Aluflexpack AG

Annual Report 2019

20 March 2020

ALU FLEX PACK

"Leading brands rely on our flexible packaging and appreciate our high product quality, development competence, reliable production setup and enjoy our passionate service."

Igor Arbanas, CEO of Aluflexpack AG

Our Vision

We are the partner of choice for the development and large-scale industrial manufacturing of premium flexible packaging solutions in high demanding end-markets.

Aluflexpack AG - Key Figures

(financial figures in M€)[1]	2016	2017	2018	2019
	For the twelve months ended December 31,			
Net sales	144.1	160.6	181.7	**207.9**
Growth in net sales (%, yoy)	8.2%	11.4%	13.1%	**14.4%**
EBITDA	14.4	18.1	21.5	**19.2**
Adjusted EBITDA	14.4	18.1	21.6	**29.5**
Adjusted EBITDA margin (%)	10.0%	11.3%	11.9%	**14.2%**
Operating Profit (EBIT)	1.7	4.3	6.4	**0.6**
Adjusted Operating Profit (Adj. EBIT)	3.3	5.9	8.0	**13.8**
Adjusted Operating Profit margin (%)	2.3%	3.7%	4.4%	**6.6%**
Result for the period	-0.6	0.2	-1.3	**-3.4**
Cashflow from operating activities	8.9	14.7	11.9	**15.5**
Cashflow from investing activities	-12.6	-21.1	-21.2	**-32.8**
Cashflow from financing activities	-1.5	8.4	24.4	**60.1**
Equity Ratio (%)	19.6%	16.1%	13.2%	**61.9%**
Net debt (cash)	67.0	82.1	100.5	**-12.1**
Total assets	132	156.6	196.9	**278.4**
ROCE	3.8%	5.9%	6.9%	**9.6%**
Employees	904	1,001	1,128	**1,215**

1 A detailed reconciliation from reported to adjusted figures as well as an overview of the use of alternative performance measures can be found on pages 48 to 51.

Table of Content

We Are

The Aluflexpack Group has been developing and manufacturing **premium flexible packaging solutions for leading global brands at an industrial scale for over 35 years.** A blend of passion, know-how, experience, responsiveness and creativity result in unique products and services for our customers.

We are converting aluminium, paper and plastic films to high quality final products.

FOIL | LID | CONTAINER | POUCH

Our Company

Success factors

CUSTOMER CENTRIC THINKING

INNOVATION

ENTREPRENEURSHIP

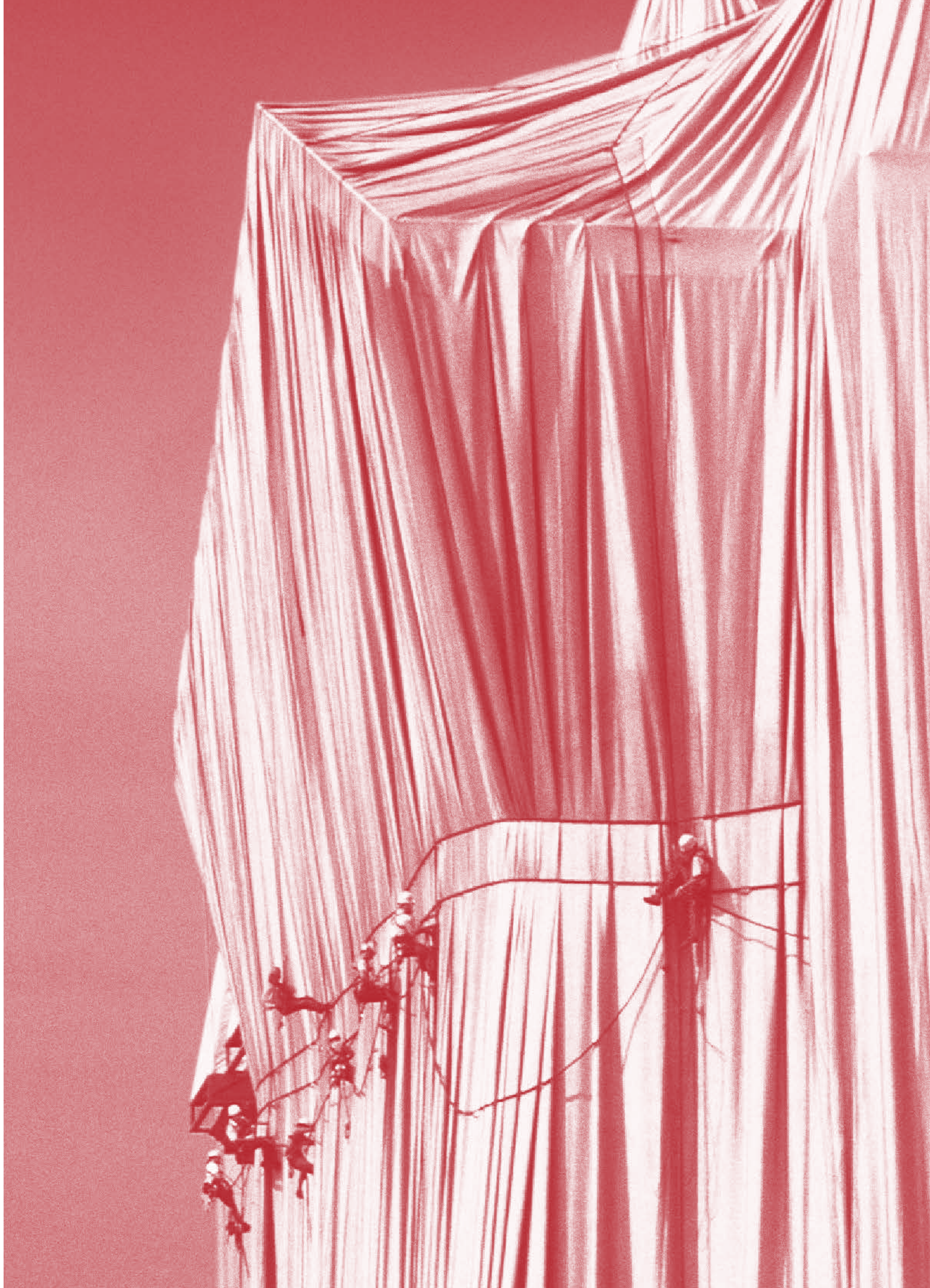
ALU FLEX PACK

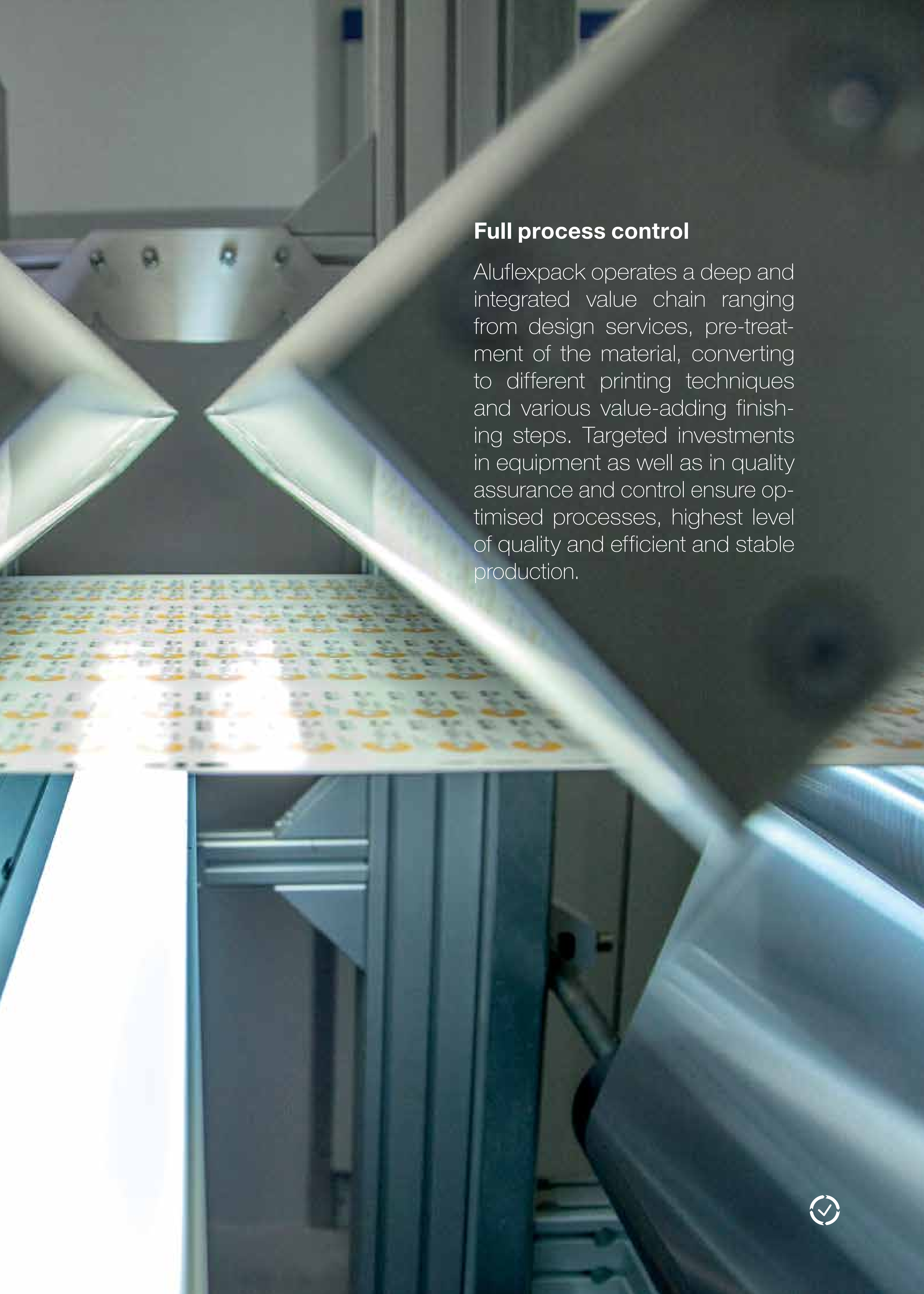
FULL PROCESS CONTROL

FAST GROWING END-MARKETS

STATE-OF-THE-ART TECHNOLOGY

MATERIAL AND PROCESS KNOW-HOW





Full process control

Aluflexpack operates a deep and integrated value chain ranging from design services, pre-treatment of the material, converting to different printing techniques and various value-adding finishing steps. Targeted investments in equipment as well as in quality assurance and control ensure optimised processes, highest level of quality and efficient and stable production.

