related party payables	2.7	3.1
Other non-current payables	7.7	4.5
Non-current payables	**10.4**	**7.6**
Total current and non-current trade and other payables	**502.7**	**448.2**

Liabilities with an impact on the Group's revenue

In respect of liabilities relating to contracts with customers accounted for under the revenue standard, the Group has refund and contract liabilities.

The Group's incentive programmes relate to trade discounts, volume rebates and other customer incentives linked to sleeve volumes (see also note 6). These programmes generally run over a calendar year, resulting in a gradual build-up over the year of an accrual liability against revenue from sale of sleeves. As of 31 December 2019 and 31 December 2018, the liabilities for customer incentive programmes mainly represent incentives earned by customers under programmes running over a calendar year that have not yet been settled by the Group. The remaining part represents accruals built up for incentive programmes running over periods other than a calendar year (i.e. refund liabilities). The Group has recognised an insignificant amount as revenue in the current period that was included in the balance of liabilities for customer incentive programmes at the beginning of the period but was never paid out as the conditions for the incentive payments were not met (also applicable to the comparative period).

The Group's contract liabilities relate to advance payments received from customers in relation to the sale of sleeves and the sale of filling lines under contracts accounted for under the revenue standard. These advance payments are recognised as revenue within a short time frame from their initial recognition in the statement of financial position. As of 31 December 2019, the Group had contract liabilities in the amount of €11.6 million (€18.2 million as of 31 December 2018). These advance payments are presented in the table above as part of other current payables and accrued expenses. The amount of advance payments recognised as of 31 December 2018 has been recognised as revenue in 2019.

Accounting policy and significant estimates

Trade and other payables are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are carried at amortised cost using the effective interest method. The liability for accruals for various customer incentives is estimated based on historical and current market trends as further described in note 6. The accruals are presented against revenue.

19 Provisions

The Group's provisions mainly relate to dismantling costs, warranties and restructuring programmes.

Composition of provisions

(In € million)	Dismantling	Product warranty	Restructuring	Other	Total
Carrying amount as of 1 January 2018	**7.6**	**7.2**	**24.7**	**3.3**	**42.8**
Provisions made	3.7	5.7	7.2	1.4	18.0
Provisions used	(0.4)	(3.1)	(15.7)	(1.2)	(20.4)
Provisions reversed	(0.1)	(1.3)	(2.9)	(0.2)	(4.5)
Effect of movements in exchange rates	0.4	(0.1)	–	–	0.3
Carrying amount as of 31 December 2018	**11.2**	**8.4**	**13.3**	**3.3**	**36.2**
Current	–	8.4	10.7	1.0	20.1
Non-current	11.2	–	2.6	2.3	16.1
Carrying amount as of 31 December 2018	**11.2**	**8.4**	**13.3**	**3.3**	**36.2**
Carrying amount as of 1 January 2019	**11.2**	**8.4**	**13.3**	**3.3**	**36.2**
Provisions made	2.3	5.8	2.2	0.8	11.1
Provisions used	(0.2)	(4.9)	(10.6)	(0.3)	(16.0)
Provisions reversed	(1.8)	(1.8)	(0.4)	(0.5)	(4.5)
Effect of movements in exchange rates	0.7	0.1	–	–	0.8
Carrying amount as of 31 December 2019	**12.2**	**7.6**	**4.5**	**3.3**	**27.6**
Current	0.1	7.6	3.6	0.8	12.1
Non-current	12.1	–	0.9	2.5	15.5
Carrying amount as of 31 December 2019	**12.2**	**7.6**	**4.5**	**3.3**	**27.6**

Restructuring provision

The restructuring provision relates primarily to restructuring programmes focused on reducing costs, streamlining the organisation and adjusting headcount to be more closely aligned with the Group's needs and changing market demands going forward.

Other provisions

Other provisions mainly relate to legal claims.

Accounting policy

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted if the time value of money is material. The unwinding of the discount is recognised as part of finance expenses. A provision is classified as current or non-current depending on whether the expected timing of the payment of the amounts provided for is more than 12 months after the reporting date.

A provision for dismantling is recognised when the Group has an obligation to pay for dismantling costs arising upon the return of a filling line. This obligation typically arises upon deployment of the filling line.

A provision for warranties is recognised for products under warranty as of the reporting date based upon known failures and defects as well as sales volumes and past experience of the level of problems reported and products returned.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. The provision only includes direct costs that are necessarily entailed by the restructuring and not associated with ongoing activities. No provision is made for future operating costs.

A provision for onerous contracts is recognised when the expected benefits to be derived by an entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A provision for legal claims reflects management's best estimate of the outcome based on the facts known as of the reporting date.

20 Other assets and liabilities

Other assets mainly comprise accrued income, prepaid expenses and deferred expenditure. Other liabilities mainly comprise deferred revenue relating to advance payments received in relation to filling lines deployed under contracts that are accounted for as operating leases. The Group's derivative assets and liabilities are also presented as part of other assets or other liabilities. The derivatives primarily relate to commodity and foreign currency exchange derivatives as well as to interest rate swaps. See notes 25 and 33 for additional details about the Group's derivatives.

Composition of other assets

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Derivative assets	2.1	0.2
Other current assets	20.1	19.0
Other current assets	**22.2**	**19.2**
Other non-current assets	29.3	18.3
Other non-current assets	**29.3**	**18.3**
Total other current and non-current assets	**51.5**	**37.5**

Composition of other liabilities

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Derivative liabilities	11.1	18.8
Deferred revenue	48.8	34.6
Other current liabilities	**59.9**	**53.4**
Derivative liabilities	2.6	1.2
Deferred revenue	162.4	100.0
Other non-current liabilities	**165.0**	**101.2**
Total other current and non-current liabilities	**224.9**	**154.6**

Deferred revenue relates to deployment of filling lines under lease and sales contracts that qualify to be accounted for as operating leases (see notes 5.5.2, 6 and 12 for further details). Advance payments received under such contracts vary between contracts and customers but are recognised as a deferred revenue liability in the statement of financial position and released to profit or loss to achieve recognition of revenue on a straight-line basis over in general ten years for sales contracts and over in general six years for lease contracts.

OUR FINANCING AND FINANCIAL RISK MANAGEMENT

This section includes information about the Group's financing in the form of loans and borrowings and equity. The expenses for the financing are also presented in this section. Lastly, the Group's financial risk management policy and exposure to liquidity, market and credit risks are described.

21 Capital management

The Directors of the Company are responsible for monitoring and managing the Group's capital structure, which is comprised of equity (share capital and additional paid-in capital) as well as loans and borrowings.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of the Group's shareholders and lenders under the senior secured credit facilities and to sustain the future development of the business. The Directors monitor the Group's financial position to ensure that it complies at all times with its financial and other covenants as set out in its credit agreement for the senior secured credit facilities.

In order to maintain or adjust the capital structure, the Directors may elect to take a number of measures, including for example to dispose of assets of the business, alter its short- to medium-term plans with respect to capital projects and working capital levels, or to rebalance the level of equity and debt in place.

22 Loans and borrowings

The Group's loans and borrowings mainly comprise its Euro denominated term loans. Liabilities under lease contracts where SIG is the lessee are also included in loans and borrowings.

In the third quarter of 2018, the Group repaid its existing Euro and US Dollar denominated term loans and redeemed its notes by using part of the proceeds received from the IPO and proceeds from the new senior secured credit facilities that were entered into in connection with the IPO. The difference between the carrying amount of the term loans and the notes as of the repayment/redemption date and the amount paid is presented as part of the net finance expense. The derivative instruments associated with the term loans and the notes were also derecognised.

Impact of new IFRS standards

As a result of the adoption of IFRS 16 *Leases* on 1 January 2019, the Group's lease liabilities increased by €15.9 million. See further note 5.2.

Composition of loans and borrowings

The table below shows the carrying amount of the Group's loans and borrowings.

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Senior secured credit facilities	39.0	31.2
Lease liabilities	11.8	3.7
Current loans and borrowings	**50.8**	**34.9**
Senior secured credit facilities	1,500.2	1,533.7
Lease liabilities	41.7	22.8
Non-current loans and borrowings	**1,541.9**	**1,556.5**
Total loans and borrowings	**1,592.7**	**1,591.4**

The following table presents the components of the carrying amount of the loans and borrowings.

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Principal amount (including repayments)	1,560.9	1,592.2
Deferred original issue discount	(11.2)	(14.2)
Deferred transaction costs	(10.5)	(13.1)
Senior secured credit facilities	**1,539.2**	**1,564.9**
Lease liabilities	**53.5**	**26.5**
Total loans and borrowings	**1,592.7**	**1,591.4**

Senior secured credit facilities

The Group entered into new senior secured credit facilities in October 2018 consisting of two Euro denominated term loans (A and B) and a revolving credit facility.

The table below provides a summary of the main terms of the two term loans and the revolving credit facility.

	Principal amount	Maturity date	Interest rate
Term loan A	€1,250 million	October 2023	Euribor +2.00% with a floor of 0.00%
Term loan B	€350 million	October 2025	Euribor +2.50% with a floor of 0.00%
Revolving credit facility	€300 million	October 2023	Euribor +1.75% with a floor of 0.00%

Interest on both term loans is paid on a quarterly basis. Term loan A will be repaid in quarterly instalments of 0.625% of the initial principal amount in the first two years and in quarterly instalments of 1.25% of the principal amount over the remaining term, with the remaining balance due at maturity. No repayments of the term loan B principal amount are due prior to maturity. The Group has the right to repay both the term loans in full or in part at the end of each interest period without premium or penalty.

Directly attributable transaction costs in the form of arrangement and advisory fees for the two term loans amounted to €14.9 million and are being, together with an original issue discount for the two term loans of €14.8 million, amortised over the respective terms of the loans, using the effective interest method.

The amount available under the multi-currency revolving credit facility is €297.4 million as of 31 December 2019 (€292.5 million as of 31 December 2018) due to €2.6 million in letters of credit being outstanding under an ancillary facility (€7.5 million as of 31 December 2018). The Group pays a fee for the undrawn revolver amount per year for the right to use the revolving credit facility (30% of the margin percentage on an annualised basis applied to the undrawn balance of the revolving credit facility).

The obligations under the senior secured credit facilities are guaranteed and secured by Group subsidiaries in Luxembourg, Switzerland, the United States, Germany, Brazil, Austria and the United Kingdom. The credit agreement contains customary affirmative and negative covenants. It also contains customary events of default. The Group was in compliance with all covenants and there were no events of default as of 31 December 2019 and 31 December 2018.

Lease liabilities

A maturity analysis of the Group's lease liabilities is included below.

	Contractual undiscounted cash flows		Interest		Lease liabilities	
	2019	2018	**2019**	2018	**2019**	2018
Less than 1 year	13.8	5.1	2.0	1.5	11.8	3.6
Between 1 and 5 years	32.1	18.0	5.8	5.2	26.3	12.8
More than 5 years	26.3	22.0	10.9	11.9	15.4	10.1
	72.2	**45.1**	**18.7**	**18.6**	**53.5**	**26.5**

In the prior period, the lease liabilities only related to lease contracts accounted for as finance leases under IAS 17 *Leases*. Since the adoption of IFRS 16 *Leases*, the majority of the Group's lease contracts that were previously accounted for as operating leases are also accounted for on-balance sheet. See further notes 5.2 and 13.

In the year ended 31 December 2018, the Group entered into a finance lease for its new SIG Tech Centre in China resulting in an initial lease liability of €14.8 million. The remaining balance was related to sale (at carrying amount) and leaseback transactions for production equipment and one of its facilities. Since 1 January 2019, the balance also includes leases of offices, production-related buildings and equipment, warehouses and cars.

Note 13 includes information about lease contracts to which the Group has committed but where the lease has not yet commenced, including the lease of a second sleeves manufacturing facility that is expected to commence in early 2021.

Changes in liabilities arising from financing activities

The following tables present changes in liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes. The main changes for the year ended 31 December 2018 relate to the repayment of the term loans and early redemption of the notes as well as the entering into of new term loans.

(In € million)	1 Jan. 2019	Cash flows from/(used in): Financing activities	Cash flows from/(used in): Operating activities	Fair value changes and other non-cash movements	Effect of movements in exchange rates	31 Dec. 2019
Principal amount	1,592.2	(31.3)	–	–	–	1,560.9
Transaction costs	(13.1)	–	–	2.6	–	(10.5)
Original issue discount	(14.2)	–	–	3.0	–	(11.2)
Loans and borrowings, excl. lease liabilities	**1,564.9**	**(31.3)**	**–**	**5.6**	**–**	**1,539.2**
Lease liabilities	26.5	(5.8)	–	32.4	0.4	53.5
Total loans and borrowings	**1,591.4**	**(37.1)**	**–**	**38.0**	**0.4**	**1,592.7**
Capitalised cost for revolving credit facility	(1.1)	–	–	0.3	–	(0.8)
Interest: Accrued/paid	3.3	–	(41.7)	44.6	–	6.2
	1,593.6	**(37.1)**	**(41.7)**	**82.9**	**0.4**	**1,598.1**
Derivative (assets)/liabilities from financing activities	1.2	–	(1.3)	2.7	–	2.6
Total (assets)/liabilities from financing activities and cash/non-cash changes	**1,594.8**	**(37.1)**	**(43.0)**	**85.6**	**0.4**	**1,600.7**

(In € million)	1 Jan. 2018	Cash flows from/(used in): Financing activities	Cash flows from/(used in): Operating activities	Net effect of early redemption/repayment: Notes	Net effect of early redemption/repayment: Loans	Fair value changes and other non-cash movements	Effect of movements in exchange rates	31 Dec. 2018
Principal amount[1]	2,614.4	(1,037.0)	–	–	–	–	14.8	1,592.2
Transaction costs	(75.8)	–	(14.9)	19.7	46.1	12.6	(0.8)	(13.1)
Original issue discount	(6.3)	–	(14.8)	–	5.3	1.7	(0.1)	(14.2)
Embedded derivatives	12.0	–	–	(20.5)	10.2	(1.0)	(0.7)	–
Loans and borrowings, excl. finance lease liabilities	**2,544.3**	**(1,037.0)**	**(29.7)**	**(0.8)**	**61.6**	**13.3**	**13.2**	**1,564.9**
Finance lease liabilities	12.3	(0.4)	–	–	–	14.8	(0.2)	26.5
Total loans and borrowings	**2,556.6**	**(1,037.4)**	**(29.7)**	**(0.8)**	**61.6**	**28.1**	**13.0**	**1,591.4**
Capitalised cost for revolving credit facility	(3.6)	(1.1)	–	–	2.7	0.9	–	(1.1)
Interest: Accrued/paid	20.1	–	(133.5)	–	–	116.7	–	3.3
Early redemption fee (notes)	–	–	(26.2)	26.2	–	–	–	–
	2,573.1	**(1,038.5)**	**(189.4)**	**25.4**	**64.3**	**145.7**	**13.0**	**1,593.6**
Derivative (assets)/liabilities from financing activities	(56.5)	–	0.5	57.1	(6.8)	6.9	–	1.2
Deferred option premium	2.6	–	–	–	(1.2)	(1.4)	–	–
Total (assets)/liabilities from financing activities and cash/non-cash changes	**2,519.2**	**(1,038.5)**	**(188.9)**	**82.5**	**56.3**	**151.2**	**13.0**	**1,594.8**

1 The cash flow amount relating to the principal amount of loans and borrowings shows the net effect of entering into new term loans (€1,600.0 million of cash inflow) and repayment of debt (€2,637.0 million of cash outflow, split between €675.0 million for the redemption of the notes and €1,962.0 million relating to the final repayment of the pre-IPO term loans and quarterly repayments of pre- and post-IPO term loans). For further information, see the introductory section of this note and note 23.

