Consolidated financial statements
for the year ended 31 December 2019

SIG Combibloc Group AG

Consolidated statement of profit or loss and other comprehensive income	**74**
Consolidated statement of financial position	**74**
Consolidated statement of changes in equity	**75**
Consolidated statement of cash flows	**76**
Notes	
Basis of preparation	77
Our operating performance	82
Our operating assets and liabilities	91
Our financing and financial risk management	101
Our Group structure and related parties	111
Our people	117
Other	122
Report of the statutory auditor on the audit of the consolidated financial statements	**127**

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.

	Year ended 31 December 2019			Year ended 31 December 2018		
(In € million or %)	**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.

		Cash flows from/(used in):				
(In € million)	1 Jan. 2019	Financing activities	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**

		Cash flows from/(used in):		Net effect of early redemption/repayment				
(In € million)	1 Jan. 2018	Financing activities	Operating activities	Notes	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.

		Contractual cash flows				
(In € million)	Carrying amount	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.

		Contractual cash flows				
(In € million)	Carrying amount	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.

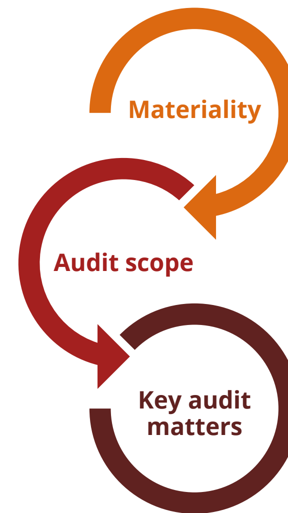
Basis for opinion

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
Audit expert
Auditor in charge

Manuela Baldisweiler
Audit expert

Basel, 20 February 2020