Customer centric thinking

Aluflexpack's focus on outstanding product quality, development as well as reliable and committed service, serves as the basis for long standing partnerships and makes the company the partner of choice for numerous well-known companies and brands.

Entrepreneurship

Aluflexpack's success builds upon its dedicated and experienced talent. The plant managers are acting as individual entrepreneurs, benefiting from being part of the established international hub-satellite platform.

Innovation and development

Over 35 years of material and process expertise, on-site R&D and Quality Control teams as well as full process control, make Aluflexpack the developer of choice for many leading companies. Together, we develop packaging that is designed to optimally protect the integrity of the content whilst using a minimum amount of material.

Fast growing end-markets

Aluflexpack has placed a strategic focus on end-markets that are outgrowing the overall flexible packaging market. Within these markets, Aluflexpack focuses on fast growing product niches.

State-of-the-art technology

All of Aluflexpack's production sites are equipped with state-of-the-art machinery including inline control devices. This ensures optimised processes, high quality levels as well as efficient and stable production.

Aluflexpack at a glance

Aluflexpack develops and manufactures high-quality flexible packaging solutions at an industrial scale, and provides packaging solutions for the most valuable and known brands of leading European and international companies. We pre-treat, laminate, lacquer, extrude, print, slit, emboss, punch, laser and form aluminium, paper and plastics into sophisticated flexible packaging.

7 — 7 production plants across Europe

1,215 — Over 1,200 qualified and dedicated employees

207.9 — EUR 207.9 milion recorded revenues in 2019

>600 — Over 600 customers in Europe and overseas

A leading player — in flexible packaging in Europe

4 — 4 product types: foil, lid, container and pouch

IPO 2019 — Listing on SIX Swiss Exchange in June 2019

7 — 7 end-markets from Coffee & Tea, Confectionery, Dairy, Other Food, Other Non Food, Pet Food and Pharmaceuticals

ALUFLEXPACK AG - HEADQUARTER

Reinach Switzerland

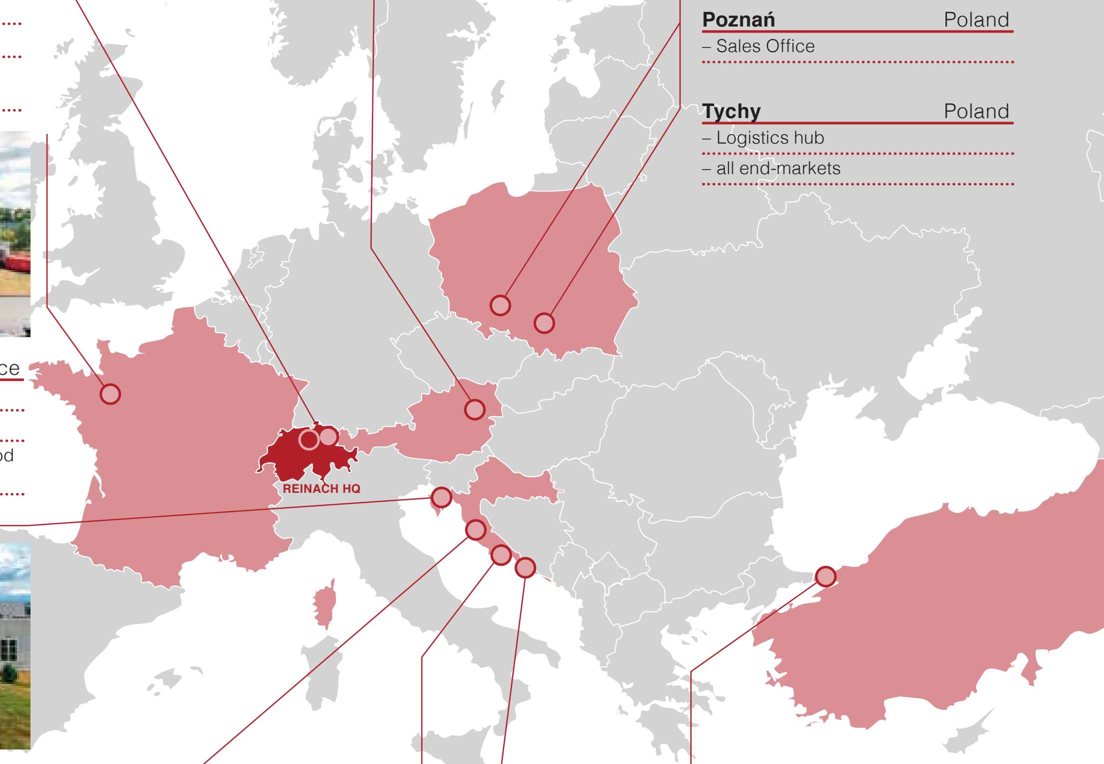
Einsiedeln Switzerland
- Production plant
- Deepdrawing, Punching
- Coffe and Tea, Other Food and Pet Food

La Ferté-Bernard France
- Production plant
- Converting, Printing, Finishing
- Dairy, Other Food, Other Non Food and Pharmaceuticals

Umag Croatia
- Production plant
- Rotogravure printing and laminating, wax coating and laminating, pouch forming
- Confectionery, Other Food and Pet Food

Zadar Croatia
- Production plant
- UV-flexo and conventional flexo print, lid punching
- Coffee and Tea, Dairy and Pharmaceuticals

Vienna Austria
- Administrative office



Drniš Croatia
- Production plant
- Rotogravure printing, lacquering, laminating, extrusion
- Coffee and Tea, Confectionery, Dairy and Pharmaceuticals

Omiš Croatia
- Production plant
- Laminating, lacquering, oiling and alu-container forming
- Other Food, Pet Food and Pharmaceuticals

Poznań Poland
- Sales Office

Tychy Poland
- Logistics hub
- all end-markets

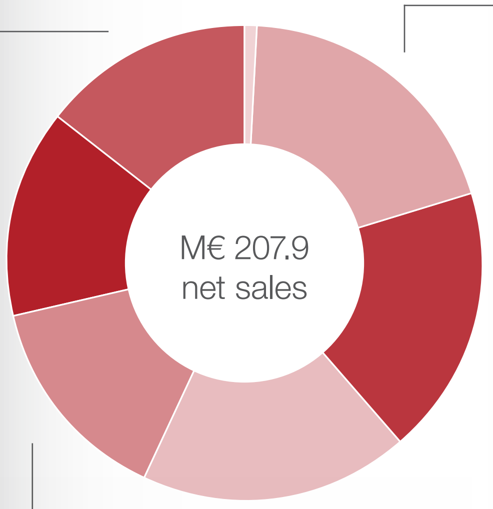
Istanbul Turkey
- Production plant
- Roto, flexo and digital printing
- Pharmaceuticals and Confectionery

Headquarter

Production Plant and Administrative Office

Market and product overview

The global flexible packaging market totalled roughly USD 250 billion in 2019, and is outgrowing rigid packaging by c. 100 bp.[2] In this huge market, Aluflexpack is focusing on certain product niches, providing high-quality flexible packaging solutions to a variety of valuable and well-known brands of leading European and international manufacturers. Our company's key competence is the development and manufacturing of aluminium- as well as plastic- and paper-based packaging solutions on an industrial scale for the Coffee and Tea, Confectionery, Dairy, Other Food, Other Non Food, Pet Food and Pharmaceutical industry. We serve these markets with high-quality product solutions such as coffee capsules, containers, lids, pouches and other type of lacquered and/or printed foils.



Other Non Food
films and foils
pouches

2%

Coffee & Tea
capsules
films and foils
lids
pouches

19%

Dairy
Al foil
films and foils
lids
pouches

18%

Pet Food
Al foil
films and foils
lids
pouches

18%

Other Food
Al foil
containers
films and foils
lids
pouches

14%

Pharmaceuticals
Al foil
films and foils
lids
pouches

14%

Confectionery
Al foil
films and foils
lids
pouches

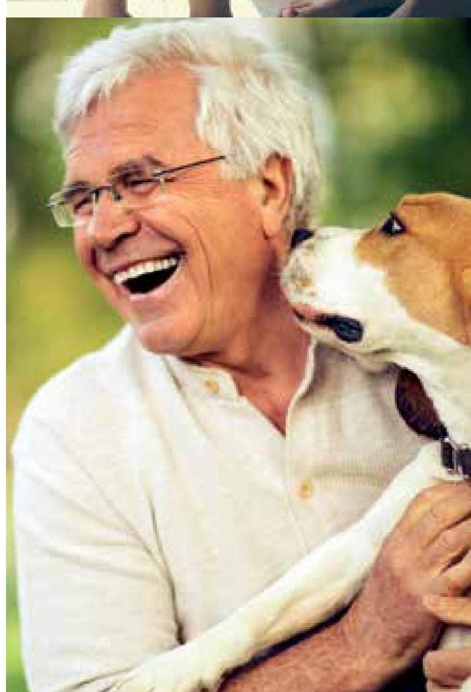
14%

2 Management estimate based on publically available and internal market data

Four forces driving market growth

Convenience

The way people consume food and beverages is changing. Today, consumers increasingly prefer ready-to-eat food and on-the-go meals. Retailers across the globe cater to this trend by offering smaller and more single serve portions, driving demand for packaging. There is also a rising trend among food producers to add convenience features, e.g. features enabling reclosability such as spouts or zippers in the case of stand-up-pouches. For certain end users, convenience may also be defined as being able to have a product in a fresh state for a longer period of time, which can be achieved through the use of higher quality packaging solutions.