Accounting policy

Loans and borrowings (the term loans) are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Loans and other borrowings are classified as current or non-current liabilities depending on whether the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

The accounting for a change to the cash flows of a financial liability measured at amortised cost (such as the Group's term loans) depends on the nature of change. When a floating rate debt instrument is modified to change its interest rate, the modification is regarded as a repricing to the new market interest rate, which is accounted for prospectively by adjusting the effective interest over the remaining life of the debt instrument. A floating rate instrument is one whose original contractual terms contain a provision such that the cash flows will (or might) be reset to reflect movements in market rates of interest. If a change in cash flows arises due to renegotiation or other modifications, and the renegotiation or modification does not result in the derecognition of the financial liability, the gross carrying amount is recalculated and any gain or loss recognised in profit or loss as part of the net finance expense. If a renegotiation or other modification represents a settlement of the original debt, it is accounted for as being extinguished.

A financial liability (or a part of it) is derecognised when it is extinguished, i.e. when the contractual obligations are discharged, cancelled, expired or replaced by a new liability with substantially modified terms. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid is recognised in profit or loss as part of the net finance expense. Any costs or fees incurred are recognised as part of the gain or loss on extinguishment.

Lease liabilities

The Group's lease liabilities are initially measured at the present value of the lease payments outstanding as of the commencement date of a lease, discounted at the interest rate implicit in the lease or, if that rate cannot be determined (which is generally the case), at the incremental borrowing rate. Lease payments included in the measurement of the lease liabilities include fixed lease payments and variable lease payments that depend on an index. Other variable lease payments are recognised in profit or loss. The Group does not separate non-lease components from lease components in its lease contracts. Extension, termination and purchase options that, at the commencement date of the lease, are reasonably certain to be exercised are considered when assessing the lease term and/or measuring the lease liability.

Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability (applying the effective interest method); reducing the carrying amount to reflect lease payments made; and remeasuring the carrying amount to reflect any contract modifications or reassessments relating to for example changed future lease payments linked to changes in an index and changes in the assessment of whether an extension, termination or purchase option will be exercised.

When a lease liability is remeasured, the corresponding adjustment is generally made to the carrying amount of the related right-of-use asset (see note 13).

23 Finance income and expenses

The Group's net finance expense is mainly related to finance expenses for the Group's loans and borrowings, fair value changes on associated derivative instruments and foreign exchange gains and losses relating to the loans and borrowings.

Composition of net finance expenses

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Interest income	2.8	2.3
Net foreign currency exchange gain	9.2	64.4
Net interest income on interest rate swaps	–	0.6
Finance income	**12.0**	**67.3**
Interest expense on:		
– Notes	–	(39.5)
– Senior secured credit facilities	(33.9)	(67.0)
– Lease liabilities	(2.2)	(0.9)
Amortisation of original issue discount	(3.0)	(1.8)
Amortisation of transaction costs	(2.8)	(11.0)
Net change in fair value of derivatives	(1.5)	(7.4)
Net interest expense on interest rate swaps	(1.3)	–
Net effect of early redemption of notes	–	(82.5)
Net effect of early repayment of term loans	–	(56.3)
Other	(11.9)	(7.3)
Finance expenses	**(56.6)**	**(273.7)**
Net finance expense	**(44.6)**	**(206.4)**

The Group used part of the proceeds from the IPO in September 2018 and the proceeds from its new term loans taken up in connection with the IPO to redeem its notes and repay the term loans held prior to the IPO. The net effect of the early redemption of the notes was €82.5 million, which includes a redemption fee of €26.2 million. The net effect of the early repayment of the existing term loans was €56.3 million. The refinancing resulted in lower interest expense.

The increase of lease liabilities in the current period due to the adoption of IFRS 16 *Leases* on 1 January 2019 has resulted in higher interest expense on lease liabilities compared to the comparative period. See further note 5.2.

In the year ended 31 December 2018, the net foreign currency exchange gain primarily consisted of positive translation effects on loans and borrowings resulting from the strengthening of the Swiss Franc against the Euro.

Net change in fair value of derivatives consists of fair value changes on financing-related derivatives.

Other finance expenses primarily consist of revolver commitment fees, securitisation and factoring expenses and interest expense on current tax liabilities.

24 Equity

This note includes information about the Group's share capital and additional paid-in capital. The other components of equity consist of the translation reserve and retained earnings. The Company's shares are listed on SIX Swiss Exchange.

Issued share capital

The table below provides an overview of the shares in issue as of 31 December 2019 and 31 December 2018, all fully paid.

Number of shares	(Initial) ordinary shares	Ordinary shares (class A1-A5)	Non-redeemable preference shares (class P1-P5)	Total shares
Balance as of 1 January 2018	**14,877,361**	**100,084,864**	**100,091,015**	**215,053,240**
Conversion of share categories	200,175,879	(100,084,864)	(100,091,015)	–
Capital increase in connection with the IPO	105,000,000	–	–	105,000,000
Balance as of 31 December 2018	**320,053,240**	**–**	**–**	**320,053,240**
Balance as of 31 December 2019	**320,053,240**	**–**	**–**	**320,053,240**

Prior to the IPO in 2018

As of 1 January 2018 and prior to the IPO, the share capital consisted of 215,053,240 shares totalling €1,156.3 million, of which €2.2 million was share capital and €1,154.1 million was additional paid-in capital.

The shares were divided into different categories (ordinary shares and preference shares), with each share entitled to one vote at shareholders' meetings. The nominal value of each share was €0.01. Rights to dividends and rights in case of dissolution of the Company varied depending upon the category of shares and the respective class within each category. Whether dividends were paid or the shares were redeemed was solely at the discretion of the Company. The non-redeemable preference shares were classified as equity as they bore discretionary dividends, did not contain any obligations to deliver cash or other financial assets and did not require settlement in a variable number of the Group's equity instruments.

Conversion of shares in 2018

Prior to the IPO, the different classes of ordinary shares (class A1-A5, each with a nominal value of €0.01) were converted into one class of ordinary shares with a nominal value of €0.01 per share, and the different classes of preference shares (class P1-P5, each with a nominal value of €0.01) were converted into one class of preference shares with a nominal value of €0.01 per share. The resulting 100,091,015 single class preference shares were then converted into 100,091,015 ordinary shares with a nominal value of €0.01 per share. Finally, the nominal value of the only remaining class of ordinary shares was changed from €0.01 per share to CHF 0.01 per share. This change resulted in an insignificant reduction of the share capital and an increase of the additional paid-in capital of the same amount.

Issue of shares in IPO in 2018

The Company issued 105,000,000 new shares in the IPO, each with a nominal value of CHF 0.01. The gross proceeds from the IPO amounted to €1,043.9 million (CHF 11.25 per share), resulting in an increase in the share capital of €0.9 million and an increase in the additional paid-in capital of €1,043.0 million. Costs incurred of €38.6 million that are directly attributable to the issue of the new shares have been recognised as a deduction from equity (additional paid-in capital). The net proceeds from the IPO amount to €1,005.3 million. An amount of €3.4 million of costs incurred and recognised in the year ended 31 December 2018 that were directly attributable to the issue of the new shares was paid in 2019.

After the IPO

As of 31 December 2018, the share capital consisted of 320,053,240 shares, issued and fully paid, representing €2.8 million of share capital and €2,197.4 million of additional paid-in capital (before deduction of costs of €38.6 million relating to the issue of new shares in connection with the IPO in September 2018). Net of the deducted IPO costs, the additional paid-in capital in the comparative period amounted to €2,158.8 million.

As of 31 December 2019, the Group also had 320,053,240 shares, issued and fully paid. The nominal value of each share is CHF 0.01. Each share is entitled to one vote at shareholders' meetings. The shareholders are entitled to dividends as declared from time to time.

Authorised share capital and conditional share capital

The Company has authorised share capital and conditional share capital of CHF 640,106.48 each as of 31 December 2019 and 31 December 2018.

The Board of Directors' authority to increase the share capital out of authorised share capital is limited until 27 September 2020. Capital increases from authorised and conditional share capital are mutually exclusive, i.e. they are subject to a single combined limit, and may not exceed 64,010,648 shares (equalling CHF 640,106.48 or 20% of the existing share capital).

The authorised share capital can be used for various purposes. This creates a flexibility to seek additional capital, if required. The conditional share capital is divided into CHF 160,026.62 for employee benefit plans and CHF 480,079.86 for equity linked financing instruments.

Treasury shares

The Company purchases its own shares on the market to settle its obligations under its share-based payment plans and arrangements, which were introduced in the year ended 31 December 2019 (see note 31). The Company held 6,158 shares for this purpose as of 31 December 2019 (nil as of 31 December 2018), representing an amount of €0.1 million. All treasury shares are carried at acquisition cost.

(Number of treasury shares or in € million)	Number	Amount
Balance as of 1 January 2019	–	–
Purchases	47,000	(0.5)
Transfer under share-based payment plans and arrangements	(40,842)	0.4
Balance as of 31 December 2019	**6,158**	**(0.1)**

Dividends

A dividend of CHF 0.35 per share, totalling CHF 112.0 million (€99.0 million) was paid to shareholders out of the capital contribution reserve (additional paid-in capital) in April 2019. No dividends were paid in the year ended 31 December 2018.

For the year ended 31 December 2019, the Board of Directors will propose a dividend payment of CHF 0.38 per share, totalling CHF 121.6 million (which, as per the exchange rate as of 31 December 2019, would equal €112.1 million) to the Annual General Meeting to be held on 7 April 2020. The dividend payment to be proposed is not recognised as a liability.

Accounting policy

Incremental costs directly attributable to the issue of shares and purchase of treasury shares are recognised as a deduction from equity. Any resulting tax effects of any transaction costs that are recognised in equity are also reflected in equity.

Treasury shares

The cost of repurchased shares is presented as a deduction from equity, in the separate category treasury shares. When treasury shares subsequently are transferred to settle the Group's obligations under its share-based payment plans and arrangements (or sold, if applicable), the related amount recognised as a share-based payment expense (or any amount received under a sale) is recognised as an increase in equity. Any resulting surplus or deficit is presented as an adjustment to additional paid-in capital. The Group applies the average cost method to calculate the surplus or deficit on the transfer or sale of treasury shares.

25 Financial risk management

In the course of its business, the Group is exposed to a number of financial risks: liquidity risk, market risk (including currency risk, commodity risk and interest rate risk) and credit risk. This note presents the Group's objectives, policies and processes for managing its exposure to these financial risks. Note 33 includes an overview of the derivative financial instruments that the Group has entered into to mitigate its market risk exposure.

Exposure to liquidity, market and credit risks arises in the normal course of the Group's business. Management and the Board of Directors have the overall responsibility for the establishment and oversight of the Group's financial risk management framework. Management has established a treasury policy that identifies risks faced by the Group and sets out policies and procedures to mitigate those risks. Financial risk management is primarily carried out by the Treasury function of the Group. Management has delegated authority levels and authorised the use of various financial instruments to a restricted number of personnel within the Treasury function.

Liquidity risk

Liquidity risk is the risk that the Group will not meet contractual obligations as they fall due. The Group evaluates its liquidity requirements on an ongoing basis using various cash and financial planning analyses and ensures that it has sufficient cash to meet expected operating expenses, repayments of and interest payments on its debt and future lease payments.

The Group generates sufficient cash flows from its operating activities to meet obligations arising from its financial liabilities. It has a revolving credit facility in place to cover potential shortfalls and access to local working capital facilities in various jurisdictions, which are available if needed to support the cash management of local operations. The Group had unrestricted cash and cash equivalents in the amount of €254.9 million (€154.5 million as of 31 December 2018) and access to an additional €297.4 million under its revolving credit facility as of 31 December 2019 (€292.5 million as of 31 December 2018).

The following table includes information about the remaining contractual maturities for the Group's non-derivative financial liabilities as of 31 December 2019. The table includes both interest and principal cash flows. Balances due within one year equal their carrying amounts as the impact of discounting is not significant.

(In € million)	Carrying amount	Contractual cash flows Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
As of 31 December 2019						
Trade and other payables	(493.2)	**(493.2)**	(482.8)	(2.3)	(4.9)	(3.2)
Loans and borrowings:						
– Senior secured credit facilities	(1,539.2)	**(1,703.5)**	(73.9)	(96.3)	(1,176.6)	(356.7)
– Lease liabilities	(53.5)	**(72.2)**	(13.8)	(13.0)	(19.1)	(26.3)
Total non-derivative financial liabilities	**(2,085.9)**	**(2,268.9)**	**(570.5)**	**(111.6)**	**(1,200.6)**	**(386.2)**

See note 5.2 for the impact on the Group's lease liabilities of the adoption of IFRS 16 *Leases* on 1 January 2019.

The Group's senior secured credit facilities contain covenants and certain clauses that may require earlier repayments than indicated in the table above. The Group monitors the covenants as well as the aforementioned clauses on a regular basis to ensure that it is in compliance with the credit agreement at all times.

The interest payments on the senior secured credit facilities are variable, thus the interest rate amounts included in the table above will change if the market interest rate changes. The Group uses interest-rate swaps that fix the variable rate on a portion of its term loans (see section "Interest rate risk" in this note).

The Group enters into derivative contracts as part of operating and financing the business. The commodity derivative contracts are net cash settled. Other derivative contracts are net or gross cash settled. The derivative asset or liability recognised as of 31 December 2019 and 31 December 2018 represents the liquidity exposure to the Group as of that date (see note 33). The cash flows resulting from a settlement of the derivative contracts may change as commodity prices, interest rates and exchange rates change. However, the overall impact on the Group's liquidity from the derivative contracts is not deemed to be significant.

The following table includes information about the remaining contractual maturities for the Group's non-derivative financial liabilities as of 31 December 2018.

(In € million)	Carrying amount	Contractual cash flows Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
As of 31 December 2018						
Trade and other payables	(442.3)	**(442.3)**	(434.7)	(0.9)	(4.5)	(2.2)
Loans and borrowings:						
– Senior secured credit facilities	(1,564.9)	**(1,770.8)**	(66.8)	(74.1)	(1,264.3)	(365.6)
– Finance lease liabilities	(26.5)	**(45.1)**	(5.1)	(5.3)	(12.7)	(22.0)
Total non-derivative financial liabilities	**(2,033.7)**	**(2,258.2)**	**(506.6)**	**(80.3)**	**(1,281.5)**	**(389.8)**

Market risks

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, commodity prices and interest rates, will affect the cash flows or the fair value of the Group's holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Group buys and sells derivatives in the ordinary course of business to manage market risks. The Group does not enter into derivative contracts for speculative purposes. Hedge accounting under IFRS 9 is not applied.

Currency risk

As a result of the Group's international operations, foreign currency exchange risk exposures exist on sales, purchases, borrowings and dividend payments that are denominated in currencies that are not the functional currency of the entity involved in the transaction. The Group is also exposed to translation currency risk arising from the translation of the assets, liabilities and results of its foreign entities into Euro, the Group's presentation currency, from their respective functional currencies. The functional currencies of the subsidiaries are mainly Euro, US Dollar, Swiss Franc, Chinese Renminbi, Thai Baht, Brazilian Real, Mexican Peso, Australian Dollar and New Zealand Dollar.

In accordance with the Group's Treasury policy, the Group seeks to minimise transaction currency risk via natural offsets to the extent possible. Therefore, when commercially feasible, the Group incurs costs in the same currencies in which cash flows are generated. In addition, the Group uses foreign currency exchange derivatives to hedge additional transaction currency risks.

The Group does not hedge its exposure to translation gains or losses related to the financial results of its non-Euro functional currency entities.

As previously noted, the Group manages operational transaction currency risk via natural offsets and by entering into foreign currency exchange derivative contracts. The following table provides an overview of the outstanding foreign currency exchange derivative contracts entered into as part of the operating business as of 31 December 2019.

Type	Contract type	Currency	Contracted volume	Counter-currency	Contracted conversion range	Contracted date of maturity
Non-deliverable forwards	Buy	€	23,880,000	BRL	4.4065 – 4.8779	Jan. 2020 – Dec. 2020
Non-deliverable forwards	Buy	$	745,000	BRL	3.8485 – 4.0652	Jan. 2020 – Apr. 2020
Non-deliverable forwards	Sell	$	745,000	BRL	3.9605 – 3.9900	Jan. 2020 – Apr. 2020
Currency forwards	Buy	€	21,445,000	THB	33.8158 – 36.8500	Jan. 2020 – Dec. 2020
Currency forwards	Sell	$	23,757,000	THB	29.8909 – 31.5849	Jan. 2020 – Dec. 2020
Currency forwards	Buy	€	20,645,000	CNY	7.8033 – 8.1287	Jan. 2020 – Dec. 2020
Currency forwards	Buy	$	6,555,000	CNY	6.7446 – 7.2216	Jan. 2020 – Dec. 2020
Currency forwards	Sell	€	13,110,000	NZD	1.6927 – 1.7221	Jan. 2020 – Dec. 2020
Currency forwards	Buy	$	5,000,000	NZD	0.6652	Jun. 2020
Currency forwards	Sell	$	24,055,000	NZD	0.6327 – 0.6960	Jan. 2020 – Dec. 2020
Currency forwards	Buy	€	37,045,000	$	1.1051 – 1.1777	Jan. 2020 – Dec. 2020
Currency swap	Sell	€	1,150,000	$	1.1178	Apr. 2020
Currency forwards	Buy	$	31,745,000	MXN	19.4047 – 21.1259	Jan. 2020 – Dec. 2020
Currency swap	Sell	$	400,000	MXN	19.7828	Apr. 2020

The following table provides an overview of the outstanding foreign currency exchange derivative contracts as of 31 December 2018.

Type	Contract type	Currency	Contracted volume	Counter-currency	Contracted conversion range	Contracted date of maturity
Non-deliverable forwards	Buy	$	6,188,700	BRL	3.4266 – 4.0455	Jan. 2019 – Jan. 2020
Non-deliverable forwards	Buy	€	26,945,000	BRL	4.4996 – 4.7842	Jan. 2019 – Jan. 2020
Currency forwards	Buy	€	28,163,000	THB	37.332 – 37.992	Jan. 2019 – Dec. 2019
Currency forwards	Sell	$	14,187,000	THB	32.104 – 32.521	Jan. 2019 – Dec. 2019
Currency forwards	Buy	€	15,844,000	CNY	7.9286 – 8.1504	Jan. 2019 – Dec. 2019
Currency forwards	Buy	$	7,953,000	CNY	6.9161 – 6.9344	Jan. 2019 – Dec. 2019
Currency forwards	Sell	$	12,154,000	NZD	0.6801 – 0.6833	Feb. 2019 – Nov. 2019
Currency swap	Sell	€	20,000,000	$	1.14170	Jan. 2019
Currency forwards	Buy	€	27,074,000	$	1.1521 – 1.1863	Jan. 2019 – Dec. 2019
Currency forwards	Buy	€	9,174,000	MXN	22.946 – 24.990	Jan. 2019 – Dec. 2019

The Group's primary transaction currency exposure as of 31 December 2019 relates to an intra-group Euro denominated loan held by a Swiss functional currency entity. A 5% weakening of the Euro against the Swiss Franc as of 31 December 2019 would have resulted in an additional unrealised foreign currency exchange loss of €8.2 million as of 31 December 2019.

The Group's primary transaction currency exposure as of 31 December 2018 related to Euro net balances held by US Dollar functional currency entities and to US Dollar net balances held by Euro functional currency entities. A 5% strengthening of the Euro against the US Dollar as of 31 December 2018 would have resulted in an additional unrealised foreign currency exchange loss of €4.4 million as of 31 December 2018.

Commodity price risk

Commodity price risk is the risk that changes in the price of commodities purchased by the Group and used as inputs in the production process may impact the Group, as such price changes cannot always be passed on to the customers.

The Group's exposure to commodity price risk arises principally from the purchase of polymers and aluminium. The Group's objective is to ensure that the commodity price risk exposure is kept at an acceptable level. The Group generally purchases commodities at spot market prices and uses derivatives to hedge the exposure in relation to the cost of polymers (and their components) and aluminium. Due to this strategy, the Group is able to fix the raw material prices for the coming year for approximately 80% of the polymers and aluminium purchases, which substantially reduces the exposure to raw material price fluctuations over that period.

The realised gain or loss arising from derivative commodity contracts is recognised in cost of sales, while the unrealised gain or loss associated with derivative commodity contracts is recognised in other income or expenses.

The Group recognised an unrealised gain of €10.6 million in the year ended 31 December 2019 and an unrealised loss of €22.0 million in the year ended 31 December 2018 relating to its derivative commodity contracts as a component of other income or expenses. The Group recognised a realised loss of €21.5 million in the year ended 31 December 2019 and a realised loss of €1.4 million in the year ended 31 December 2018 relating to its derivative commodity contracts as a component of cost of sales.

The following table provides an overview of the outstanding commodity derivative contracts as of 31 December 2019.

Type	Unit of measure	Contracted volume	Contracted price range	Contracted date of maturity
Aluminium swaps	metric tonne	23,040	$1,750.00 – $1,979.00	Jan. 2020 – Dec. 2020
Aluminium premium swaps	metric tonne	8,280	$159 – $171	Jan. 2020 – Dec. 2020
Resin swaps	metric tonne	36,060	€1,344 – €1,410	Jan. 2020 – Dec. 2020
Resin swaps	metric tonne	29,400	$980.00 – $1,175.00	Jan. 2020 – Dec. 2020
Ethylene swaps	metric tonne	22,920	€975 – €993.50	Jan. 2020 – Dec. 2020
Propylene swaps	metric tonne	8,100	€1,339 – €1,420	Jan. 2020 – Dec. 2020

There would have been an impact of €14.4 million on profit or loss from a remeasurement of commodity derivative contracts as of 31 December 2019 (an impact of €14.9 million on profit or loss as of 31 December 2018), assuming a 10% parallel upward or downward movement in the price curve used to value the contracts assuming all other variables remain constant.

The following table provides an overview of the outstanding commodity derivative contracts as of 31 December 2018.

Type	Unit of measure	Contracted volume	Contracted price range	Contracted date of maturity
Aluminium swaps	metric tonne	20,760	$2,020.00 – $2,200.00	Jan. 2019 – Dec. 2019
Aluminium premium swaps	metric tonne	8,400	$166 – $185	Jan. 2019 – Dec. 2019
Resin swaps	metric tonne	47,748	€1,450 – €1,490	Jan. 2019 – Dec. 2019
Resin swaps	metric tonne	28,680	$1,245.00 – $1,320.00	Jan. 2019 – Dec. 2019
Ethylene swaps	metric tonne	9,240	€1,085 – €1,108	Jan. 2019 – Dec. 2019
Propylene swaps	metric tonne	8,040	€1,430 – €1,495	Jan. 2019 – Dec. 2019
Electricity swaps	megawatt hour	43,824	NZD 73.00 – NZD 101.50	Jan. 2019 – Dec. 2019

Interest rate risk

The Group's interest rate risk arises primarily from its Euro denominated term loans at variable interest. The interest rate profile of the Group's significant interest-bearing financial instruments as of 31 December 2019 and 31 December 2018 is presented in the following table.

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Fixed rate instruments		
Financial assets	5.1	–
Financial liabilities	(53.5)	(26.5)
	(48.4)	**(26.5)**
Effect of interest rate swaps	(800.0)	(800.0)
	(848.4)	**(826.5)**
Variable rate instruments		
Financial assets	261.0	157.1
Financial liabilities	(1,560.9)	(1,592.2)
	(1,299.9)	**(1,435.1)**
Effect of interest rate swaps	800.0	800.0
	(499.9)	**(635.1)**

The Group has entered into interest rate swaps to hedge a portion of the cash flow exposure arising on its term loans at variable interest rates. The swaps are presented as part of other non-current liabilities in the statement of financial position. The fair value changes are recognised in profit or loss.

A 100 basis point increase in the variable component (three month Euribor) of the interest rate on the term loans would increase the annual interest expense by €4.6 million as of 31 December 2019 (€5.5 million as of 31 December 2018).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Group's receivables from its customers. The carrying amount of financial assets represents the maximum credit exposure. Historically, there has been a low level of losses resulting from default by customers.

The credit risk relating to trade receivables is influenced mainly by the individual characteristics of each customer. Given the diverse global operations and customers across the Group, credit control procedures are jointly managed by the Group's Treasury function and each of the operating businesses within the Group. These joint responsibilities include, but are not limited to, reviewing the individual characteristics of new customers for creditworthiness before accepting the customer and agreeing upon purchase limits and terms of trade as well as regularly reviewing the creditworthiness of existing customers and previously agreed purchase limits and terms of trade.

The Group limits its exposure to credit risk by executing a credit limit policy, requiring advance payments in certain instances, taking out insurance for specific debtors as well as utilising securitisation and non-recourse factoring programmes. These programmes are further described in note 16.

In addition, concentration of credit risk is limited due to the customers comprising a diversified mix of international companies, large national and regional companies as well as small local companies, of which most have been customers of the Group for many years.

Management believes that the recognised loss allowance sufficiently covers the risk of default based on historical payment behaviour and assessments of future expectations of credit losses, including regular analysis of customer credit risk.

In line with its Treasury policy, the Group generally enters into transactions only with banks and financial institutions having a credit rating of at least investment grade (long term: A rating and short term: A1 or P1 rating, as per Standard & Poor's or Moody's). However, the Group may also enter into transactions with banks and financial institutions with a currently lower investment grade (long term: BBB rating and short term: A2 or P2 rating).

OUR GROUP STRUCTURE AND RELATED PARTIES

This section provides details about the Group's subsidiaries and joint ventures, including the acquisition of Visy Cartons on 29 November 2019. It also covers other related parties.

26 Group entities

The Group only has wholly owned subsidiaries. It also has three joint ventures, with an ownership interest of 50% (see further note 28).

Overview of Group entities

The following table provides an overview of all of the Group's subsidiaries and joint ventures. The ownership and voting interests are the same for all Group entities. The ownership interests are the same as of 31 December 2019 and 31 December 2018, unless specifically stated . The reporting date of all Group entities is 31 December, with the exception for SIG Combibloc Australia Pty Ltd. (see footnote 3 of the table).

The table does not list subsidiaries of the Group's joint ventures. In the context of the SIX Exchange Regulation Directive on Information relating to Corporate Governance, subsidiaries of the Group's joint ventures are only listed if considered material. A subsidiary of a joint venture is considered material if its revenue correspond to more than 5% of the total revenue of such joint venture in the relevant year.

	As of 31 December 2019		
Companies	Share capital [11]		Interest
Parent company			
Switzerland			
SIG Combibloc Group AG, Neuhausen am Rheinfall [1]	3,200,532	CHF	100%
Subsidiaries			
Argentina			
Combibloc S.R.L., Buenos Aires	151,876,270	ARS	100%
Australia			
SIG Australia Holding Pty Ltd., Melbourne [2]	32,100,000	AUD	100%
SIG Combibloc Australia Pty Ltd., Broadmeadows [3]	40,000,001	AUD	100%
Whakatane Mill Australia Pty Ltd., Melbourne [4]	10	AUD	100%
Austria			
SIG Austria Holding GmbH, Saalfelden	1,000,000	EUR	100%
SIG Combibloc GmbH, Saalfelden	35,000	EUR	100%
SIG Combibloc GmbH & Co. KG, Saalfelden	4,500,000	EUR	100%
Bangladesh			
SIG Combibloc Bangladesh Ltd., Dhaka	50,000,000	BDT	100%
Brazil			
SIG Beverages Brasil Ltda., São Paulo	109,327,434	BRL	100%
SIG Combibloc do Brasil Ltda., São Paulo	722,386,462	BRL	100%

	As of 31 December 2019		
Companies	Share capital [11]		Interest
Chile			
SIG Combibloc Chile Ltda., Santiago	5,016,722,134	CLP	100%
China			
SIG Combibloc (Suzhou) Co. Ltd., Suzhou	75,000,000	USD	100%
Czech Republic			
SIG Combibloc s.r.o., Hradec Kralove	19,340,000	CZK	100%
France			
SIG Combibloc S.à.r.l., Asnières Cedex	31,000	EUR	100%
Germany			
SIG Combibloc GmbH, Linnich	34,494,382	EUR	100%
SIG Combibloc Holding GmbH, Linnich [5]	–		–
SIG Combibloc Systems GmbH, Linnich	1,000,000	EUR	100%
SIG Combibloc Zerspanungstechnik GmbH, Aachen	256,000	EUR	100%
SIG Euro Holding GmbH, Linnich [5]	10,000,000	EUR	100%
SIG Information Technology GmbH, Linnich	500,000	EUR	100%
SIG International Services GmbH, Linnich	1,000,000	EUR	100%
Hungary			
SIG Combibloc Kft., Budapest [6]	84,300,000	HUF	100%
India			
SIG Combibloc India Private Ltd., Gurgaon, Haryana	10,000,000	INR	100%
Indonesia			
P.T.SIG Combibloc Indonesia, Jakarta Selatan	13,549,682,000	IDR	100%
Italy			
SIG Combibloc S.r.l., Parma	101,400	EUR	100%
Korea			
SIG Combibloc Korea Ltd., Seoul	260,000,000	KRW	100%
Luxembourg			
SIG Combibloc Holdings GP S.à r.l., Munsbach [7]	–		–
SIG Combibloc Holdings S.à r.l., Munsbach [8]	2,000,001	EUR	100%
SIG Combibloc PurchaseCo S.à r.l., Munsbach	4,012,500	EUR	100%
Malaysia			
SIG Combibloc Malaysia SDN. BHD, Kuala Lumpur	1,000,000	MYR	100%
Mexico			
SIG Combibloc México, S.A. de C.V., Mexico City	1,000,000	MXN	100%
Netherlands			
SIG Combibloc B.V., Hengelo	40,000	EUR	100%
New Zealand			
Whakatane Mill Ltd., Whakatane	108,120,047	NZD	100%
Poland			
SIG Combibloc Sp. z o.o., Warsaw	249,934	PLN	100%
Romania			
SIG Combibloc Services S.R.L., Cluj	1,000,000	RON	100%
Russia			
OOOSIG Combibloc, Moscow	5,000,000	RUB	100%