Demography

The number of consumers worldwide increases every year, especially in developing economies. These rapidly growing middle classes increasingly live in smaller households in urban areas, and this is where modern retail channels evolve. This equates to more demand for food that needs to be packed. In pharmaceutical packaging, market growth is based upon aging societies: people ususally consume more medication as they get older. At the same time, more and more people in emerging markets are getting access to high-end healthcare institutions.

Sustainability

The packaging industry as well as our customers and the end consumer are increasingly focusing on their environmental footprints, which provides tailwind to certain packaging forms. In this context, we believe that our focus on aluminum-based flexible packaging places us in an ideal position to benefit from this rising sustainability awareness. Above all, flexible packaging is lightweight, provides optimal barrier features and improved cost economics. As regards aluminium, it can be viewed as ideal in the context of Circular Economy given its 100% recyclability. For more information, pls. refer to pages 26 and 46 of this report.

Brands

The general retail market can be characterized by a growing premiumisation and a rising importance of brands. In this context, the packaging used increasingly becomes a key differentiator enabling brand owners to elevate their goods from often chemically similar substitutes by using new innovative packaging solutions. In this context, flexible packaging benefits more than rigid packaging forms as it offers high attractiveness at the point of sale, easy apportionability, and enables the addition of various functionality features. Underlining these advantages is also a study conducted by the American Flexible Packaging Association amongst brand owners.[3]

3 https://www.flexpack.org/programs/marketingcommunications/flexible-packaging-transition-advantages/

Overview of our value chain

Aluflexpack's deep and fully integrated value chain with its end-to-end process and material control in the company's focus end markets ensures superior service levels, highest quality standards, profound development competence and continuous innovations. Our hub-satellite setup entails having centralised converting hubs, which supply converted material to satellites, i.e. entities that focus on the printing and finishing process, and that support the customer in their respective markets.

Services

From an **idea** to the final product: we provide not only materials research, comprehensive product development, design services and pre-press work, but also efficient and appropriate business models to assure agility and the best support for day-to-day operations.

Converting

We **lacquer, extrude and laminate** functional layers on base materials.

Printing

Our **state-of-the-art** printing machines allow excellent print in roto, flexo and digital on aluminium, plastics and paper substrates. In addition, we provide numerous design and security options and effects.

Finishing

We deliver **final products in different formats:** lids, reels, containers, bags, pouches, sachets, etc.

Quality

Our laboratories, sophisticated processing, quality control and assurance equipment, and also our stringent procedures ensure the **highest possible quality** and stability, and the reliability of our supplies.

A holistic view on flexible packaging

The recent public debate around plastic has led to more in-depth discussion about the role of packaging in the context of a circular economy and to an increased focus on sustainability within the field of packaging. There are different opinions, for instance, as to how much and what type of packaging is needed or optimal. One popular perspective suggests that less packaging is always better, as this equals fewer resources used. This simplified view is not always true. Also, with a few exceptions, leaving food unpacked is not ideal, rendering it vulnerable to immediate spoilage. Hence, bearing in mind that food production is one of the key contributors to global warming, minimizing food waste should be a priority. This means that the environmental performance of any packaging solution should be assessed in connection with the content it protects and how it is expected to be consumed. In addition, it should include all phases of the life cycle: production of the packaging, to shelf-life and transportation implications, through to its end-of-life phase.

When taking the full life cycle of packaging into perspective, flexible packaging is often an ideal solution as it is typically less material-intense compared to rigid packaging forms. Being very adaptable in its nature, it also offers transportation benefits and ideal barrier properties to significantly prolong the shelf life of a product.

Optimizing the product packaging system

By its nature, flexible packaging offers interesting features that allow it to contribute positively to a more sustainable product packaging system. One of the key advantages of flexible packaging is that it is very lightweight, typically weighing a fraction of rigid counterparts. Another beneficial feature is that flexible packaging is ideally suited to pack products of any size and shape in an effective manner, resulting in high product-to-pack-ratios. This means that flexible packaging requires very little material to pack comparably higher quantities of food or other product content. Tailoring the packaging to different product sizes optimizes the overall environmental impact of the product packaging system, since this increases the average protection of the product up until the point of consumption and as such, reduces energy losses from wasted food.[4]

> Flexible Packaging accounts for only 10% of all packaging materials for food in Europe but packs more than 40%.[5]

Transportation and Storage

Due to its lightweight nature the proportion of flexible packaging of total freight weight is only a fraction of rigid counterparts. Moreover, given its adaptability to efficiently adjust size, format and shape to the product, flexible packaging typically uses very little space during delivery of the already filled product to the final point of sale, meaning that trucks can ship larger quantities of the product per journey. Flexible packaging can also be delivered in reels and assembled at the filling site, thereby avoiding shipment of glass jars or cans filled with air. These factors combined help reduce truck traffic and lead to fuel savings, contributing to a reduction of the overall CO2 footprint of the product packaging system.

Aluminium-based flexible packaging

Aluflexpack has specialized on the development and industrial manufacturing of aluminium-based flexible packaging solutions. The physical properties of aluminium foil make it a great solution in matching today's sustainability challenges and fully align it to the current "reduce, reuse, recycle" trend. Besides being lightweight, one of aluminium's notable advantages is that it acts as an absolute barrier against oxygen, moisture and light - thus protecting the quality of the content and significantly prolonging shelf life. Even the inclusion of a very thin aluminium foil layer can result in major benefits to the overall barrier of a packaging solution, leading to prolonged shelf life and hence, preservation of nutritional value, flavour and aroma as well as potential to eliminate the need for refrigeration. Furthermore, aluminium has excellent processing qualities and does not burst even at low gauges, and its mechanical characteristics enable aluminium to wrap products tightly without using sealing systems or glue. In the end of life phase, aluminium offers valuable characteristics as it is fully recyclable without losing its qualities. Moreover, using recycled aluminium in the process reduces the amount of energy used by up to 95% compared to primary aluminium.[6]

4 Fleixible Packaging Europe; https://www.flexpack-europe.org/en/sustainability/the-perfect-fit.html
5 https://www.flexpack-europe.org/en/sustainability_start_2018/flexible-packaging-accounts-for-only-10-of-all-packaging-materials-used-for-food-in-europe-but-packs-m.html
6 https://european-aluminium.eu/media/1712/ea_recycling-brochure-2016.pdf, et al.

Annual Review

Letter to shareholders

Dear shareholders,

Aluflexpack AG looks back at an eventful, but above all successful business year 2019. On the one hand, we reached an important milestone with our listing on SIX Swiss Exchange on 28 June 2019. On the other hand, we delivered a very positive operational performance and continued the successful execution of our growth strategy in the twelve months ending 31 December 2019.

Healthy market environment

While the global economy, and in particular, the manufacturing spectrum has shown signs of a slowdown in 2019 amid increased Chinese-US trade tensions and the now completed withdrawal of the United Kingdom from the European Union, demand for high-quality human food, pet food, pharmaceutical and non-food primary packaging has remained strong. The global flexible packaging market continued to expand at a healthy rate of c. 4% supported by population growth, rising incomes and increased adoption of Western consumer habits among developing countries.

Further drivers in our industry include increased brand awareness, with FMCGs more and more trying to differentiate their products through distinctive packaging, aiming at higher functionality as well as visual and haptic appeal, and above all sustainability - together with increased environmental awareness among all players along the value chain. Many of Aluflexpack's customers already use environmental friendliness as key marketing instrument and are strongly driving the shift of flexible packaging towards more sustainable solutions. This trend is an integral part of our current as well as future strategic development. Being a strong and development driven company for many years and cooperating closely with well-established blue chip customers on many levels, the Aluflexpack Group is in an ideal position to benefit from new business opportunities that open up in the current market environment.

Challenges in 2019

In 2019, key challenges on the operational side included the ongoing integration of our Turkish acquisition, the investment project at our plant in Umag and handling the fire incident that occurred in our French subsidiary in June 2019. Despite a difficult local economic environment, our Turkish subsidiary which is mainly active in the domestic pharmaceutical flexible packaging market performed well in 2019, and proved to be a perfect fit to the AFP Group. The fire incident at our French subsidiary certainly was unfortunate, but in the end proved the strength of our organization and setup. Our customers supported us by revising delivery plans where necessary and possible, contingency plans kicked in with internal and external partners supporting the re-routing of impacted process steps, and our insurance company acted as active partner in solving issues in a constructive way. All together, we managed to keep the business impact to an absolute minimum.

A definite highlight of 2019 and a milestone in the company's history was the initial public offering of our stock on 28 June 2019. The successful capital increase provided us with necessary funds to firstly, seamlessly continue our growth and success story by expanding our manufacturing capacities for high value-adding products in Europe; secondly, to further increase the efficiency of our production processes; and thirdly, by executing bolt-on M&A.

Solid operational development in 2019

We view the successful IPO also as a vote of confidence from our new shareholders. In that light, we are happy and proud to report strong business development in 2019: net sales grew by 14.4% to EUR 207.9 million, due to solid business growth across all key product end-markets and consolidation effects of our Turkish subsidiary Arimpeks, which was acquired on 30 September, 2018. Excluding these consolidation effects, the Aluflexpack Group reached an organic net sales growth rate of 8.4%, clearly above the overall market growth. Adjusted for one-off costs (see reconciliation on page 49), the Aluflexpack Group reached an EBITDA of c. EUR 29.5 million equating to a margin of 14.2%, which is proof of our continuous efforts to further strengthen the organization and demonstrates that the right strategic decisions were implemented. Moreover, despite our large investment program, our capital efficiency has improved further, as indicated by our 73% growth in adjusted EBIT and our ROCE of 9.6%[7].

The satisfying result is based on increased business in all of our key end markets, in particular coffee/tea, dairy and pet food, where we were able to generate additional business with our existing customers and start business with several new customers. Particularly, sales in the single serve coffee market developed strongly over 2019. In the dairy and pet food end markets, we managed to win market share and expand existing business. In 2020, we expect the contribution from the ramp-up of our Umag plant to further drive our pet food business. In our pharma and confectionery end markets, we recorded growth roughly in line with the general market. However, our pharma sales were slightly negatively impacted by the fire incident at our French subsidiary. Overall, growth in each of these end-markets is the result of good work on the development side, along with a focus on quality, and the efficient and agile service that we offer to our customers. This customer-centric approach is woven into Aluflexpack's DNA. That, paired with an entrepreneurial approach to business, including a very short decision-making process, is something our customers appreciate and why we have managed to position ourselves as preferred development partner and supplier to so many.

Executing our growth strategy

In the business year 2019 we continued to invest into our integrated manufacturing platform partly deploying funds from the capital increase. Overall, we invested EUR 32.9 million, of which the lion's share was invested into our Umag plant. There, we have finalized the majority of the expansion of our stand-up pouch manufacturing capacity and are in the midst of the ramp-up. Other investments include additional printing, deep drawing and punching capacities in our focus end-markets. In addition, capital expenditures were directed into control and measurement systems aiming at efficiency and product quality improvements.

7 An overview of alternative performance measures and adjusted numbers can be found on pages 48 to 51.

Outlook

Looking ahead, we want to continue the journey we started seven years ago and focus on our core strengths such as customer satisfaction, entrepreneurial spirit and development competence. At the same time, we aim at extending our technological infrastructure and continuously develop our organization.

In light of the current market environment and our promising development pipeline, we also expect above market growth for 2020, Group net sales between EUR 220-230 million, and an EBITDA before one-off items from EUR 32-35 million. The outbreak of the Covid-19 virus may have an impact on Aluflexpack's business in 2020. This impact can not be fully assessed from today's perspective.

Thank you!

On behalf of the Board of Directors and the Management Board, we would like to thank all our employees for their outstanding commitment.

Finally, we would like to welcome our new shareholders on board, and invite you to accompany us on our exciting journey for the next years. Thank you for the trust you have placed in the Aluflexpack Group!

Reinach, March 2020

For the Management team,

Igor Arbanas,
CEO

Johannes Steurer,
CFO

For the Board of Directors,

Martin Ohneberg,
President

Financial overview

Earnings

(in T€)	2019	2019 (adjustments)	2018	2018 (adjustments)
Net Sales	**207,931**		**181,741**	
Change in finished and unfinished goods	720		2,641	
Other operating income	14,480		10,672	
Cost of materials, supplies and services	-138,647		-125,344	
Personnel expenses	-35,796		-26,056	
Other operating expenses	-29,507		-22,144	
EBITDA	**19,181**		**21,510**	
Redundancy payment to former members of the Management Board		370		
Transaction costs of initial public offering and other related expenses		3,473		
Expenses in relation to fire incident[8]		5,419		
Income in relation to fire incident[9]		-7,090		
One-off bonus payment to management by majority shareholder		8,110		1,911
Gain from divestment of property, plant and equipment				-2,695
One-off pension adoption according to IAS 19				836
Adjusted EBITDA		**29,463**		**21,563**
adjusted EBITDA margin		*14,2%*		*11.9%*
Depreciation and amortization	-18,565		-15,154	
Operating Profit (EBIT)	**616**		**6,356**	
Financial result	-2,081		-7,868	
Result before tax	**-1,464**		**-1,511**	
Tax expense/benefit	-1,963		197	
Result for the period	**-3,427**		**-1,314**	
Thereof attributable to:				
Owners of the company	-3,490		-1,272	
Non-controlling interests	63		-42	

8 Expenses refer to write off of stock and other expenses in relation to the fire incident that occurred at Eliopack (France) on 24 June 2019 and exclude write-offs of book values of tangible assets.

9 Income refers to reimbursements for stock write off, other expenses and replacement values of tangible assets in relation to the fire incident that occurred at Eliopack on 24 June 2019.

Net sales and cost overview

In the business year 2019, Aluflexpack generated consolidated net sales of EUR 207.9 million, which is 14.4% above the previous year's EUR 181.7 million. The increase can be attributed to good business development across all key end-product markets of Aluflexpack, in particular the Coffee/Tea, Dairy and Pet Food end market as well as targeted capacity expansions and the consolidation effects of the Turkish subsidiary Arimpeks, which was acquired on September 30, 2018. Adjusting for these consolidation effects, the Group reached an organic net sales growth rate of 8.4 % in 2019.[10]

Material costs in % of net sales amounted to 63.4% on an adjusted level in the business year 2019, which marks an improvement from the previous year's level of 64.5%. The decrease can be attributed to higher efficiency such as reduced production waste levels and an improved product mix. Total costs of materials supplies and services in % of net sales on a reported level decreased from 69.0% in the previous period to 66.7% in the business year 2019.[11]

Personnel costs in % of net sales decreased marginally from 13.5% in 2018 to 13.4% in 2019 on an adjusted level despite the hiring of additional employees dedicated to the new stand-up-pouch expansion in Umag who joined for training prior to operating the machines.[11] On a reported level, personnel expenses in % of net sales increased from 14.3% in 2018 to 17.2%, mainly showing the effects of the technical booking of the voluntary bonus payment from Aluflexpack's majority shareholder Montana Tech Components to Aluflexpack's management to the tune of EUR 8.1 million in 2019 (2018: EUR 1.9 million). The aforementioned payment must be included in personnel expenses according to IAS 19 against an increase in equity in the same amount, and is considered a contribution in kind by the shareholder. Neither Aluflexpack nor any of its subsidiaries are required to reimburse the majority shareholder for this expense.

Other operating expenses in % of net sales decreased from 12.2% in the previous reporting period to 10.6% in 2019 on an adjusted level due to a lower share of energy and freight costs and the effects of the implementation of IFRS 16.[11] On reported level, other operating expenses in % of net sales increased from 12.2% of net sales in 2018 to 14.2% in 2019 mainly due to expenses for listing on the stock exchange and the Eliopack fire incident. Transaction costs for the initial public offering incurred in the amount of EUR 10.2 million. Direct transaction costs for the initial public offering and other transaction related costs incurred in the amount of EUR 10.2 million. Thereof EUR 6.8 million are recognised directly in equity within the capital reserve, and EUR 2.8 million of direct transaction costs as well as EUR 0.7 million of other transaction related costs are included in other operating expenses.

10 Organic growth was calculated by comparing full year 2019 sales with pro forma 2018 sales of EUR 191.8 million. The latter include the effects from the Turkish subsidiary Arimpeks, which was acquired in September 2018, as if the company was acquired on 1 January 2018.

11 A detailed reconciliation between reported and adjusted figures can be found on pages 48 to 51 of this Annual Report.

Key cost ratios on adjusted level[12] (in T€)	For the twelve months ended December 31, 2019	2018
Material costs	-131,843	-117,275
in % of net sales	63.4%	64.5%
Personnel costs	-27,962	-24,543
in % of net sales	13.4%	13.5%
Other operating expenses	-22,081	-22,144
in % of net sales	10.6%	12.2%

EBITDA

Adjusted for one-off effects, amongst other things, in relation to the listing of the stock exchange, Aluflexpack AG reached an adjusted EBITDA of EUR 29.5 million in the business year 2019, up from EUR 21.6 million in the previous period. This translates to an adjusted EBITDA margin of 14.2%, compared to the previous year`s level of 11.9%. The increase in adjusted EBITDA is based on more business with both existing and new customers, and reflects an improvement in product mix with a higher share of products that are more complex, along with efficiency gains and economies of scale. Moreover, the adoption of IFRS 16 also contributed positively to Group EBITDA.

Reported Group EBITDA decreased from EUR 21.5 million to EUR 19.2 million in the business year 2019, above all, due the aforementioned technical booking in the Group's personnel expenses and one-off costs related to the listing on the stock exchange. Moreover, the fire incident at Eliopack led to a positive net effect of EUR 1.7 million on a reported EBITDA level.[12]

Total expenses for depreciation and amortization amounted to EUR 18.6 million (thereof EUR 2.0 million relating to acquisition related amortization) in 2019 (2018: EUR 1.6 million) up from EUR 15.2 million in 2018, and include an impairment of EUR 0.9 million in connection with the fire incident at Eliopack. Depreciation continues to be temporarily elevated by the significant investments made in recent years to establish Aluflexpack's deeply integrated platform.

12 A detailed reconciliation between reported and adjusted figures can be found on pages 48 to 51 of this Annual Report.

Operating Profit (EBIT)

On an adjusted level, Operating Profit (EBIT) amounted to EUR 13.8 million in the business year 2019, compared to EUR 8.0 million for the previous period, reflecting an increase in adjusted EBIT margin from 4.4% to 6.6%. In addition to the factors at EBITDA level, adjustments on EBIT level include acquisition related amortizations and impairments made due to the fire incident at Eliopack. On a reported level, Operating Profit (EBIT) reached EUR 0.6 million in 2019, compared to EUR 6.4 million in the previous year, on the back of the operational and non-operational effects mentioned above.

Aluflexpack's net financial result for the reporting period amounted to -EUR 2.1 million, up from -EUR 7.9 million in the previous year resulting from reduced intercompany interest expenses and a net positive effect from the valuation of outstanding options.

Result before tax

Result before tax amounted to -EUR -1.5 million in 2019, compared to EUR -1.5 million in the previous period.