Companies	As of 31 December 2019 Share capital [11]		Interest
Spain			
SIG Combibloc S.A., Madrid	330,550	EUR	100%
Sweden			
SIG Combibloc AB, Kista	100,000	SEK	100%
Switzerland			
SIG allCap AG, Neuhausen am Rheinfall	7,000,000	CHF	100%
SIG Combibloc Services AG, Neuhausen am Rheinfall [9]	37,931,400	CHF	100%
SIG Combibloc Procurement AG, Neuhausen am Rheinfall	2,000,000	CHF	100%
SIG Combibloc Receivables Management AG, Neuhausen am Rheinfall	1,000,000	CHF	100%
SIG Schweizerische Industrie-Gesellschaft GmbH, Neuhausen am Rheinfall [10]	20,000	CHF	100%
SIG Technology AG, Neuhausen am Rheinfall	3,000,000	CHF	100%
Taiwan			
SIG Combibloc Taiwan Ltd., Taipei	15,000,000	TWD	100%
Thailand			
SIG Combibloc Ltd., Rayong	3,070,693,000	THB	100%
United Kingdom			
SIG Combibloc Ltd., Houghton-le-Spring	1,500,000	GBP	100%
USA			
SIG Combibloc US Acquisition Inc., Wilmington	10	USD	100%
SIG Combibloc US Acquisition II Inc., Wilmington	10	USD	100%
SIG Combibloc Inc., Wilmington	27,000,000	USD	100%
SIG Holding USA, LLC, Wilmington	1,000	USD	100%
Vietnam			
SIG Vietnam Ltd., Ho Chi Minh City	2,000,000,000	VND	100%
Joint ventures			
Japan			
DNP • SIG Combibloc Co., Ltd., Tokyo	75,000,000	JPY	50%
Saudi Arabia			
SIG Combibloc Obeikan Company Ltd., Riyadh	75,000,000	SAR	50%
UAE			
SIG Combibloc Obeikan FZCO, Dubai	24,000,000	AED	50%

1 Prior to the IPO, the parent company was SIG Combibloc Group Holdings S.à r.l. with its domicile in Luxembourg. In September 2018, it converted from a Luxembourg limited liability company ("société à responsabilité limitée") into a Luxembourg corporation ("société anonyme"). SIG Combibloc Group Holdings S.A. then migrated its legal seat from Luxembourg to Switzerland and was reorganised as a stock corporation ("Aktiengesellschaft") and changed its name to SIG Combibloc Group AG.
The registered address of SIG Combibloc Group AG is Laufengasse 18, 8212 Neuhausen am Rheinfall, Switzerland. The registered address of SIG Combibloc Group Holdings S.à r.l. was 6C, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.
2 Established in the third quarter of 2019 and was the acquiring entity of Visy Cartons Pty Ltd. (see footnote 3 below and note 27).
3 Visy Cartons Pty Ltd. was acquired in the fourth quarter of 2019 (see note 27) and renamed to SIG Combibloc Australia Pty Ltd. Its reporting date is 30 June.
4 In liquidation.
5 SIG Combibloc Holding GmbH was merged with SIG Euro Holding GmbH in the third quarter of 2019.
6 In liquidation.
7 SIG Combibloc Holdings GP S.à r.l was liquidated in the second quarter of 2019.
8 Previously SIG Combibloc Holdings S.C.A. The Company was converted into a société à responsabilité limitée in the fourth quarter of 2018.
9 Previously SIG Combibloc Group AG, renamed to SIG Combibloc Services AG in the third quarter of 2018.
10 The functional currency of SIG Schweizerische Industrie-Gesellschaft GmbH changed from Swiss Francs to Euro in the year ended 31 December 2018. The IPO and the refinancing that took place, with consequential changes to the Group's set up of intra-group loans and flows of funds, triggered the change. The change in functional currency has been accounted for prospectively from the date of change.
11 Unaudited.

Accounting policy/basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from their respective acquisition date, which is the date on which the Group obtains control. Subsidiaries are deconsolidated from their respective disposal date, which is the date on which control ceases. Any resulting gain or loss is recognised in profit or loss.

Interests in joint ventures

A joint venture is a contractual arrangement in which the Group has joint control and has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method. On the date joint control is obtained, joint ventures are recognised at cost (including transaction costs). Subsequent to initial recognition, the Group's share of the profit or loss and other comprehensive income is included in the consolidated financial statements until the date on which joint control ceases.

Intra-group transactions and balances

Intra-group transactions and balances are eliminated upon consolidation. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

27 Business combination

Overview

The Group acquired 100% of the shares of Visy Cartons Pty Ltd. ("Visy Cartons") on a cash free, debt free basis from VisyPak Operations Pty Ltd. (a subsidiary of Pratt Consolidated Holdings Pty Ltd.) on 29 November 2019. Visy Cartons will be part of the Group's business in Asia Pacific. Visy Cartons was renamed to SIG Combibloc Australia Pty Ltd. in December 2019.

Visy Cartons provides carton packaging solutions for beverages in Australia and New Zealand. It operates a sleeves manufacturing facility in Australia and has approximately 160 full-time employees. The Group acquired Visy Cartons to gain full access to the beverage carton market in Australia and New Zealand. Synergies are expected from supply chain efficiencies and the use of the Group's latest technologies and solutions.

The following tables provide an overview of the consideration transferred and the recognised amounts of assets acquired and liabilities assumed as of the acquisition date. The amounts have been determined on a provisional basis.

(In € million)	Year ended 31 Dec. 2019
Cash paid on acquisition date	40.5
Payable for expected completion account adjustments	2.5
Fair value of consideration	**43.0**
Intangible assets	9.7
Property, plant and equipment	13.9
Inventories	10.5
Deferred tax liabilities	(2.5)
Other net liabilities acquired	(3.1)
Fair value of identifiable net assets acquired	**28.5**
Fair value of consideration (paid in cash and payable)	43.0
Fair value of identifiable net assets acquired	28.5
Goodwill	**14.5**

Acquisition-related costs have been recognised as part of other expenses (see note 8).

For the one month ended 31 December 2019, Visy Cartons contributed revenue of €4.2 million and profit of €0.3 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been €1,822.9 million and that consolidated profit for the year would have been €109.5 million. In determining these amounts, management has assumed that the fair value adjustments (determined provisionally as of 31 December 2019) as of the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

Consideration transferred

In addition to the consideration of €40.5 million (AUD 65.8 million) already paid in cash on the acquisition date, the Group estimates that it will have an obligation to pay an additional amount of €2.5 million in cash upon the completion settlement expected to take place in the first quarter of 2020. Any adjustment to the additional amount, for which the Group has recognised a liability as of 31 December 2019, will be accounted for as if it had been made as of the acquisition date.

Identifiable net assets acquired

The intangible assets of €9.7 million comprise customer relationships for which the useful lives are assessed to be ten years. The property, plant and equipment balance of €13.9 million principally comprises plant and equipment, including filling lines leased to customers under contracts that qualify to be accounted for as operating leases. The fair value of the acquired trade receivables was €11.1 million. Trade receivables comprised gross contractual amounts due of €12.3 million, of which €1.2 million was expected to be uncollectable as of the acquisition date.

Goodwill

The goodwill of €14.5 million mainly comprises expectations about expansion of the markets in Australia and New Zealand, introduction of new products in these markets and the skills and competence of the workforce. The goodwill is not expected to be deductible for tax purposes. The goodwill has been allocated to the APAC segment for impairment testing purposes (see note 14).

Assessment of fair values

The fair value of the customer relationships was assessed by applying the income approach, under which future net cash flows expected to accrue directly or indirectly to the investor are discounted to the present value. More specifically, the multi-period excess earnings method was used. Tax amortisation benefits were considered. Regarding property, plant and equipment, the fair values of production-related equipment and assets such as filling lines were estimated using a cost approach (depreciated replacement cost) while published market data was considered for other assets when possible. The fair value of inventories was estimated based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and reasonable profit margin.

Accounting policy

Business combinations are accounted for using the acquisition method at the acquisition date, which is when control is obtained. The consideration transferred is generally measured at fair value, as are the identifiable net assets acquired.

Goodwill is measured at the acquisition date as the fair value of the consideration transferred (including, if applicable, the fair value of any previously held equity interests and any non-controlling interests) less the net recognised amount (which is generally fair value) of the identifiable assets acquired and liabilities assumed. If the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If such a contingent consideration depends on the achievement of future earnings or other performance targets, any changes in the fair value are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities incurred in connection with a business combination, are expensed as incurred.

Significant judgements and estimates

Significant judgements and estimates were made by management relating to the accounting for the acquisition of Visy Cartons. For example, the assessment of the fair values and the useful lives of the customer relationships involved significant judgement and estimates.

28 Joint ventures

The Group has investments in three joint ventures, which provide aseptic carton packaging solutions in their respective geographic markets. The Group and its 50-50 joint venture partner invested in the two joint ventures in the Middle East in 2001. The joint venture in Japan was formed in 2018.

The Group's share of the profit or loss of its joint ventures (net of income tax) is presented as part of the Group's profit or loss from operating activities due to the Group's close interaction with its joint ventures.

Composition of the Group's joint ventures

The table below provides an overview of the Group's joint ventures.

(In € million)	Reporting date	Country of incorporation	Interest held at 31 Dec. 2019	Interest held at 31 Dec. 2018
SIG Combibloc Obeikan Company Ltd.	31 Dec.	Saudi Arabia	50%	50%
SIG Combibloc Obeikan FZCO	31 Dec.	UAE	50%	50%
DNP • SIG Combibloc Co., Ltd.	31 Dec.	Japan	50%	50%

SIG Combibloc Obeikan Company Limited operates a sleeves manufacturing facility in Saudi Arabia. Both the joint ventures in the Middle East deploy filling lines in the Middle East and Africa and provide sleeves and other associated products and services to their customers.

In the year ended 31 December 2018, the Group invested in a newly formed joint venture in Japan together with DNP. The two joint venture parties contributed €0.6 million each to the formation of the joint venture. There have been no significant transactions with this joint venture in the years ended 31 December 2019 and 31 December 2018.

Summary joint venture financial information

The following tables provide summary financial information about the three joint ventures, representing the amounts presented in the IFRS financial statements of the joint ventures and not adjusted for the Group's ownership percentage.

(In € million)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
31 December 2019							
SIG Combibloc Obeikan Company Ltd., Saudi Arabia	61.9	110.1	**172.0**	45.5	99.1	**144.6**	**27.4**
SIG Combibloc Obeikan FZCO, UAE	168.1	200.7	**368.8**	96.4	218.7	**315.1**	**53.7**
DNP • SIG Combibloc Co., Ltd., Japan	6.0	–	**6.0**	6.2	–	**6.2**	**(0.2)**
Total	**236.0**	**310.8**	**546.8**	**148.1**	**317.8**	**465.9**	**80.9**
31 December 2018							
SIG Combibloc Obeikan Company Ltd., Saudi Arabia	63.6	84.8	**148.4**	85.3	33.4	**118.7**	**29.7**
SIG Combibloc Obeikan FZCO, UAE	106.1	129.2	**235.3**	83.4	90.1	**173.5**	**61.8**
DNP • SIG Combibloc Co., Ltd., Japan	3.7	–	**3.7**	2.7	–	**2.7**	**1.0**
Total	**173.4**	**214.0**	**387.4**	**171.4**	**123.5**	**294.9**	**92.5**

(In € million)	Revenue	Expenses	Profit after tax
2019			
SIG Combibloc Obeikan Company Ltd., Saudi Arabia	162.5	(143.2)	19.3
SIG Combibloc Obeikan FZCO, UAE	213.1	(200.4)	12.7
DNP • SIG Combibloc Co., Ltd., Japan	0.5	(1.7)	(1.2)
Total	**376.1**	**(345.3)**	**30.8**
2018			
SIG Combibloc Obeikan Company Ltd., Saudi Arabia	162.3	(145.3)	17.0
SIG Combibloc Obeikan FZCO, UAE	216.5	(208.7)	7.8
DNP • SIG Combibloc Co., Ltd., Japan	0.5	(0.7)	(0.2)
Total	**379.3**	**(354.7)**	**24.6**

Joint venture impact on the consolidated financial statements

(In € million)	2019	2018
Carrying amount as of 1 Jan.	**198.7**	**206.9**
Investment in joint venture in Japan	–	0.6
Share of profit (net of income tax)[1]	15.4	12.3
Dividends received	(20.7)	(23.7)
Effect of movements in exchange rates	0.8	2.0
Other	(0.8)	0.6
Carrying amount as of 31 Dec.	**193.4**	**198.7**
Amount of goodwill in carrying amount of joint ventures as of 31 Dec.	**153.0**	**152.4**

1 An unrealised gain of €3.4 million recognised by one of the joint ventures in the Middle East resulting from an upstream sale of an asset to the Group in the year ended 31 December 2018 (that will not be sold on) has in the consolidated financial statements been eliminated against the asset purchased.

Guarantees

As of 31 December 2018, the Group provided guarantees with an aggregate maximum exposure of €34.3 million to banks granting credit facilities to SIG Combibloc Obeikan Company Ltd. As of 31 December 2019, the Group has been released of its guarantees for outstanding joint venture debts.

Accounting policy

The accounting policy for joint ventures is included in note 26.

29 Related parties

The Group has related party relationships with its shareholders, its subsidiaries and joint ventures, its key executive officers and Directors (including the members of the Group Executive Board of SIG and the Board of Directors) and companies affiliated with Onex.

Shareholders

The Company's shares are listed on SIX Swiss Exchange. To the best knowledge of the Company, the publicly held shares as of 31 December 2019 represented 67.1% (47.4% as of 31 December 2018) of the issued shares. The remaining shares are held indirectly by Onex, certain members of SIG management and a number of co-investors. Onex has in September 2019 sold 9.4% and in November 2019 sold 9.8% (expressed as a percentage of the issued shares in the Company) that had been held by it, and held 31.8% of the issued shares as of 31 December 2019. Before its disposal of shares in September 2019, Onex was the ultimate parent company of the Group.

Certain members of SIG management (key executive officers and Directors) participate in a management equity plan that was established in 2015. They hold shares in the Company, acquired at fair value, via its participation in two limited liability partnerships. No additional shares have been, or will be, issued to these limited liability partnerships since the IPO. The limited liability partnerships held 1.1% of the shares as of 31 December 2019 (1.7% as of 31 December 2018) of which 0.6% relates to members of the Group Executive Board (1.0% as of 31 December 2018) and 0.02% relates to members of the Board of Directors (0.02% as of 31 December 2018).

Certain parties, including Onex, members of the SIG management and other co-investors entered into investment and shareholders' agreements in 2015 with respect to their investment in the Company. These agreements, along with certain ancillary agreements thereto, contain agreements among the parties with respect to, among other things, tag-along rights, drag-along rights, pre-emptive rights and restrictions on the transfer of shares. The agreements also contain provisions regarding the transfer of shares held by employees who cease to be employees or officers and regarding circumstances in which such rights and restrictions terminate. In conjunction with the Onex sale of shares in November 2019, members of SIG management exercised tag-along rights under the pre-IPO management equity plan and sold some of the shares they held in the Company (see above).