Tax expense in the reporting period amounted to -EUR 2.0 million, compared to a tax benefit of EUR 0.2 million in the previous period.

Result for the period

Aluflexpack closed the business year 2019 with a result of -EUR 3.4 million, compared to -EUR 1.3 million in the previous period, reflecting the significant one-offs costs referred to above.

Cash flow statement

(in T€)	For the twelve months ended December 31, 2019	2018
Cash and cash equivalents at the beginning of the period	**18,976**	**3,778**
Net cash from operating activities	15,450	11,949
Net cash used in investing activities	-32,840	-21,178
Net cash used in / from financing activities	60,064	24,378
+/- effect of exchange rate fluctuations on cash held	1,174	50
Cash and cash equivalents at the end of the period	**62,823**	**18,976**

Cash flows from operating activities amounted to EUR 15.5 million (2018: EUR 11.9 million) and were negatively impacted, amongst other things, in the amount of EUR 8.1 million by one-off personnell expenses paid by the majority shareholder. This amount is balanced out in the financing cash flow. In addition, operating cash flows were reduced by the recognition of a receivable in the amount of EUR 3.4 million for insurance compensation booked in other receivables and assets, and foreign exchange effects in the amount of EUR 2.5 million in relation to intercompany loans at the balance sheet date, which are offset in cash flows from financing activities.

Net cash used in investing activities totalled -EUR 32.8 million (2018: -EUR 21.2 million) and includes mainly capital expenditure in connection with the expansion of Aluflexpack's Umag plant. Net cash flows from financing activities amounted to EUR 60.1 million (2018: EUR 24.4 million) driven by receipts from capital measures from the issuance of registered shares in relation to the Initial Public Offering, and reduced by net repayments of financial and lease liabilities. Cash and cash equivalents at the end of the period amounted to EUR 62.8 million, compared to EUR 19.0 million in the previous period.

Balance sheet

(in T€)	For the twelve months ended December 31, 2019	2018
ASSETS		
Non-current assets	133,321	100,440
Current assets	145,069	96,510
Total assets	**278,390**	**196,949**
EQUITY AND LIABILITIES		
Total equity	172,188	25,927
Non-current liabilities	48,189	84,116
Current liabilities	58,013	86,906
Total equity and liabilities	**278,390**	**196,949**

At 31 December 2019, total assets stood at EUR 278.4 million (31 December 2018: EUR 196.9 million) reflecting an extended asset base due to the capital increase in the course of the initial public offering and respective investment activity. At the end of the reporting period, total non-current assets amounted to EUR 133.3 million (EUR 100.4 million[13]) and included mainly property plant and equipment of EUR 102.2 million (EUR 68.5 million[13]) and intangible assets

13 The stated number refers to balance sheet value from 31 December 2018

and goodwill of EUR 29.9 million (EUR 30.6 million[14]). Within total current assets of EUR 145.1 million (EUR 96.5 million[14]), cash and cash equivalents amounted to EUR 62.8 million (EUR 19.0 million[14]) reflecting additional cash from the initial public offering. Inventories decreased slightly to EUR 48.7 million (EUR 49.4 million[14]), while trade receivables remained relatively stable at EUR 22.8 million (EUR 22.6 million[14]).

Total liabilities were at EUR 106.2 million at 31 December 2019 (EUR 171.0 million[14]), of which EUR 58.0 million refer to current liabilities (EUR 86.9 million[14]) and EUR 48.2 million to non-current liabilities (EUR 84.1 million[14]). The reduction in both current and non-current liabilities is mainly based on a repayment of intercompany and third-party loans.

Total equity increased to EUR 172.2 million (EUR 25.9 million[14]) and includes EUR 135.9 million of capital reserves (EUR 2.0 million[14]).

At 31 December 2019, Aluflexpack's trade working capital amounted to EUR 32.7 million compared to EUR 38.3 million at 31 Dec 2018. This equates to a decrease in the trade working capital to sales ratio from 21.1% to 15.8%.

14 The stated number refers to balance sheet value from 31 December 2018

Aluflexpack on the capital markets

2019 was a remarkable year for European equity markets with trade tensions easing somewhat in H2 2019. Most major country indexes across Europe recorded a positive development with the vast majority seeing double-digit increases. Aluflexpack's stock closed the year at CHF 19.9, which corresponds to a decrease of 5.2% compared to the emission price of CHF 21.0 on 28 June 2019.

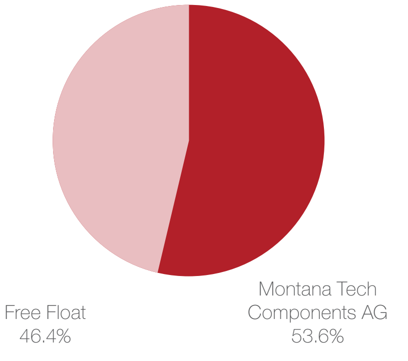
Financial Markets

A surge in trade as well as geopolitical tensions was one of the driving forces behind market weakness in late 2018, resulting in downwards revisions of global economic growth estimates. During 2019, these uncertainties eased somewhat in the perception of global market participants, providing a tailwind to equity markets across all major regions. In Europe, the persisting uncertainty concerning the UK's departure from the EU and the weak outlook for the European manufacturing sector, most major country indexes recorded a positive development in 2019, as consumer sentiment remains the driving force behind economic growth.

At a glance

Number of shares outstanding[15]	in Mio.	17.3
Market capitalization[15]	in CHF Mio.	344.3
Free Float[15]	in %	46.4
Average daily traded volume[16]	in TCHF	451.5
Year's high	in CHF	24.2
Year's low	in CHF	18.75
Year end	in CHF	19.9

Shareholder Structure



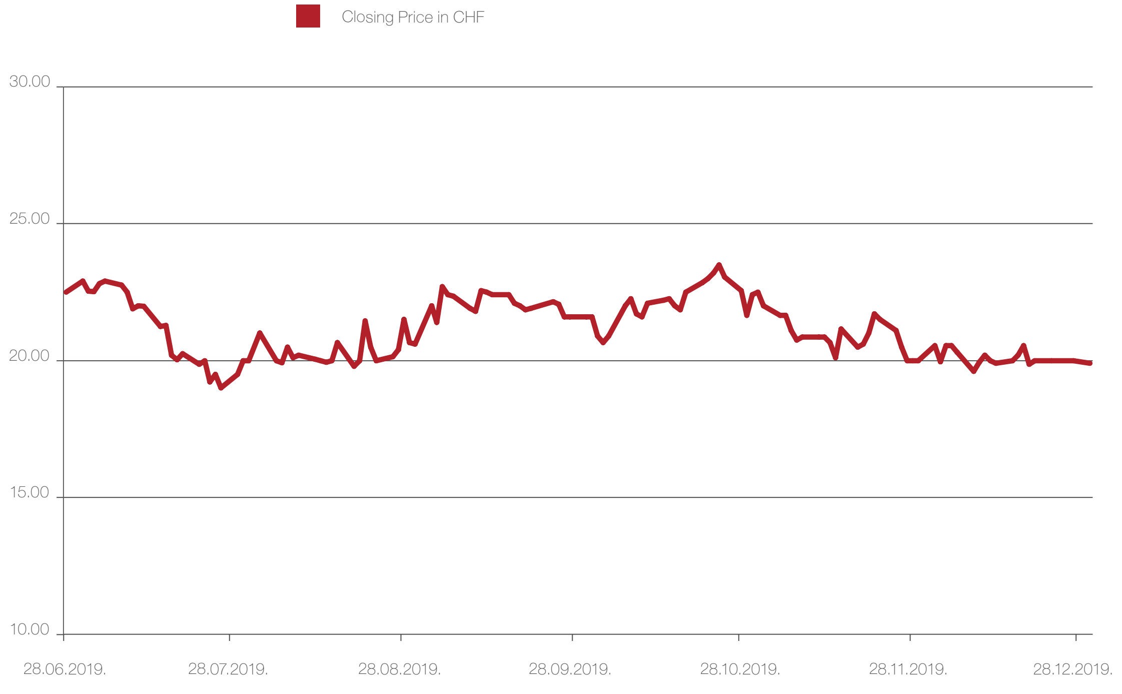
15 As of 31 December 2019

16 Average daily traded volume based on total traded volume of CHF 57.3 million divided by 127 trading days since the day of the listing

Aluflexpack share price performance

Aluflexpack shares closed the year down 5.2% compared to the emission price of CHF 21.0 at the Initial Public Offering on 28 June 2019. The share price hit its low of CHF 18.75 on 29 July 2019. Subsequently, it recovered and climbed to its high for the year of CHF 24.2 on 24 October 2019, before decreasing to CHF 19.9 at year-end. Aluflexpack underperformed relative to the Swiss market, with the benchmark SPI recording a return of 7.2% over the comparison period.

As of 31 December 2019, market capitalization stood at CHF 344.3 million, compared to CHF 363.3 million at the time of the IPO. At year-end 2019, Aluflexpack's shareholder structure was of an international nature. 46.4% of the total share outstanding were held by institutional investors (particularly UK and Swiss based), retail investors as well as the Management Board and the Board of Directors.[17] Shares are held primarily by investors with a long-term horizon. 53.6% were in the ownership of the majority shareholder Montana Tech Components AG as of 31 December 2019. The daily trading volume of Aluflexpack shares averaged TCHF 451.3. In order to minimize the volatility of the shares and improve trading, Aluflexpack has enlisted the service of a designated sponsor as of 1 January 2020.



17 Shareholdings of members of the Management Board and the Board of Directors are disclosed on page 156 in the statutory financial statements of Aluflexpack AG, which are an integral part of the Annual Report.

Analyst coverage

At the end of 2019, Aluflexpack was covered by three financial analysts who regularly publish research reports on Aluflexpack. As of 31 December 2019, all analysts covering the stock held a "buy" recommendation. The average target price valuation stood at CHF 24.4 at the end of 2019. In order to further improve visibility on the capital markets, Aluflexpack plans to extend coverage among global securities analysts.

Investor Relations

Ensuring active and open dialogue with the capital markets is a high priority for Aluflexpack. Providing comprehensive insight into Aluflexpack's growth strategy and business operations to all capital market participants and guaranteeing equal treatment is one of the core missions of Aluflexpack's Investor Relations efforts. Since being listed on 28 June 2019, Aluflexpack has been in constant dialogue with both investors and analysts. During H2 2019, the Management Board and the Investor Relations department attended eleven roadshows and conferences in nine different European countries and hosted three site visits.

Highlight 2019: The 1bn Pouch Project

During the year 2019, Aluflexpack expanded its production site in Umag, Croatia, in order to increase its annual Stand-Up-Pouch (SUP) capacity tenfold from 100 million to 1 billion and significantly expand the technical possibilities related to this producty type.[18] In total, roughly EUR 30 million have been invested. The investment includes the construction of completely new production and warehouse buildings, state-of-the art production equipment, and the relocation of one part of existing machinery to achieve a more efficient flow of goods.

- Investment of c. EUR 30 million
- Production building expansion of 8,500m²
- One Stop Shop
- Secured backup for all production phases
- New state-of-the-art machines

18 1bn capacity refers to printing and laminating capacity for a 100g standard format pouch. The capacity for pouch forming was at 500m pieces annually as of December 2019 for a 100g standard format pouch.

Nikola Poropat (35) is the Plant Manager in Umag, one of Aluflexpack's four production sites in Croatia, and Aluflexpack's Stand-Up-Pouch competence center.

What do consumers like about the Pouch?

The Stand-Up-Pouch is a flexible packaging format that optimally meets today's consumer demands. It helps reduce waste through excellent protection properties or re-closability, adds convenience through features such as a zipper or spout and allows for consumption on the go. It also offers great appeal at the point of sale. Our customers also like them because they are very lightweight, easy to transport and enable the utilization of the best possible barrier materials, which is important for shelf life and applications requiring sterilization.

How complex is the production process compared to other packaging formats?

There is some complexity involved in every product. As for the pouches, besides what we call service, i.e. designing the product and setting up the process, we convert, print and perform in house all the necessary finishing steps required to produce the final product, e.g. laser perforation for easy opening, spout or zipper insertion.

For what products are pouches being used?

Due to its great adaptability in terms of function and barrier technology, you can basically pack almost anything into a pouch, not just human food or pet food applications, but also detergents or nutritional supplements - there is no limit. Even strong beverages like whiskey are being packed and offered in pouches.

What`s it like, working in the packaging industries vs. other industries where you worked before?

I joined Aluflexpack Group almost three years ago after ten years in the automotive industry. Even though it is not obvious at a superficial glance, both industries have many things in common: strong customer focus, product quality and reliability over time as the biggest imperative along with a big necessity for stringent process control and efficient development and production processes. The biggest difference is the speed of change - the flexible packaging industry requires much higher responsiveness when developing new products, development times are much shorter and changes have to be implemented much faster.

How did Pouches change your life?

(Laughs) Besides many sleepless nights during the construction and expansion phase, they definitely added positively to it: our business got more challenging and we are all very happy and proud that we managed the development and the introduction of such a complex product so well and so quickly and also that the Aluflexpack Group supported our initiative to invest heavily into this product type and in our site.

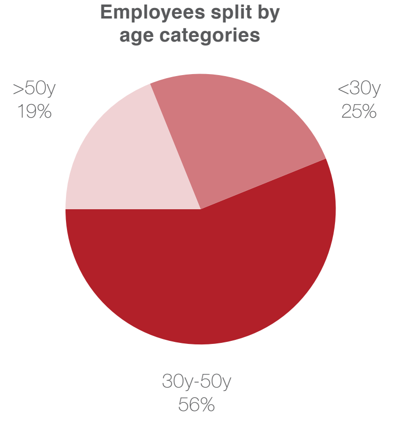
Human resources

In 2019, the Aluflexpack Group reached new heights on its growth journey. We achieved our positive result together with 1,215 employees who form the backbone of our company. They make us not only proud but also confident about the future. To further strengthen their identification with the company, an employee phantom stock option program has been put in place in Q1 2020.

Aluflexpack strives not only for sustainable operational and financial development and long-term customer bonds, but also long-term relationships with its employees. The successful execution of our growth strategy requires motivated employees, who bring our values to life. Hence, it is our belief that being a responsible employer is a prerequisite for achieving success as a business on a sustainable basis. We support this by providing high safety standards and an environment in which people can develop professionally and fulfill their personal aspirations in line with our business needs.

Our Human Resources in numbers

At the end of the business year 2019, Aluflexpack employed 1,215 people, up from 1,128 people at the end of 2018, which can mainly be explained by additional hirings in the course of expanding our plant in Umag (Croatia). Another factor was our strengthening of expertise within the organization, in order to be prepared for the next level of growth and to structurally adapt to being a publicly listed company. At Aluflexpack, 47% of white collar workers are female, whilst 31% of management positions are occupied by females.



Looking at the age split, 19% of Aluflexpack's employees were under 30 years old as of 31 December 2019, 56% aged between 30 and 50 years and 19% over 50 years. The age spread between the youngest and the oldest employee was 48 years. At year end 2019, 70% of our 1,215 employees were working full time, 30% part time. The corresponding figure of FTE was 1,154 as of 31 December 2019.

Employee phantom stock option program

In Q1 2020, an employee phantom stock option program has been put in place. Members of our management (not including the Management Board) and key employees are entitled to participate. Under this program, Aluflexpack granted the participants options to acquire fictive shares in the aggregate amount of 198,300 shares over four years at a discount of 20% to the emission price. This will further strengthen the motivation of key employees and help us retain talent. Further information on the program can be found in the Compensation Report on page 84.

Sustainability at Aluflexpack

Sustainability has been and is a key part of the corporate strategy and business model of Aluflexpack. As a producer of flexible packaging supplying products to numerous leading companies across the globe in various industrial segments, Aluflexpack is aware of its responsibility and its economic, social and environmental impact. On the one hand, we associate sustainability with the target of reducing negative effects of our own business processes and, and on the other, with the application of our products that target the protection of food and medicine in a sustainable manner.

Food safety as priority

Aluflexpack's products are used daily by an exceptionally large number of people worldwide. They are in direct contact with food, medicine or personal care goods with the primary purpose of protecting these goods in the best possible manner to preserve the product`s nutritional value, taste and quality for the end-consumer and preventing food from being wasted. At present, around 30% of food is not being consumed and ends up in landfill.[19] Given that modern food production accounts for 25-30% of total global greenhouse gas emissions, the potential for energy savings with optimised product packaging systems and high quality packaging is significant.[20]

Sustainability in the development process

At Aluflexpack, environmental responsibility starts already with the design of the product. Together with our customers, we work to perfect our packaging in order to secure not only the quality and safety of the product, but also that the impact these products and their packaging have during their life cycle, from production to consumption and end-of-life phase, can be managed in a careful manner. Through our integrated value chain and full process control, we are in an excellent position to offer our customers a development platform for smart packing solutions with a reduced environmental impact. The efforts include for instance creating new solutions to replace packaging produced with environmentally intensive materials or decrease the use of such materials by downgauging of packaging to achieve a desired barrier with thinner layers, less material used and less auxiliary materials.

Managing our footprint

Aluflexpack is constantly working on reducing its overall environmental impact and gas emissions through investments in recuperation and filtering systems as well as process and product developments. For the vast majority of our production, we use renewable energy sources. Our production site in Omiš for instance only uses hydro energy from the plant next to it. In our production site in Umag, solvents are recuperated and reused. Moreover, several of our facilities are located in touristic regions with high demands on minimal emissions, perfect waste disposal and wastewater management. The majority of our waste is aluminium scrap, which is sold in its entirety, recycled and reused. All other waste is recycled if possible or collected by our certified and specialised partners.

Balancing economic, social and environmental impacts is not only limited to our processes on a standalone basis, but pertains to the entire value chain. Our customers have high sustainability standards related to safety, human health and environmental protection that drive our thinking. At the same time, when it comes to environmental and social standards, the Aluflexpack Group poses the same demands on its own suppliers.

EAC RECUPERATION - PRODUCTION SITE UMAG
The Recuperator recovers reusable solvents from the emissions created in the prinitng and lamination process.

19 Food and Agricultural Organization of the United Nations: http://www.fao.org/save-food/resources/keyfindings/en/

20 IPCC: https://www.ipcc.ch/site/assets/uploads/2019/08/2f.-Chapter-5_FINAL.pdf

Supplemental financial information

Use of alternative performance measures

Aluflexpack AG is managed in accordance with internally defined financial and non-financial key figures in the interest of achieving a sustainable increase in value. The following key financial figures are used for the purpose of value-oriented management and in the context of the Annual Report 2019:

- **Organic Growth** was used as an alternative performance measure in the context the relative growth in net sales in the business year 2019. In this context, organic growth was calculated by comparing full year 2019 sales with pro forma 2018 sales of EUR 191.9 million. The latter include the effects from the Turkish subsidiary Arimpeks, which was acquired in September 2018, as if the company was acquired on 1 January 2018.
- **EBITDA** refers to operating profit before interest, taxes, depreciation and amortization.
- **Adjusted EBITDA** refers to operating profit before interest, taxes, depreciation and amortization adjusted for one-off effects.
- **Adjusted Operating Profit (EBIT)** refers to operating profit before interest and taxes adjusted for one-off effects and acquisition related amortizations.
- **Operating Cash Flow** is defined as net cash used / provided in operating activities.
- **CAPEX** (capital expenditures) refers to payments made for the purchase of property plant and equipment and intangible assets.
- **Equity Ratio** refers to total equity in % of total equity and liabilities.
- **Trade Working Capital** includes trade receivables and inventories less trade payables and advances received from customers.
- **ROCE** stands for return on capital employed and refers to Adjusted Operating Profit (EBIT) divided by capital employed, which is defined as average equity plus average net financial debt for a given period.
- **Adjusted Material Costs** refer to total costs of materials, supplies and services less change in finished and unfinished goods, temporary personnel, income from the disposal of recycled products and insurance income.