In addition to the indirect shareholdings in the Company via the limited liability partnerships, members of the Board of Directors directly held 0.04% of the shares as of 31 December 2019 (0.03% as of 31 December 2018). Members of the Board of Directors associated with Onex indirectly held 0.03% of the shares as of 31 December 2019 (0.07% as of 31 December 2018) via minority investments in affiliates of Onex.

Key management

The Company's key management include the members of the Group Executive Board of SIG and the Board of Directors.

The table below includes information about compensation to the Group Executive Board.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Short-term employee benefits	6.8	7.4
Post-employment benefits	0.5	0.4
Share-based payment plans	1.1	–
Total compensation to the Group Executive Board	**8.4**	**7.8**

Short-term employee benefits for the year ended 31 December 2018 include an amount of €2.5 million that was awarded to selected members of the Group Executive Board for their significant contribution to the process of going public.

Since the beginning of the year ended 31 December 2019, the members of the Group Executive Board are entitled to participate in a share-based long-term incentive plan. See note 31 for additional information.

Compensation to the members of the Board of Directors totalled €1.6 million for the year ended 31 December 2019 (€0.4 million for the year ended 31 December 2018). The members of the Board of Directors have in 2019 received part of their compensation in restricted share units ("RSUs"). See note 31 for additional information.

Further details about compensation paid to the members of the Group Executive Board and the Board of Directors can be found in the Compensation Report included elsewhere in the 2019 Annual Report. Information about SIG shareholdings of these persons are included in the section Shareholders above and in the Compensation Report.

Other related parties

The Group's subsidiaries are listed in note 26. Information about the joint ventures is included in note 28.

Related party transactions and balances

The Group had a consulting services agreement with Onex, which was terminated without compensation in connection with the IPO in September 2018. The Group paid Onex an amount of €0.8 million under this agreement for the year ended 31 December 2018.

Onex continues to provide consultancy services to the Company on various matters without any compensation other than for out-of-pocket expenses. The Company and Onex have entered into an information sharing agreement on the mutual sharing of information including, but not limited to, information to comply with legal, regulatory, tax and accounting requirements. The agreement does not provide for any compensation payments.

Information about other related parties is provided in the following table.

	Transaction values for the years ended		Balance outstanding as of	
(In € million)	**31 Dec. 2019**	31 Dec. 2018	**31 Dec. 2019**	31 Dec. 2018
Joint ventures				
Sale of goods and services (sleeves, liquid paper board, filling machines and related goods and services), revenue under royalty agreements and other transactions/Net receivables	111.0	106.3	17.1	11.0
Dividends received	20.7	23.7	–	–
Onex portfolio companies				
Purchase of goods/Payables (supplies and machine parts):				
– Erwepa/Davis Standard	(4.1)	(0.4)	–	–

There were no other significant related party transactions during the years ended 31 December 2019 and 31 December 2018. Information about commitments to incur capital expenditure with related parties is included in note 12.

OUR PEOPLE

This section covers information about the Group's employee-related expenses and pension plans as well as the Group's share-based payment plans and arrangements that were introduced in the year ended 31 December 2019. Details about compensation concerning the Group's key management (Group Executive Board and Board of Directors) are included in note 29 on related parties.

30 Employee benefits

The Group operates various defined benefit plans, of which the largest is in Switzerland.

Overview of employee benefits

(In € million)	**As of 31 Dec. 2019**	As of 31 Dec. 2018
Salaries and wages accrued	35.6	26.6
Provision for annual leave	9.6	8.0
Provision for other employee benefits	3.0	0.7
Net defined benefit obligations:		
Pension benefit liabilities	123.3	108.0
Total employee benefit liabilities	**171.5**	**143.3**
Current	45.2	34.6
Non-current	126.3	108.7
Total employee benefit liabilities	**171.5**	**143.3**

The Group has a net defined benefit asset in the amount of €168.4 million as of 31 December 2019 (€129.3 million as of 31 December 2018). It relates to the defined benefit pension plan in Switzerland. The Group's net defined benefit liabilities relate to defined benefit pensions plans in other countries.

Personnel expenses

Personnel expenses recognised in the statement of profit or loss and other comprehensive income were €320.6 million in the year ended 31 December 2019 and €303.9 million in the year ended 31 December 2018.

Defined benefit pension plans

The Group makes contributions to defined benefit pension plans. It operates defined benefit pension plans in countries including Austria, France, Germany, Indonesia, Switzerland, Taiwan and Thailand. The majority of the Group's pension obligations are in Switzerland and are subject to governmental regulations relating to the funding of retirement plans. The Group generally funds its retirement plans in an amount equal to the annual minimum funding requirements specified by government regulations covering each plan. It has generally provided aggregated disclosures in respect of these plans on the basis that these plans are not exposed to materially different risks.

The Group's largest pension plan is the Swiss retirement plan. As of 31 December 2019, the Swiss retirement plan comprises 75% (77% as of 31 December 2018) of the present value of the Group's pension plan obligations. Therefore, certain information applicable to the Swiss retirement plan has been separately disclosed. As of 31 December 2019, the fair value of the assets of the Swiss retirement plan exceeded the present value of its pension obligations by €168.4 million (€129.3 million as of 31 December 2018). An assessment of the investment strategy of the Swiss retirement plan is performed yearly.

Expected annual contributions to the Group's defined benefit pension plans during the year ending 31 December 2020 are estimated to be €4.9 million. The Group's pension plans had a weighted average duration of 13 years as of 31 December 2019 (13 years as of 31 December 2018).

Movement in net defined benefit obligation

Information about the net defined benefit obligation as of and for the year ended 31 December 2019 and the year ended 31 December 2018 is included below.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
(In € million)	**2019**	2018	**2019**	2018	**2019**	2018
Carrying amount as of the beginning of the year	**497.0**	**500.2**	**(518.3)**	**(525.1)**	**(21.3)**	**(24.9)**
Service cost	7.6	6.4	–	–	7.6	6.4
Interest cost/(income)	4.7	4.0	(3.6)	(2.9)	1.1	1.1
Administrative expenses	–	–	0.5	0.5	0.5	0.5
Total expense/(income) recognised in profit or loss	**12.3**	**10.4**	**(3.1)**	**(2.4)**	**9.2**	**8.0**
Actuarial (gains)/losses arising from:						
Demographic assumptions	(2.9)	(4.2)	–	–	(2.9)	(4.2)
Financial assumptions	22.9	(0.5)	–	–	22.9	(0.5)
Return on plan assets, excluding interest income	–	–	(43.3)	9.5	(43.3)	9.5
Total remeasurement (gains)/losses included in other comprehensive income	**20.0**	**(4.7)**	**(43.3)**	**9.5**	**(23.3)**	**4.8**
Contributions by the Group	–	–	(4.4)	(4.5)	(4.4)	(4.5)
Contributions by plan participants	1.7	1.6	(1.7)	(1.6)	–	–
Benefits paid by the plans	(41.2)	(25.2)	41.2	25.2	–	–
Effect of movements in exchange rates	14.7	14.7	(20.0)	(19.4)	(5.3)	(4.7)
Total other movements	**(24.8)**	**(8.9)**	**15.1**	**(0.3)**	**(9.7)**	**(9.2)**
Carrying amount as of the end of the year	**504.5**	**497.0**	**(549.6)**	**(518.3)**	**(45.1)**	**(21.3)**
Comprised of:						
Swiss retirement plan	376.9	384.7	(545.3)	(514.0)	(168.4)	(129.3)
All other plans	127.6	112.3	(4.3)	(4.3)	123.3	108.0
Carrying amount as of the end of the year	**504.5**	**497.0**	**(549.6)**	**(518.3)**	**(45.1)**	**(21.3)**
Included in the statement of financial position as:						
Employee benefits (asset)					(168.4)	(129.3)
Employee benefits (liability)					123.3	108.0
Total net defined pension benefits					**(45.1)**	**(21.3)**

Expense recognised in profit or loss

The net pension expense is recognised in the following components in the statement of profit or loss and comprehensive income.

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Cost of sales	4.7	3.6
Selling, marketing and distribution expenses	0.9	1.2
General and administrative expenses	3.6	3.2
Total net pension expense	**9.2**	**8.0**
thereof the Swiss retirement plan	4.0	3.5

Plan assets

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Equity instruments	149.2	125.5
Debt instruments	216.3	213.8
Real estate	162.0	154.7
Other	22.1	24.3
Total plan assets	**549.6**	**518.3**

Approximately 99% of total plan assets are held by the Swiss retirement plan as of 31 December 2019 (99% as of 31 December 2018). The debt instruments consist principally of corporate and government bonds. The equity and debt instrument values are based on quoted market prices in active markets. The real estate is held through unlisted funds. The investment policy of the Swiss retirement plan is to target an asset mix of around 25% equity instruments, 45% debt instruments, 25% real estate funds and to hold 5% in cash.

Actuarial assumptions

The amounts recognised under the Group's defined benefit pension plans are determined using actuarial methods. The actuarial valuations involve assumptions regarding discount rates, expected salary increases and the retirement age of employees. These assumptions are reviewed at least annually and reflect estimates as of the measurement date. Any change in these assumptions will impact the amounts reported in the statement of financial position, plus the net pension expense or income that may be recognised in future years. The mortality table used for the Swiss retirement plan for 2019 and 2018 was BVG 2015 GT.

While the Swiss retirement plan does not provide for compulsory benefit increases for pensioners, increases have been granted from time to time at the discretion of the foundation board, depending on the funding situation at the time.

The assumed discount rate and future salary increases are the assumptions with the most significant effect on the defined benefit obligation. They are presented in the table below.

	Swiss retirement plan		All plans	
(In %)	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Discount rates	0.15%	0.70%	0.15% – 7.30%	0.70% – 8.00%
Future salary increases	1.50%	1.50%	0.00% – 9.00%	0.00% – 9.00%

The table below shows the effect on the defined benefit obligation of a change in the discount rate and future salary increases.

	Swiss retirement plan		All plans	
(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018	As of 31 Dec. 2019	As of 31 Dec. 2018
Discount rates				
50 basis points increase	(4.2)	(1.3)	(14.6)	(9.4)
50 basis points decrease	17.7	4.6	29.6	13.8
Future salary increases				
50 basis points increase	1.2	1.0	2.2	1.8
50 basis points decrease	(1.1)	(1.0)	(2.1)	(1.7)

A 50 basis points decrease of the discount rate for the Swiss retirement plan would result in a negative discount rate, which explains the increased sensitivity to downward changes in discount rates.

Accounting policy

Short-term employee benefits

Short-term employee benefits are expensed in profit or loss as the related services are provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans and outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Pension obligations

The Group operates various defined benefit pension plans. The Group's obligation with respect to defined benefit plans is calculated separately for each plan by estimating the amount of the future benefits to which employees are entitled in return for their services in the current and prior years, discounting that amount to determine the present value of the Group's obligation and then deducting the fair value of any plan assets. The discount rate used is the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity dates approximating the terms of the Group's obligations. The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group (such as for the Group's Swiss retirement plan), the recognised asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan (the case for the Swiss retirement plan) or any future refunds from the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and, if any, the effects of the asset ceiling (excluding interest) are recognised immediately in other comprehensive income.

The net interest expense/(income) on the net defined benefit liability/(asset) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined liability/(asset) as of that time, taking into account any changes from contributions and benefit payments. Net interest expense and other plan expenses are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits

Termination benefits, when applicable, are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for such benefits. Termination costs are expensed when the Group can no longer withdraw the offer of the benefits or when the Group recognises any related restructuring costs, whichever occurs earlier.

Significant judgements and estimates

Amounts recognised under the Group's defined benefit pension plans are determined using actuarial methods. These actuarial valuations involve various assumptions that reflect estimates as of the measurement date. See the section "Actuarial assumptions" above for an overview of the impact of any change in these assumptions.

31 Share-based payment plans and arrangements

The Group introduced two share-based long-term incentive plans in 2019 for certain members of management. The members of the Board of Directors receive a part of their total compensation under share-based payment arrangements. The Group expects to settle its obligations under these plans and arrangements by using own shares (treasury shares) – see note 24.

Share-based long-term incentive plans for SIG management

Performance share unit plan

Under its performance share unit ("PSU") plan, the Group grants PSUs on an annual basis to the members of the Group Executive Board and certain other members of management. One PSU represents the contingent right to receive one SIG share. The number of granted PSUs is determined by dividing each participant's award under the plan by the fair value of one PSU at the grant date. Vesting of the PSUs occurs three years after the grant date. The exact number of PSUs that vests depends on the long-term performance of SIG during the vesting period.

The plan includes the following vesting conditions:

- Service condition: Employment at the vesting date.
- Two non-market performance conditions: Achievement of a cumulative diluted adjusted earnings per share target and a cumulative free cash flow target.
- One market performance condition: Achievement of a relative total shareholder return target, measured relative to the SPI® ICB Industry Industrials Index (with a vesting factor capped at 1.0 for a negative absolute TSR).

At vesting, the three performance conditions are first assessed individually to determine the level of achievement of the set targets (in a range from 0 to 200%). The achievement percentage of each performance condition is then combined based on a relative weighting of the performance conditions (50% for the total shareholder return target and 25% each for the earnings per share and cash flow targets). The combined vesting multiple determines how many shares the participants are entitled to at the end of the vesting period.

The grant date for the 2019 PSU awards was 1 April 2019. Nine employees were granted in total 537,414 PSUs, of which 495,263 PSUs relate to members of the Group Executive Board. The grant date fair value of one PSU is calculated based on a Monte Carlo simulation model, which reflects the probability of over- or underachieving the market performance condition. The model also takes into account various inputs such as the closing share price of one SIG share on 1 April 2019 and adjusts for expected dividends (discounted at a risk-free interest rate) to which the participants of the plan are not entitled until the PSUs vest after three years. The fair value of one granted PSU was CHF 9.49 as of grant date.

Restricted share unit plan

Under its restricted share unit ("RSU") plan, the Group will grant RSUs on an annual basis to selected employees. One RSU represents the contingent right to receive one SIG share, subject to the fulfilment of a three year service vesting condition. The number of granted RSUs is determined by dividing each participant's individual award under the plan by the average closing price of the SIG share of the last ten trading days immediately preceding the grant date. Upon vesting, each eligible plan participant is entitled to receive SIG shares equal to the number of vested RSUs.

The grant date for the 2019 RSU awards was 1 April 2019. Two employees were granted in total 28,038 RSUs. The grant date fair value of one RSU is calculated based on the closing share price of one SIG share on 1 April 2019 and adjusted for expected dividends (discounted at a risk-free interest rate) to which the participants of the plan are not entitled until the RSUs vest after three years. The fair value of one granted RSU was CHF 9.27 as of grant date.

Share-based payment arrangements for members of the Board of Directors

The members of the Board of Directors receive 40% of their total compensation under share-based payment arrangements. The compensation amount is fixed. The larger part of the Board of Directors' total share-based payment compensation is paid out in blocked SIG shares while a smaller part is paid out in RSUs. The grant date is the date of the Annual General Meeting, when the total compensation package for the next term of office is approved. The compensation is paid out four times per term of office (i.e. there are four award dates, each relating to work performed the quarter before the respective award date). The number of blocked shares/RSUs is determined by dividing each board member's individual compensation amount for one award cycle by the average closing price of the SIG share of the last ten trading days immediately preceding each award date. A three year blocking/vesting period applies to the shares and RSUs. The RSUs carry the right to dividend equivalents during the vesting period. The grant date fair value of one blocked share and one RSU is calculated based on the closing share price of one SIG share on the date of the Annual General Meeting.