- **Adjusted Personnel Costs** refer to total personnel expenses less extraordinary items and include costs for temporary personnel.
- **Adjusted Other Operating Expenses** refer to total other operating costs less extraordinary items.

Due to the Group's dynamic growth, the trend in the number of employees is also an important non-financial indicator.

Reconciliation from IFRS reported figures to adjusted figures

	For the twelve months ended December 31,	
Adjusted EBITDA (in T€)	**2019**	**2018**
EBITDA - IFRS reported	**19,181**	**21,510**
Redundancy payment to former members of the Management Board	370	0
Transaction costs of initial public offering and other related expenses	3,473	0
Expenses in relation to fire incident[21]	5,419	0
Income in relation to fire incident[22]	-7,090	0
One-off bonus payment to management by majority shareholder	8,110	1,911
Gain from divestment of property, plant and equipment	0	-2,695
One-off pension plan adoption according to IAS 19	0	836
EBITDA - adjusted	**29,463**	**21,562**
EBITDA margin in % - IFRS reported	**9.2%**	**11.8%**
EBITDA margin in % - adjusted	**14.2%**	**11.9%**

21 Expenses refer to write off of stock and other expenses in relation to the fire incident that occurred at Eliopack on 24 June 2019 and exclude write-offs of book values of tangible assets.
22 Income refers to reimbursements for stock write off, other expenses and replacement values of tangible assets in relation to the fire incident that occurred at Eliopack on 24 June 2019.

Adjusted Operating Profit (EBIT) (in T€)	For the twelve months ended December 31, 2019	2018
Operating Profit (EBIT) - IFRS reported	**616**	**6,356**
Redundancy payment to former members of the Management Board	370	0
Transaction costs of initial public offering and other related expenses	3,473	0
Expenses in relation to fire incident[23]	5,419	0
Income in relation to fire incident[24]	-7,090	0
One-off bonus payment to management by majority shareholder	8,110	1,911
Gain from divestment of property, plant and equipment	0	-2,695
One-off pension plan adoption according to IAS 19	0	836
Acquisition related amortizations	1,977	1,544
Impairment in relation to fire incident[25]	886	0
Operating Profit (EBIT) - adjusted	**13,761**	**7,963**
Operating Profit margin in % - IFRS reported	**0.3%**	**3.5%**
Operating Profit margin in % - adjusted	**6,6%**	**4.4%**

Adjusted Material Costs (in T€)	For the twelve months ended December 31, 2019	2018
Cost of materials, supplies and services - IFRS reported	**-138,647**	**-125,344**
Change in finished and unfinished goods	720	2,641
Temporary personnel included in total cost of materials, supplies and services	646	398
Income from the disposal of recycled products	4,684	4,907
Income from related insurance payments	175	122
Adjustments in relation to the fire incident	579	0
Adjusted Material Costs	**-131,843**	**-117,275**

23 Expenses refer to write off of stock and other expenses in relation to the fire incident that occurred at Eliopack on 24 June 2019 and exclude write-offs of book values of tangible assets.
24 Income refers to reimbursements for stock write off, other expenses and replacement values of tangible assets in relation to the fire incident that occurred at Eliopack on 24 June 2019.
25 Impairments were made to technical equipment in relation to the fire incident that occurred at Eliopack on 24 June 2019

Adjusted Personnel Costs (in T€)	For the twelve months ended December 31, 2019	2018
Personnel expenses - IFRS reported	**-35,796**	**-26,056**
Temporary personnel costs	-646	-398
One-off bonus payment to management by majority shareholder	8,110	1,911
Redundancy payment to former members of the Management Board	370	0
Adjusted Personal Costs	**-27,962**	**-24,543**

Adjusted Other Operating Expenses (in T€)	For the twelve months ended December 31, 2019	2018
Other operating expenses - IFRS reported	**-29,507**	**-22,144**
Transaction costs of initial public offering and other related expenses	-3,473	0
Other operating expenses in relation to fire incident	-3,953	0
Adjusted Other Operating Expenses	**-22,081**	**-22,144**

Corporate Governance Report

Aluflexpack AG ("Aluflexpack", "Group", "Company") has a clear framework of management and control policies in place to ensure compliance with principles of best practice corporate governance. This is considered to be elemental in creating long term value. Aluflexpack's policies are set out in its Articles of Association* and the Rules of Organization of Aluflexpack. In this Corporate Governance Report, the framework and the policies are presented based on the Directive of Corporate Governance issued by SIX Swiss Exchange. Moreover, this report includes references to the notes to the financial statements and the Compensation Report. For clarity and transparency, the Compensation Report is presented as a separate chapter of the annual report.

* Weblink to Aluflexpack's Article of Association: https://ir.aluflexpack.com/wp-content/uploads/2019/11/Articles_of_Incorporation.pdf

Group structure and shareholders

Group Structure

Aluflexpack AG, headquartered Reinach (AG), Switzerland, is the parent company of the wholly owned AFP Group GmbH located in Vienna, Austria and Istanbul-based Arimpeks alüminyum san. ic. ve dis. tic. a.s. (80% ownership), directly or indirectly holds all seven production sites and all other companies within the Group and is listed on the SIX Swiss Exchange. The Group operates in one industry segment that encompasses the development, production and sale of flexible packaging solutions, and its organization is not divided into business units, neither in the management structure nor in the internal reporting system. The business operations of Aluflexpack are conducted through the group companies. The allocation of resources and performance assessment is made at Group level. Please refer to note 32 of the Statutory Accounts for the year ended 31 December 2019 for the complete list of the Group's subsidiaries including registered offices, share capital and the percentage of shares held by subsidiaries. The shares of Aluflexpack have been listed on SIX SWISS Exchange since 28 June 2019 (symbol: AFP, valor: 45322689, ISIN: CH0453226893). The market capitalization of Aluflexpack amounted to CHF 352.2 million as of 31 December 2019. No other listed companies are included in the consolidation of Aluflexpack AG. There are no cross-shareholdings with companies outside of the Group.

Significant Shareholding

According to disclosure notifications reported to Aluflexpack during 2019 and published by the Company via the electronic publishing platform of SIX Swiss Exchange, the following shareholders had holdings of 3% or more of the voting rights of the Company as of 31 December 2019:

Significant shareholder	% of voting rights	Number of shares
Lock-up group*	57.28%	9,908,897
JPMorgan Chase & Co**	4.97%	859,847
FIL Limited	4.90%	846,898
Credit Suisse Funds AG	4.35%	753,295
The Capital Group Companies, Inc.	3.23%	557,959

* In connection with the Initial Public Offering ("IPO"), principal shareholder Montana Tech Components AG, Reinach AG (Switzerland), CEO Igor Arbanas, Wilhering (Austria), CFO Johannes Steurer, Vienna (Austria), and Xoris GmbH, Vienna (Austria) have entered into lock-up undertakings. The beneficial owner of Montana Tech Components AG is Michael Tojner, Vienna, the beneficial owner of Xoris GmbH is President Martin Ohneberg. For details regarding the lock-up undertakings see the respective disclosure notification published on 3 July 2019 (available at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html#notificationId=TBJ7100015).

**According to the disclosure notification published on 12 February 2020, JPMorgan Chase & Co has reduced its shareholdings in Aluflexpack to 2.97%.

Apart from the aforementioned shareholdings, Aluflexpack is not aware of any other shareholder holding shares in Aluflexpack in excess of 3% of the share capital, as of 31 December 2019. The number of shares shown as well as the holding percentages are based on the last disclosure of shareholdings communicated by the shareholder to the Company and the Disclosure Office of SIX Swiss Exchange in the year 2019. The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification.

The weblink to the disclosure office of SIX Swiss Exchange is: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Other Items

In addition, as of 31 December 2019, Aluflexpack held no treasury shares. There are no cross-shareholdings exceeding 5% in any company outside the Group.

Capital structure

Ordinary share capital

The ordinary share capital of Aluflexpack as registered with the commercial register of the Canton of Aargau amounts to CHF 17,300,000 as of 31 December 2019. It consists of 17,300,000 registered shares with a nominal value of CHF 1 per share.

Authorized share capital

Pursuant to Article 3a of the Articles of Association of Aluflexpack, the Board of Directors of Aluflexpack is authorized to increase the share capital by a maximum of CHF 7,000,000, which represents 40.4% of the current share capital, through the issuance of up to a maximum of 7,000,000 fully paid-in registered shares with a par value of CHF 1.00 each at any time until June 2021. Increases by underwriting, by a subsidiary in cases where pre-emptive rights may be waived, as well as partial increases are permissible. The Board of Directors shall determine the date of issuance, the issue price, the type of contribution, the date of dividend entitlement and the conditions for exercising the pre-emptive rights and the allocation of non-exercised pre-emptive rights. The Board of Directors may determine that pre-emptive rights not exercised expire or it may allocate such pre-emptive rights to third parties at market conditions or use them in the best interest of the Company.

According to Article 3a of Aluflexpack's Articles of Association, the Board of Directors will be authorized to restrict or deny the pre-emptive rights of shareholders and to allocate them to third parties, if the shares are to be used:

- if the issue price is based on market value of the new shares;
- for the acquisition of companies, parts of companies or participations, for the acquisition of products, intellectual property or licenses, or cooperations, or for the financing or refinancing of such transactions or investment projects through a placement of shares with one or more investors; or
- for the purpose of broadening the shareholder constituency for certain financial or capital markets, for the purpose of the participation of strategic partners or in connection with a listing of the shares in domestic or foreign stock exchanges, including for the purpose of delivering the shares to the participating banks in connection with a "greenshoe option" of up to 15%; or
- for the purpose of a quick and flexible procurement of equity capital by way of share placement, which would not be possible or would only be possible to considerably poorer conditions if the pre-emptive rights had to be preserved; or
- for other reasons permitted by Article 652b Sec. 2 CO.