The Group has granted 40,842 blocked shares and 14,236 RSUs to the members of the Board of Directors in the year ended 31 December 2019. The blocked shares have been delivered by using treasury shares (see note 24). The fair value of one granted instrument was CHF 10.02 as of grant date.

Share-based payment expense

The share-based payment expense recognised as a personnel expense in the year ended 31 December 2019 relating to PSUs and RSUs granted under the two SIG management plans amounts to €1.2 million, of which €1.1 million relates to members of the Group Executive Board. The share-based payment expense recognised as part of general and administrative expenses in the same period relating to blocked shares and RSUs granted under the arrangements for the Board of Directors amounts to €0.6 million.

Accounting policy

The Group's share-based payment plans and arrangements are all equity-settled payment arrangements. The grant date fair value of the awards is recognised as an expense, with a corresponding increase in equity (retained earnings), over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awarded instruments for which the related service and any non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awarded instruments that meet the related service and any non-market performance conditions at the vesting date. Any market performance conditions are reflected in the grant date fair valuation of the awarded instruments and there is no true-up during the vesting period or at the vesting date for differences between expected and actual outcomes. If there is no vesting period, the grant date fair value is immediately recognised as an expense.

OTHER

This section provides details about the Group's income tax exposure, different categories of financial instruments (including derivative instruments), fair value information and off-balance sheet information.

32 Income tax

This note covers the Group's current and deferred income tax exposure, with corresponding impacts on the statement of profit or loss and other comprehensive income and the statement of financial position.

Amounts recognised in profit or loss

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Current year	(74.3)	(64.2)
Adjustments for prior years	3.0	0.3
Current tax expense	**(71.3)**	**(63.9)**
Origination and reversal of temporary differences	33.1	62.2
Tax rate modifications	(2.0)	(7.0)
Adjustments for prior years	(0.9)	7.8
Deferred tax benefit	**30.2**	**63.0**
Income tax expense	**(41.1)**	**(0.9)**

Amounts recognised in other comprehensive income

The Group has recognised in other comprehensive income a deferred tax income of €1.4 million relating to defined benefit plans for the year ended 31 December 2019 (€2.1 million deferred tax income for the year ended 31 December 2018).

Reconciliation of effective tax expense

(In € million)	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Profit/(loss) before income tax	**148.0**	**(83.0)**
Income tax using the Swiss tax rate 16%	(23.7)	13.3
Effect of tax rates in foreign jurisdictions	(0.9)	10.1
Non-deductible expenses	(6.7)	(6.3)
Tax exempt income	8.7	5.7
Withholding tax	(8.3)	(9.7)
Tax rate modifications	(2.0)	(7.0)
Unrecognised tax losses and temporary differences	(1.6)	(14.1)
Tax uncertainties	(4.8)	(0.1)
Tax on undistributed profits	(3.9)	(0.9)
Adjustments for prior years	2.1	8.1
Total income tax expense	**(41.1)**	**(0.9)**

Current tax assets and liabilities

Current tax assets of €1.2 million as of 31 December 2019 (€1.0 million as of 31 December 2018) represent the amount of income taxes recoverable with respect to current and prior periods and arise from the payment of tax in excess of the amounts due to the relevant tax authorities. Current tax liabilities of €43.5 million as of 31 December 2019 (€25.6 million as of 31 December 2018) represent the amount of income taxes payable with respect to current and prior periods.

Current tax liabilities include an amount of €6.3 million (€3.8 million as of 31 December 2018) for prior periods that will be reimbursed by Reynolds Group Holdings Limited and its subsidiaries ("RGHL", the owner of the SIG Group prior to 13 March 2015) in line with the share purchase agreement that was signed when Onex acquired the SIG Group in 2015. The same amount has been recognised as part of other receivables.

Recognised deferred tax assets and liabilities

(In € million)	As of 31 Dec. 2019	As of 31 Dec. 2018
Included in the statement of financial position as:		
Deferred tax assets	21.8	12.1
Deferred tax liabilities	(172.5)	(187.8)
Total recognised net deferred tax liabilities	**(150.7)**	**(175.7)**

(In € million)	Property, plant and equipment	Intangible assets	Employee benefits	Tax loss carry-forwards	Other items	Net deferred tax assets/ (liabilities)
Carrying amount as of 1 January 2018	(92.9)	(176.3)	(1.9)	7.7	38.8	**(224.6)**
Recognised in profit or loss	(2.1)	35.0	0.4	2.4	27.3	**63.0**
Recognised in other comprehensive income	–	–	2.1	–	–	**2.1**
Other movements	–	–	–	–	(13.6)	**(13.6)**
Effect of movements in exchange rates	(1.3)	(0.5)	(1.3)	0.6	(0.1)	**(2.6)**
Carrying amount as of 31 December 2018	**(96.3)**	**(141.8)**	**(0.7)**	**10.7**	**52.4**	**(175.7)**
Carrying amount as of 1 January 2019	(96.3)	(141.8)	(0.7)	10.7	52.4	**(175.7)**
Additions through business combination	(1.2)	(2.9)	1.1	–	0.5	**(2.5)**
Recognised in profit or loss	3.1	20.3	2.3	(5.7)	10.2	**30.2**
Recognised in other comprehensive income	–	–	1.4	–	–	**1.4**
Effect of movements in exchange rates	(3.2)	(2.5)	(1.9)	(0.3)	3.8	**(4.1)**
Carrying amount as of 31 December 2019	**(97.6)**	**(126.9)**	**2.2**	**4.7**	**66.9**	**(150.7)**

The net deferred tax assets for other items mainly relate to inventories, receivables, deferred revenue and derivatives. The Group reclassified in the year ended 31 December 2018 an amount of €13.6 million from current tax liabilities to deferred tax liabilities relating to its tax liability for unremitted and distributable earnings. The impact of this reclassification is presented in "Other movements" in the table above. The reclassification is made on a prospective basis as the nature of the change does not represent a correction of a material prior year error.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised with respect to tax losses in the amount of €20.8 million as of 31 December 2019 (€23.0 million as of 31 December 2018) because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unrecognised tax losses do not expire under the current applicable tax legislation.

Accounting policy

Income tax expense is comprised of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

For subsidiaries in which the profits are not considered to be permanently reinvested, the additional tax consequences of future dividend distributions are recognised as income tax expense.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect to previous years. Current tax assets and liabilities are only offset if certain criteria are met.

Deferred tax

Deferred tax is recognised, using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint arrangements to the extent that they probably will not reverse in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. The recoverability of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are only offset if certain criteria are met.

Significant judgements and estimates

Determining the Group's worldwide income tax liability requires significant judgement and the use of estimates and assumptions, some of which are highly uncertain. Each tax jurisdiction's laws are complex and subject to different interpretations by the taxpayer and the respective tax authorities. Significant judgement is required in evaluating the Group's tax positions, including evaluating uncertainties. To the extent actual results differ from these estimates relating to future periods, and depending on the tax strategies that the Group may implement, the Group's financial position may be directly affected.

Deferred tax assets represent deductions available to reduce taxable income in future years. The Group evaluates the recoverability of deferred tax assets by assessing the adequacy of future taxable income, including reversal of taxable temporary differences, forecasted earnings and available tax planning strategies. Determining the sources of future taxable income relies heavily on the use of estimates. The Group recognises deferred tax assets when the Group considers it probable that the deferred tax assets will be recoverable.

33 Financial instruments and fair value information

This note provides an overview of the Group's financial instruments, including derivative financial instruments, and their categorisation under IFRS. Further details about the different types of financial assets and financial liabilities are provided throughout these consolidated financial statements. This note also contains information about the fair value of the Group's financial instruments and some general accounting policies covering more than one type of financial assets and liabilities.

Categories of financial instruments and fair value information

The Group's financial assets and liabilities are classified into the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial liabilities at amortised cost and financial assets and liabilities at fair value through profit or loss.

The following tables present the carrying amounts of financial assets and liabilities as of 31 December 2019 and 31 December 2018. They also present the respective levels in the fair value hierarchy for financial assets and liabilities measured at fair value. Items that do not meet the definition of financial assets or liabilities are not included in the tables.

	Carrying amount as of 31 December 2019			Fair value hierarchy Level		
(In € million)	At amortised cost	At fair value through profit or loss (mandatorily)	Total	1	2	3
Cash and cash equivalents	261.0		**261.0**			
Trade and other receivables	205.9	52.9	**258.8**		X	
Other financial assets	5.1		**5.1**			
Derivatives		2.1	**2.1**		X	
Total financial assets	**472.0**	**55.0**	**527.0**			
Trade and other payables	(493.2)		**(493.2)**			
Loans and borrowings:						
– Senior secured credit facilities	(1,539.2)		**(1,539.2)**			
– Lease liabilities	(53.5)		**(53.5)**			
Derivatives		(13.7)	**(13.7)**		X	
Total financial liabilities	**(2,085.9)**	**(13.7)**	**(2,099.6)**			

See note 5.2 for the impact on the Group's lease liabilities of the adoption of IFRS 16 *Leases* on 1 January 2019.

	Carrying amount as of 31 December 2018			Fair value hierarchy Level		
(In € million)	At amortised cost	At fair value through profit or loss (mandatorily)	Total	1	2	3
Cash and cash equivalents	157.1		**157.1**			
Trade and other receivables	176.3	54.8	**231.1**		X	
Derivatives		0.2	**0.2**		X	
Total financial assets	**333.4**	**55.0**	**388.4**			
Trade, other payables and other liabilities	(442.3)		**(442.3)**			
Loans and borrowings:						
– Senior secured credit facilities	(1,564.9)		**(1,564.9)**			
– Finance lease liabilities	(26.5)		**(26.5)**			
Derivatives		(20.0)	**(20.0)**		X	
Total financial liabilities	**(2,033.7)**	**(20.0)**	**(2,053.7)**			

Fair value of financial assets and liabilities at amortised cost

The carrying amount of the financial assets and liabilities that are not measured at fair value is a reasonable approximation of fair value. Excluding transaction costs and an original issue discount, this is also the case for the Group's term loans that were entered into in connection with the IPO.

Fair value of derivatives

The derivatives are entered into as part of the Group's strategy to mitigate operational risks (commodity and foreign currency exchange derivatives) and to mitigate financing risks (interest rate swaps). See also note 25.

The following tables show the types of derivatives the Group had as of 31 December 2019 and 31 December 2018, and their presentation in the statement of financial position.

(In € million)	Current assets	Non-current assets	Total derivative assets	Current liabilities	Non-current liabilities	Total derivative liabilities
Commodity derivatives	0.8	–	**0.8**	(8.7)	–	**(8.7)**
Foreign currency exchange derivatives	1.3	–	**1.3**	(2.4)	–	**(2.4)**
Total operating derivatives	**2.1**	**–**	**2.1**	**(11.1)**	**–**	**(11.1)**
Interest rate swaps	–	–	**–**	–	(2.6)	**(2.6)**
Total financing derivatives	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Total derivatives as of 31 Dec. 2019	**2.1**	**–**	**2.1**	**(11.1)**	**(2.6)**	**(13.7)**

(In € million)	Current assets	Non-current assets	Total derivative assets	Current liabilities	Non-current liabilities	Total derivative liabilities
Commodity derivatives	0.1	–	**0.1**	(18.2)	–	**(18.2)**
Foreign currency exchange derivatives	0.1	–	**0.1**	(0.6)	–	**(0.6)**
Total operating derivatives	**0.2**	**–**	**0.2**	**(18.8)**	**–**	**(18.8)**
Interest rate and cross-currency swaps	–	–	**–**	–	(1.2)	**(1.2)**
Total financing derivatives	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Total derivatives as of 31 Dec. 2018	**0.2**	**–**	**0.2**	**(18.8)**	**(1.2)**	**(20.0)**

In connection with the refinancing in October 2018, the financing derivative balances decreased. The Group had embedded derivatives in respect of both the redeemed notes and the repaid term loans as well as interest rate swaps.

The Group measures derivative assets and liabilities at fair value. The fair value is calculated based on valuation models commonly used in the market. These include consideration of credit risk, where applicable, and discounts the estimated future cash flows based on the terms and maturity of each contract, using forward interest rates extracted from observable yield curves and market forward exchange rates at the reporting date. The derivatives are categorised as level 2 fair value measurements in the fair value hierarchy as the measurements of fair value are based on observable market data, either directly (i.e. as prices) or indirectly (i.e. derived from prices). All changes in fair value are recognised in profit or loss as the Group does not apply hedge accounting under IFRS 9.

Fair value of trade receivables to be sold under securitisation and factoring programmes

Trade receivables that will be sold under the Group's securitisation and factoring programmes are categorised as measured at fair value through profit or loss. They are sold shortly after being recognised by the Group and the amount initially recognised for these trade receivables is representative of their fair value.

Accounting policy

The specific accounting policies for the Group's different types of financial assets and liabilities are included in other sections of these consolidated financial statements. This section includes the accounting policy for topics covering more than one note.

Initial recognition of financial assets and liabilities

The Group initially recognises loans and receivables and any debt issued on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date, when the entity becomes party to the contractual provisions of the financial instrument.

Offsetting

Financial assets and financial liabilities are only offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts and intends to either settle them on a net basis or realise the asset and settle the liability simultaneously.

Derivatives

Derivatives are measured at fair value with any related transaction costs expensed as incurred. All derivatives with a positive fair value are presented as other current or non-current assets in the statement of financial position, while all derivatives with a negative fair value are presented as other current or non-current liabilities.

The gain or loss on remeasurement to fair value is recognised in profit or loss. Net changes in the fair value of derivatives entered into as part of the operating business are presented as part of profit from operating activities, while net changes in the fair value of derivatives entered into in relation to the financing of the Group are presented in other finance income or expenses. The Group does not apply hedge accounting under IFRS.

A derivative embedded in another contract is separated and accounted for separately when its economic characteristics and risks are not closely related to those of its host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host contract is not measured at fair value with the fair value changes recognised in profit or loss. Changes in the fair value of a separated embedded derivative are recognised immediately in profit or loss.

34 Contingent liabilities

The Group has contingent liabilities relating to legal and other matters arising in the ordinary course of business. Based on legal and other advice, management is of the view that the outcome of any such proceedings will have no significant effect on the financial position of the Group beyond the recognised provision.

Accounting policy

Contingent liabilities are possible obligations arising from a past event to be confirmed by future events not wholly within the control of the Group, or present obligations arising from a past event of which the outflow of economic benefits is not probable, or which cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, except for certain items assumed in a business combination, but are separately disclosed.

35 Subsequent events

There have been no events subsequent to 31 December 2019 that would require an adjustment to or disclosure in these consolidated financial statements.

Report of the statutory auditor to the General Meeting of SIG Combibloc Group AG Neuhausen am Rheinfall

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SIG Combibloc Group AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the year then ended (pages 74 to 126), including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

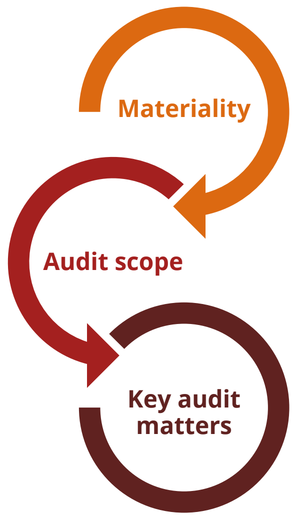
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: EUR 17,800,000

We concluded full scope audit work at 7 wholly owned Group companies in 6 countries. Our audit scope addressed over 84% of the Group's revenue.

As key audit matter the following area of focus has been identified:

- Carrying amount of goodwill

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 17,800,000
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark as, in our view, it is the most appropriate benchmark considering the Group's current year's result is impacted by effects from purchase price accounting and transaction- and acquisition-related costs. It is further a benchmark against which the performance of the Group is measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above EUR 1,780,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

At the end of 2019, the Group's financial statements are a consolidation of 50 wholly owned subsidiaries and 3 equity accounted joint ventures entities comprising the Group's operating businesses and centralised functions across 34 different geographical locations.

We identified 7 wholly owned Group companies in 6 countries for which, in our opinion, a full scope audit was necessary because of their size or risk characteristics. For a further 6 Group companies in 4 countries, specified procedures on selected account balances were performed to increase audit comfort on the Group's "Cash & Cash Equivalent" and "Trade and Other Payables" balance. In addition, on a rotational basis, we analysed the financial statements of selected Group Companies for significant or unusual developments. None of the Group Companies not considered as a full scope audit accounted individually for more than 6% of the Group's revenue.

All relevant subsidiaries of the Group are audited by local PwC firms. To ensure sufficient and appropriate involvement of the Group auditor in the audit of the 6 Group companies audited by our component auditors abroad, we held conference calls with the respective audit teams responsible for the audit during the different phases of the audit and also conducted selected site visits or a review of work-papers. We discussed risks identified and challenged the audit approach in response to the risks relevant to the respective components. Furthermore, we obtained a memorandum of examination from our component auditors and assessed the results and impact on the Group's consolidated financial statements and challenged the component auditor's conclusion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of goodwill

Key audit matter	How our audit addressed the key audit matter
As per 31 December 2019, the carrying amount of Goodwill amounted to €1,622 million of which €14.5 million relate to the acquisition of Visy Cartons Pty Ltd. on 29 November 2019. The valuation of Goodwill is a key audit matter based on the magnitude of the balance and inherent judgement involved and assumptions used as part of Management's impairment assessment. Specifically the assumptions related to future cash flows and the determination of the discount rates require a significant level of judgement by Management. Refer to Note 14 – Intangible Assets, Note 27 – Business Combination and Note 5.4 – Critical accounting judgements, estimates and assumptions in the consolidated financial statements.	We audited the proper allocation of Goodwill to the respective group of cash-generating units ("CGUs"), including the allocation of goodwill arising from the Group's acquisition of 100% of the shares of Visy Cartons Pty Ltd in 2019. We further assessed whether the groups of CGUs identified are the appropriate basis to be used for impairment testing. With the involvement of PwC's internal valuation experts, we challenged and evaluated Management's value in use calculation for each group of CGUs. This included an assessment of the appropriateness of the model used, as well as challenging of the key assumptions made by Management, such as the discount rates applied and the cash flow forecasts. • We evaluated the reasonableness of the discount rates, as determined by Management, by assessing the cost of capital for the Group, as well as considering territory specific factors. • We challenged Management's cash flow assumptions and sensitivity analysis applied to such cash flows based on other internal forward-looking documentation available and by benchmarking them against external market data for the industry and respective region. • We further ensured the consistency of Management's cash flow assumptions with the Group's current 5-year business plan approved by the Board of Directors. In addition, we performed a retrospective review by comparing the 2019 expectation in the 2018 forecast model to the 2019 actual result to assess Management's historical forecast reliability. We further performed independent sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. Additional comfort was further provided by comparing the carrying amount of the Group's consolidated equity to the market capitalisation of the Group. As a result of our procedures, we determined that the conclusions reached by Management with regards to the carrying amount of Goodwill is reasonable and supportable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of SIG Combibloc Group AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin	**Manuela Baldisweiler**
Audit expert	Audit expert
Auditor in charge	

Basel, 20 February 2020

Financial statements
for the year ended 31 December 2019

SIG Combibloc Group AG

Income statement

(in CHF thousand)	Note	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018	1 Jan. to 27 Sept. 2018[1]	28 Sept. to 31 Dec. 2018
Income from investments	3.1	125,227.2	–	–	–
Other income	3.2	7,085.3	1,229.5	–	1,229.5
Total income		**132,312.5**	**1,229.5**	**–**	**1,229.5**
Personnel expenses		(5,801.7)	(1,118.4)	–	(1,118.4)
Other operating expenses	3.2	(9,583.8)	(1,902.8)	(566.1)	(1,336.7)
Total operating expenses		**(15,385.5)**	**(3,021.2)**	**(566.1)**	**(2,455.1)**
Profit/(loss) from operating activities		**116,927.0**	**(1,791.7)**	**(566.1)**	**(1,225.6)**
Finance income		136.8	221.1	158.0	63.1
Finance expenses		(1,084.1)	(45.1)	–	(45.1)
Profit/(loss) from operating activities before non-recurring items and income tax		**115,979.7**	**(1,615.7)**	**(408.1)**	**(1,207.6)**
Non-recurring expenses	3.3	–	(5,136.4)	(260.0)	(4,876.4)
Profit/(loss) before income tax		**115,979.7**	**(6,752.1)**	**(668.1)**	**(6,084.0)**
Income tax income/(expense)		6.5	(169.3)	–	(169.3)
Profit/(loss) for the period		**115,986.2**	**(6,921.4)**	**(668.1)**	**(6,253.3)**

1 The Company changed its functional currency in 2018. EUR balances were translated into CHF at 1.13160 at the date of change of the functional currency. See note 2.2 for further details.

Balance sheet

(in CHF thousand)	Note	As of 31 Dec. 2019	As of 31 Dec. 2018[1]
Cash and cash equivalents		366.3	452.0
Trade receivables		7,565.9	1,323.6
– Due from Group companies	3.4	7,565.9	1,323.6
Current interest-bearing receivables		1,774.3	6,716.6
– Due from Group companies	3.5	1,774.3	6,716.6
Other current receivables		12.5	398.3
– Due from third parties		12.5	398.3
Accrued income and prepaid expenses		305.7	358.9
Total current assets		**10,024.7**	**9,249.4**
Investments	3.6	2,443,789.8	2,443,804.0
Total non-current assets		**2,443,789.8**	**2,443,804.0**
Total assets		**2,453,814.5**	**2,453,053.4**
Trade payables		1,334.0	7,095.0
– Due to third parties		890.2	756.9
– Due to Group companies	3.7	443.8	6,338.1
Current interest-bearing liabilities		6,475.6	3,601.1
– Due to Group companies	3.8	6,475.6	3,601.1
Other current liabilities		648.6	131.4
– Due to third parties		648.6	131.4
Accrued expenses	3.9	3,116.1	5,009.6
Total current liabilities		**11,574.3**	**15,837.1**
Non-current liabilities	3.10	1,126.4	–
Total non-current liabilities		**1,126.4**	**–**
Total liabilities		**12,700.7**	**15,837.1**
Share capital	3.11	3,200.5	3,200.5
Legal reserves		2,330,816.2	2,442,827.8
– Capital contribution reserve	3.12	2,330,816.2	2,442,827.8
Retained earnings		107,174.2	(8,812.0)
– Loss brought forward		(8,812.0)	(1,890.6)
– Profit/(loss) for the period		115,986.2	(6,921.4)
Treasury shares	3.13	(77.1)	–
Total shareholders' equity		**2,441,113.8**	**2,437,216.3**
Total liabilities and shareholders' equity		**2,453,814.5**	**2,453,053.4**

1 The Company changed its functional currency in 2018. EUR balances were translated into CHF at 1.13160 at the date of change of the functional currency. See note 2.2 for further details.

NOTES

1 General information

SIG Combibloc Group AG ("SIG" or the "Company") is domiciled in Neuhausen am Rheinfall, Switzerland and is listed on SIX Swiss Exchange.

Prior to its initial public offering ("IPO") on 28 September 2018, the Company was named SIG Combibloc Group Holdings S.à r.l. (also the "Company", as explained below) with its domicile in Luxembourg. In September 2018, it converted from a Luxembourg limited liability company ("société à responsabilité limitée") into a Luxembourg corporation ("société anonyme"). SIG Combibloc Group Holdings S.A. then migrated its legal seat from Luxembourg to Switzerland and was reorganised as a stock corporation ("Aktiengesellschaft") and changed its name to SIG Combibloc Group AG.

"Company" refers to SIG Combibloc Group AG in relation to the period from and after the IPO and to SIG Combibloc Group Holdings S.à r.l. in relation to the period before the IPO.

2 Summary of significant accounting policies

The financial statements of the Company for the year ended 31 December 2019 have been prepared in accordance with Swiss law. Where not prescribed by law, the significant accounting and valuation policies applied are described below.

2.1 Exclusion of a cash flow statement and certain note disclosures

SIG Combibloc Group AG prepares its annual consolidated financial statements in line with IFRS, a recognised standard. It further includes a management report (CFO statement) in its annual report. In accordance with Swiss law (Art. 961d Para 1 CO), the Company has therefore elected not to include in its financial statements a cash flow statement and a management report.

2.2 Foreign currency translation

The Company maintains its accounting in Swiss Francs (CHF), which is also its functional currency, and the balance sheet and income statement are also presented in this currency.

The Company changed its functional currency in 2018. The accounting records and the financial statements of SIG Combibloc Group Holdings S.à r.l. were presented in Euros ("EUR" or "€"), which was also its functional currency. The migration of the Company into Switzerland and the changed Group financing structure resulting from the IPO in 2018 triggered a change in functional currency from Euros to Swiss Francs. The change in functional currency has been accounted for prospectively from the date of change. Balances as of the date of change of the functional currency were translated from Euros into Swiss Francs at the exchange rate of 1.13160.

The exchange rates used for the balance sheet items are the closing rates as of 31 December 2019 and 31 December 2018. Excluding the impact from the change in functional currency in 2018, balances denominated in foreign currencies are translated into CHF as follows:

- Investments expressed in a currency other than CHF are translated into CHF at the exchange rate at the date of their acquisition. At the balance sheet date, such investments are maintained at their historical exchange rate. Liabilities which are economically linked to investments and expressed in a currency other than CHF are maintained at their historical exchange rate at the end of the year.
- All other monetary assets and liabilities expressed in a currency other than CHF are translated into CHF at the exchange rate prevailing at the year end. All exchange differences resulting from this translation are presented in the income statement. Any unrealised exchange gains included therein are not considered significant.

Income and expenses denominated in foreign currencies are translated into CHF at the rate at the transaction date.

The following significant exchange rate has been applied.

	Average rate for the year		Spot rate as of	
	31 Dec. 2019	31 Dec. 2018	**31 Dec. 2019**	31 Dec. 2018
EUR to CHF	1.11282	1.15485	1.08540	1.12690

2.3 Transaction costs

Transaction costs related to the listing of the shares on 28 September 2018 have been partially deducted from the capital contribution reserve and partially expensed in the income statement. Refer to note 3.3, 3.11 and 3.12 for further details.

2.4 Investments

Investments are initially recognised at cost. Investments are analysed on an annual basis for impairment indicators and are, if needed, adjusted to their recoverable amount.

2.5 Treasury shares

Own shares held by the Company are accounted for as treasury shares. Treasury shares are initially recognised at acquisition costs and deducted from equity with no subsequent measurement. If the treasury shares are disposed of, the resulting gain or loss is recognised in the income statement.

3 Information relating to income statement and balance sheet items

3.1 Income from investments

Income from investments consists of a dividend received from SIG Combibloc Holdings S.à r.l. in the amount of CHF 125,227.2 thousand that was mainly used to pay the dividend of CHF 112,011.6 thousand to the shareholders in the year ended 31 December 2019.

3.2 Other operating income and expense

Other operating income primarily consists of management fees charged to direct or indirect subsidiaries. Other operating expenses primarily consist of consultancy costs and fees paid to the Board of Directors (to the Advisory Board prior to the IPO in 2018).

3.3 Non-recurring expenses

Non-recurring expenses in the year ended 31 December 2018 include IPO-related costs that relate to the listing of existing shares on SIX Swiss Exchange. In addition, selected members of the Group Executive Board were awarded a total of CHF 2.9 million for their significant contribution to the process of going public.

3.4 Trade receivables

Trade receivables due from Group companies as of 31 December 2019 include management fees charged to direct or indirect subsidiaries for 2019 of CHF 7,565.9 thousand (CHF 1,323.6 thousand as of 31 December 2018).

3.5 Current interest-bearing receivables

Current interest-bearing receivables due from Group companies include an interest-bearing inter-company EUR loan granted to SIG Combibloc Services AG.

3.6 Investments

The following subsidiaries are directly held by the Company.

		As of 31 Dec. 2019		As of 31 Dec. 2018	
Name and legal form	Registered office	Capital	Votes	Capital	Votes
SIG Combibloc Holdings S.à r.l. [1]	6C. rue Gabriel Lippmann L – 5365 Munsbach	100%	100%	99.99%	99.99%
SIG Combibloc Holdings GP S.à r.l. [2]	6C. rue Gabriel Lippmann L – 5365 Munsbach	0%	0%	100%	100%

1 Previously SIG Combibloc Holdings S.C.A. The Company was converted into a société à responsabilité limitée in the fourth quarter of 2018.
2 SIG Combibloc Holdings GP S.à r.l. was liquidated in the second quarter of 2019.

The subsidiaries indirectly held by the Company are listed in note 26 of the consolidated financial statements of the Company for the year ended 31 December 2019.

A capital contribution of CHF 1,143,873.6 thousand was made to SIG Schweizerische Industrie-Gesellschaft GmbH on 2 October 2018, an indirect subsidiary of the Company.

3.7 Trade payables

Trade payables due to Group companies as of 31 December 2019 mainly relate to intra-group recharges. Trade payables due to Group companies in the comparative period mainly relate on-charging of IPO-related costs.

3.8 Current interest-bearing liabilities

Current interest-bearing liabilities due to Group companies include an interest-bearing inter-company CHF loan from SIG Combibloc Services AG.

3.9 Accrued expenses

Accrued expenses primarily consist of employee benefit obligations of CHF 2,610.7 thousand (CHF 3,284.9 thousand as of 31 December 2018). The balance as of 31 December 2018 also includes accruals for IPO-related expenses of CHF 1,203.0 thousand. There were no payments outstanding to the pension funds as of 31 December 2019 or 31 December 2018.

3.10 Non-current liabilities

Non-current liabilities primarily consist of liabilities arising due to share-based plans and arrangements introduced in 2019 for certain members of management and Board of Directors as described in note 31 of the consolidated financial statements of the Company for the year ended 31 December 2019.

3.11 Share capital

(Number of shares)	(Initial) ordinary shares	Ordinary shares (class A1-A5)	Non-redeemable preference shares (class P1-P5)	Total shares
Balance as of 1 January 2018	**14,877,361**	**100,084,864**	**100,091,015**	**215,053,240**
Conversion of share categories	200,175,879	(100,084,864)	(100,091,015)	–
Capital increase on 27 September 2018	105,000,000	–	–	105,000,000
Balance as of 31 December 2018	**320,053,240**	**–**	**–**	**320,053,240**
Balance as of 31 December 2019	**320,053,240**	**–**	**–**	**320,053,240**

Prior to the IPO

As of 1 January 2018 and prior to the IPO, the share capital consisted of 215,053,240 shares totalling €2,150.5 million.

The shares were divided into different categories (ordinary shares and preference shares), with each share entitled to one vote at shareholders' meetings. The nominal value of each share was €0.01. Rights to dividends and rights in case of dissolution of the Company varied depending upon the category of shares and the respective class within each category. Whether dividends were paid or the shares were redeemed was solely at the discretion of the Company. The non-redeemable preference shares were classified as equity as they bore discretionary dividends, did not contain any obligations to deliver cash or other financial assets and did not require settlement in a variable number of the Group's equity instruments.

Conversion of shares

Prior to the IPO, the different classes of ordinary shares (class A1-A5, each with a nominal value of €0.01) were converted into one class of ordinary shares with a nominal value of €0.01 per share, and the different classes of preference shares (class P1-P5, each with a nominal value of €0.01) were converted into one class of preference shares with a nominal value of €0.01 per share. The resulting 100,091,015 single class preference shares were then converted into 100,091,015 ordinary shares with a nominal value of €0.01 per share. Finally, the nominal value of the only remaining class of ordinary shares was changed from €0.01 per share to CHF 0.01 per share. This change resulted in an insignificant reduction of the share capital and an increase of the capital contribution reserve of the same amount.

Issue of shares in IPO in 2018

The Company issued 105,000,000 new shares in the IPO, each with a nominal value of CHF 0.01. The gross proceeds from the IPO amounted to CHF 1,181.3 million (CHF 11.25 per share), resulting in an increase in the share capital of CHF 1.1 million and an increase in the capital contribution reserve of CHF 1,180.2 million. Costs incurred of CHF 43.7 million that were directly attributable to the issue of the new shares have been recognised as a deduction from equity (the capital contribution reserve). The net proceeds from the IPO amount to CHF 1,137.6 million.

After the IPO

As of 31 December 2019 and 31 December 2018, the share capital consists of 320,053,240 shares, issued and fully paid, representing CHF 3.2 million of share capital.

Authorised share capital and conditional share capital

The Company has authorised share capital and conditional share capital of CHF 640,106.48 each as of 31 December 2019 and 31 December 2018.

The Board of Directors' authority to increase the share capital out of authorised share capital is limited until 27 September 2020. Capital increases from authorised and conditional share capital are mutually exclusive, i.e. they are subject to a single combined limit, and may not exceed 64,010,648 shares (equalling CHF 640,106.48 or 20% of the existing share capital).

The authorised share capital can be used for various purposes. This creates a flexibility to seek additional capital, if required. The conditional share capital is divided into CHF 160,026.62 for employee benefit plans and CHF 480,079.86 for equity linked financing instruments.

3.12 Capital contribution reserve

The capital contribution reserve consists of the following.

(In CHF thousand)	Balance
Capital contribution reserve as of 1 January 2018 [1]	**1,306,031.7**
Conversion of share categories	283.0
Premium from the net proceeds from the IPO	1,136,513.1
Capital contribution reserve as of 31 December 2018	**2,442,827.8**
Capital contribution reserve as of 1 January 2019	**2,442,827.8**
Dividend payment of CHF 0.35 per share out of the capital contribution reserve	(112,018.6)
Dividend not paid on treasury shares held by the Company	7.0
Capital contribution reserve as of 31 December 2019	**2,330,816.2**

1 The Company changed its functional currency in 2018. EUR balances were translated into CHF at 1.13160 at the date of change of the functional currency. See note 2.2 for further details.

The net proceeds from the IPO of CHF 1,137.6 million, less the nominal share capital of CHF 1.1 million, have been allocated to the capital contribution reserve.

In the revision to the capital contribution principle that took effect on 1 January 2020, withholding tax exempt distributions from the capital contribution reserve of Swiss listed companies are generally only permissible to the extent that at least the same amount is distributed out of other reserves. These provisions do not apply to repayments of so-called foreign capital contribution reserves. The Company has as of 31 December 2019 a capital contribution reserve of CHF 2,330.8 million, which is confirmed by the Swiss Federal Tax Administration. Foreign capital contribution reserves included in the capital contribution reserve amount to CHF 1,306.3 million. The whole dividend will be distributed out of foreign capital contribution reserves.

3.13 Treasury shares

The movement in the number of treasury shares during the year was as follows.

(Number of treasury shares or in CHF thousand)	Number	Amount
Balance as of 1 January 2019	**–**	**–**
Purchases	47,000	(532.5)
Transfer under share-based payment plans and arrangements	(40,842)	455.4
Balance as of 31 December 2019	**6,158**	**(77.1)**

No treasury shares are held by the Company's subsidiaries or joint ventures.

4 Other information

4.1 Employees

The number of full-time equivalent employees in 2019 and 2018 did not exceed ten on an annual average basis.

4.2 Significant shareholders

To the best knowledge of the Company, the following shareholders each owned more than 3% of voting rights as of 31 December 2019 and 2018.

	Voting rights as of	
Name and legal form	**31 Dec. 2019**	31 Dec. 2018
Onex Corporation [1]	32.9%	52.6%
Winder Investment Pte Ltd [2]	6.0%	6.0%
AlphaGen Capital Limited, Henderson Global Investors Limited, Janus Capital Management [3]	<3.0%	3.7%

1 Beneficially owned by Mr Gerald Schwartz, Canada.
2 Beneficially owned by Haldor Foundation, Liechtenstein.
3 Beneficially owned by Janus Henderson Group PLC, United Kingdom.

To the best of the Company's knowledge, no other shareholder holds 3% or more of SIG Combibloc Group AG's total share capital and voting rights on 31 December 2019 and 2018, respectively.

4.3 Shares held directly or indirectly by the Board of Directors and the Group Executive Board, including any related parties

As of 31 December 2019, the members of the Board of Directors as of that date directly, or indirectly, held the following number of shares and restricted share units.

Board of Directors	Number of directly or beneficially held shares [1 5]	Number of indirectly held shares [1]	Total shareholdings	Unvested restricted share units [5]	Total shareholdings, including restricted share units
Andreas Umbach	67,529	–	67,529	–	67,529
Matthias Währen	20,960	–	20,960	–	20,960
Colleen Goggins	–	23,820 [2]	23,820	7,287	31,107
Werner Bauer	22,842	23,820 [2]	46,662	–	46,662
Wah-Hui Chu	8,888	23,820 [2]	32,708	6,949	39,657
Mariel Hoch	7,287	–	7,287	–	7,287
Nigel Wright	–	106,422 [3]	106,422	–	106,422
David Mansell [4]	n/a	n/a	n/a	n/a	n/a
Total	**127,506**	**177,882**	**305,388**	**14,236**	**319,624**

1 Ordinary registered shares of SIG Combibloc Group AG, including blocked shares.
2 Shares are held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (figures rounded).
3 Indirectly attributable through minority investment in affiliates of Onex Corporation, the major shareholder (figures rounded).
4 The mandate of David Mansell ended at the AGM 2019 so that the Shareholding Guidelines no longer apply for him.
5 The members of the Board of Directors receive 40% of their total compensation under share-based payment arrangements. The larger part of the Board of Directors' total share-based payment compensation is paid out in blocked SIG shares while a smaller part is paid out in restricted share units ("RSUs"). A three year blocking/vesting period applies to the shares/RSUs. Further details about the compensation of the Board of Directors, including terms, number and value of instruments granted, are included in the Compensation Report and in note 31 of the consolidated financial statements included elsewhere in this Annual Report.

As of 31 December 2018, the members of the Board of Directors as of that date directly, or indirectly, held the following number of shares.

Board of Directors	Number of directly or beneficially held shares [1]	Number of indirectly held shares [1]	Total shareholdings
Andreas Umbach	48,888	–	48,888
Matthias Währen	13,333	–	13,333
Colleen Goggins	–	23,820 [2]	23,820
Werner Bauer	15,555	23,820 [2]	39,375
Wah-Hui Chu	8,888	23,820 [2]	32,708
Mariel Hoch	–	–	–
Nigel Wright	–	170,634 [3]	170,634
David Mansell	–	62,379 [3]	62,379
Total	**86,664**	**304,473**	**391,137**

1 Ordinary registered shares of SIG Combibloc Group AG.
2 Shares are held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (figures rounded).
3 Indirectly attributable through minority investment in affiliates of Onex Corporation, the major shareholder (figures rounded).

As of 31 December 2019 and 31 December 2018, the members of the Group Executive Board as of these dates directly, or indirectly, held the following number of shares and performance share units.

	As of 31 Dec. 2019		As of 31 Dec. 2018
Group Executive Board	Number of directly, beneficially or indirectly [4] held shares [1]	Unvested performance share units [5]	Number of directly, beneficially or indirectly [4] held shares [1]
Rolf Stangl, Chief Executive Officer	665,544 [2]	168,599	1,065,471 [2]
Samuel Sigrist	290,063 [2]	79,031	464,362 [2]
Markus Boehm	268,648 [2]	52,688	549,703 [2]
Ian Wood	84,225 [3]	52,688	99,107 [3]
Lawrence Fok	359,955 [2]	47,419	509,612 [2]
Martin Herrenbrück	134,633 [3]	47,419	166,610 [3]
Ricardo Rodriguez	263,702 [2]	47,419	422,160 [2]
Total	**2,066,770**	**495,263**	**3,277,025**

1 Ordinary registered shares of SIG Combibloc Group AG.
2 Shares are held indirectly through partnership interests in Wizard Management I GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (figures are rounded).
3 Shares are held indirectly through partnership interests in Wizard Management II GmbH & Co. KG, which holds ordinary registered shares of SIG Combibloc Group AG (figures are rounded).
4 Indirect ownership of shares can change in case of an exit, depending on the reason for resignation.
5 Members of the Group Executive Board participate in a share-based long-term incentive plan under which they were granted performance share units ("PSUs") in 2019. One PSU represents the contingent right to receive one SIG share. Vesting occurs three years after the grant date. The exact number of PSUs that vests depends on the long-term performance of SIG during the vesting period. Further details about this incentive plan, including terms, number and value of instruments granted, are included in the Compensation Report and in note 31 of the consolidated financial statements included elsewhere in this Annual Report.

4.4 Other

There are no further items to disclose according to Art. 959c Swiss Code of Obligations.

Proposal of the Board of Directors for the appropriation of the retained earnings

(In CHF thousand)	**As of 31 Dec. 2019**	As of 31 Dec. 2018
Losses brought forward from previous year	(8,812.0)	(1,890.6)
Profit/(loss) for the period	115,986.2	(6,921.4)
Retained earnings at the end of the period	**107,174.2**	**(8,812.0)**
Retained earnings to be carried forward	**107,174.2**	**(8,812.0)**

The Board of Directors proposes to the Annual General Meeting to carry forward retained earnings of CHF 107,174.2 thousand.

Proposal of the Board of Directors for the appropriation of the capital contribution reserve

(In CHF thousand)	**As of 31 Dec. 2019**	As of 31 Dec. 2018
Capital contribution reserve	2,330,816.12	2,442,827.8
Proposed dividend of CHF 0.38 per share (2018: CHF 0.35 per share) out of the capital contribution reserve	(121,620.2)	(112,018.6)
Dividends not paid on treasury shares held by the Company		7.0
Capital contribution reserve carried forward after cash dividend	**2,209,196.0**	**2,330,816.2**

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the dividend will amount to CHF 0.38 per share payable out of the capital contribution reserve. Dividends will not be paid on treasury shares.

Report of the statutory auditor to the General Meeting of SIG Combibloc Group AG Neuhausen am Rheinfall

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SIG Combibloc Group AG, which comprise the income statement for the year ended 31. December 2019, the balance sheet as at 31 December 2019, and notes for the year then ended (pages 132 to 137), including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

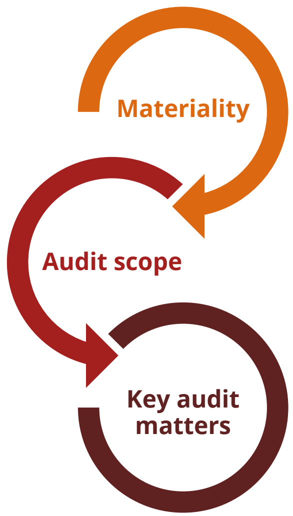
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 12,200,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall Group materiality	CHF 12,200,000
How we determined it	0.5% of total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company. We chose 0.5% of total equity to determine materiality as this is a commonly used benchmark in practice.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, SIG Combibloc Group's direct investment in subsidiaries amount to CHF 2,444 million (about 99.6 % of total assets). The indirect subsidiaries incl. investments in joint ventures of SIG Combibloc Group AG are shown in Note 26 to the Group's consolidated financial statements. Investments in subsidiaries are valued individually and are initially recorded at cost less necessary impairment charges. Management analyses investments in subsidiaries on an annual basis for potential impairment indicators. This is done by comparing the investment's book value with the IFRS equity value of the subsidiary (adjusted for possible contributions made into indirect subsidiaries) and by comparing the IFRS equity value of the SIG Combibloc Group AG against the IFRS equity value of the consolidated financial statements. In case both methods indicate a potential impairment indicator, the book value of the investment is compared to the market capitalisation of the Group. Should the market capitalisation of the Group not cover the book value of the investment, the value in use of the Group is considered. Refer to Note 2.4 – Investments and Note 3.6 – Investments.	We obtained and reviewed Management's impairment assessment. We assessed whether the market capitalisation of the Group covers as of 31 December 2019 the book value of the investment. As a result of our procedures, we determined that the carrying amount of investments in subsidiaries has been appropriately assessed by Management.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin Audit expert Auditor in charge	**Manuela Baldisweiler** Audit expert

Basel, 20 February 2020

DISCLAIMER

The Annual Report contains certain “forward-looking statements” that are based on our current expectations, assumptions, estimates and projections about us and our industry. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “may”, “will”, “should”, “continue”, “believe”, “anticipate”, “expect”, “estimate”, “intend”, “project”, “plan”, “will likely continue”, “will likely result”, or words or phrases with similar meaning. Undue reliance should not be placed on such statements because, by their nature, forward-looking statements involve risks and uncertainties, including, without limitation, economic, competitive, governmental and technological factors outside of the control of SIG Combibloc Group AG (“SIG”, the “Company” or the “Group”), that may cause SIG’s business, strategy or actual results to differ materially from the forward-looking statements (or from past results). Factors that could cause actual results to differ materially from the forward-looking statements are included without limitations into our offering memorandum for the IPO. SIG undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise. It should further be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of the full-year results. Persons requiring advice should consult an independent adviser.

For definitions of alternative performance measures and their related reconciliations that are not included in this Annual Report, please refer to the following link www.sig.biz/investors/en/performance/key-figures

Some financial information in this annual report has been rounded and, as a result, the figures shown as totals in this presentation may vary slightly from the exact arithmetic aggregation of the figures that precede them.

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