Such new registered shares shall be subject to the restrictions on registration and voting rights set out in the Articles of Association. The exercise of contractually acquired subscription rights is permitted only within the limitations of Article 5 of the Articles of Association (see below under "Limitations on transferability and nominee registration").

Conditional share capital

Pursuant to Article 3b of the Articles of Association of Aluflexpack, the share capital may increase through the issuance of a maximum of 500,000 fully paid-in registered shares with a par value of CHF 1.00 each by a maximum of CHF 500,000, upon exercise of options or related pre-emptive rights granted to employees, members of the Board of Directors or advisors of the Company or of a Group company in connection with one or more participation schemes or directives issued by the Board of Directors. Furthermore, according to Article 3c of the Articles of Association, the share capital may increase from conditional capital through the issuance of a maximum of 700,000 fully paid-in registered shares with a par value of CHF 1.00 each by a maximum of CHF 700,000, upon voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with bonds, similar options, loans or other financial instruments or contractual obligations granted by the Company or one of its subsidiaries in the domestic or international capital markets, or upon exercise of options issued by the Company or one of the Group companies. Therefore, the conditional share capital amounts to a maximum of CHF 1,200,000 which corresponds to 6.9% of the current share capital. The pre-emptive rights of the shareholders shall be excluded. The then current owners of conversion rights and/or warrants shall be entitled to subscribe the new shares. The conditions of the conversion rights and/or warrants are determined by the Board of Directors.

Limitations on transferability and nominee registration

Pursuant to Article 5 of the Articles of Association, the transfer of registered shares is subject to approval by the Board of Directors which may delegate this competence. Such approval is granted if the acquirer of shares indicates its name, nationality and address and declares to hold the shares in its own name and on its own account.

Again according to Article 5 of the Articles of Association, the Board of Directors may register nominees as shareholders with voting rights in the share register up to a maximum of 5% of the total share capital outstanding at that time, provided the nominee is subject to an acknowledged banking or financial market supervisory authority and has entered into an agreement with the Company on its position. Nominees are persons who in the registration request do not explicitly declare to hold the shares for their own account and with whom the Company has entered into a respective agreement. The Board of Directors may register a nominee as a shareholder with voting rights in excess of such registration limitation provided that the nominee agrees to disclose at any time on the Company request the names, addresses, nationality and shareholdings of the persons for which it holds 0.5% or more of the total share capital outstanding at that time. The Board of Directors may agree on arrangements on the disclosure obligations. In this regard, legal entities and partnerships or other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as physical persons and legal entities and partnerships who act in concert (especially as a syndicate) to circumvent the regulations concerning the limitations of participation or representation by nominees will be treated as one nominee. After hearing the registered shareholder or nominee, the Board of Directors may cancel with retroactive effect as of the date of registration, the registration of a shareholder if the registration was made based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.

Convertible bonds and options

As of 31 December 2019, no outstanding convertible bond or options on Aluflexpack's equity security were recorded on the balance sheet. Members of the management of the Group and certain key employees of the Company and its affiliated companies are entitled to participate in a long-term stock option program. Under this program ("Employee Stock Option Program)", Aluflexpack intends to grant to the participants options, free of charge, to acquire fictive shares in the Company in the aggregate amount of 198,300 shares over four years. Further information on the Employee Stock Option Program can be found in the Compensation Report on page 84 of the Annual Report for the year 2019.

Other items

Aluflexpack AG was founded on 31 July 2018 with an ordinary share capital of CHF 100,000 consisting of 100,000 registered shares with a nominal value of 100,000. In connection with the IPO, the ordinary share capital was increased to CHF 17,300,000 on 27 June 2019, consisting of 17,300,000 registered shares with a nominal value of CHF 1 per share.

As of 31 December 2019, Aluflexpack did not grant any share, participation or dividend right certificates nor any other preferential or similar right.

Board of Directors

The Board of Directors of Aluflexpack has the ultimate responsibility for the conduct of business of the Company and for creating shareholder and stakeholder value. It ensures that the necessary financial and human resources are in place to meet the Company's objectives and supervises and controls the management board (the "Management Board"). The Articles of Association provide that the Board of Directors constitutes itself and shall consist of a minimum of three members, including the President of the Board of Directors (the "President"). All members of the Board of Directors are non-executive directors. Currently, the Board consists of the following five members:

Members of the Board of Directors on 31 December 2019	Board membership	Since	To be reelected
Martin Ohneberg	President of the Board of Directors	2019	2020
Luis Bühler	Member of the Board of Directors	2019	2020
Christian Hosp	Member of the Board of Directors	2018	2020
Markus Vischer	Member of the Board of Directors	2019	2020
Bernd Winter	Member of the Board of Directors	2019	2020

Martin Ohneberg
born 1971, Austrian citizen

Mr. Ohneberg studied business administration with a focus on finance and tax at the Vienna University of economics and business and graduated in 1998. He started his professional career at Ernst & Young, where he worked from 1996 to 1999 as a consultant in auditing and tax. Thereafter, as of 2000 until 2005, Mr. Ohneberg was managing director and CFO at OneTwoInternet Handels GmbH & Co. KG and at Dorotheum GmbH & Co. KG and from 2005 to 2009 CFO at Soravia Group AG. He also served as chairman of the board of the Bulgarian company DEVIN AG between 2006 and 2009, and since 2011 became CEO (and major shareholder) of HENN Industrial Group GmbH & Co. KG. Since 2012, he is the head of the Advisory Committee of AFP Group GmbH and in 2019 was appointed President of the Board of Directors of Aluflexpack AG.

Alois Bühler
born 1948, Swiss citizen

Mr. Bühler completed a professional training in the distribution of consumer goods and logistics at Migros Genossenschaft Zürich. He started his career at Dow Chemical Europe S.A. as an IBM system specialist. Since 1975, Mr. Bühler serves as an executive in the packaging industry. From 1975 to 1979, Mr. Bühler worked as sales manager international at International Paper Company (United States). From 1980 to 1985, Mr. Bühler served as the vice president of Combibloc, Inc. In 1986, Mr. Bühler joined The Power Group (United States) as senior vice president Group Strategy and Development. From 2002 to 2005, he served as managing director of Alupack AG (Switzerland). From 2005 to 2013, he was the co-owner and chairman of the board of directors of Process Point Service, which Omial, a subsidiary of Aluflexpack, acquired in 2013. Following the sale of his shares in Process Point Service, Mr. Bühler worked as a consultant for the Group. Mr. Bühler serves as a member of the board directors and CEO of LBU Management AG and of Marcy Laboratories, Inc. (United States).

Christian Hosp
born 1969, Austrian citizen

Mr. Hosp holds a university degree in business administration from the Vienna University of economics and business. Mr. Hosp worked at Merrill Lynch in Vienna and Zurich for five years. Since 2000, he serves as managing partner of SHW Invest AG. From 2011 to 2016, Mr. Hosp served as a member of the supervisory board of VARTA AG, and from 2013 to 2017 and 2018, respectively, he served as a member of the advisory board of Universal Aerospace Components AG and Alu Menziken Extrusion AG. Since 2006, Mr. Hosp is, inter alia, a member and vice-president of the board of directors of the majority shareholder of Aluflexpack, Montana Tech Components AG, in addition to several other functions in the Montana Tech Group.

Dr. Markus Vischer
born 1960, Swiss citizen

Mr. Vischer studied law and was a research and teaching assistant at the University of Zurich. He also worked as a legal secretary at the District Court of Meilen, Canton of Zurich, from 1986 to 1987. In 1986, Mr. Vischer received his doctor's degree (Dr.iur.) at the University of Zurich and graduated from the Queen Mary College, London University (LL.M.), in 1991. He started his career at a tax law practice in Zurich from 1988 to 1989 and worked in a law firm in London in 1991. He then joined the Swiss law firm Walder Wyss Ltd. in Zurich and became a partner in 1995. Mr. Vischer is specialized in the fields of M&A, private equity and venture capital transactions, corporate restructuring processes, commercial and company including labor law and real estate law. Mr. Vischer serves as a member of the board in several companies, including as a member of the board of directors of the majority shareholder of Aluflexpack, Montana Tech Components AG.

Bernd Winter
born 1973, Austrian citizen

Mr. Winter holds a Master of Arts degree from Vienna University of Economics and Business. He is a certified public accountant and a certified tax advisor. Mr. Winter is a partner at BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and, in addition to certain functions at companies affiliated with BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and serves as member of the supervisory board of ALRAG Allgemeine Leasing und Realitäten Aktiengesellschaft and ATINU Immobilien AG.

Election and term of office

The members of the Board of Directors are elected individually by the annual general meeting of the Company for a term of office of one year and can be re-elected. The President of the Board of Directors is also elected by the Annual General Meeting for a period of one year. There is no limit on the term in office.

Number of permissible activities

Pursuant to Article 34 of Aluflexpack's Articles of Association, the number of mandates members of the Board of Directors may hold on management and supervisory boards of legal entities outside the Group is restricted as follows:

- 15 mandates in the top management and administrative bodies of commercial legal entities outside of the Group that is entered in the commercial register of a comparable foreign register
- Five mandates in the top management and administrative bodies of a listed company

The Board of Directors shall ensure that such activities do not conflict with the exercise of duties to the Group. Functions in various legal entities that are under joint control, or in entities in which this legal entity has a material interest, are counted as one function. As of 31 December 2019, no members of the Board of Directors exceeded the limits set for functions outside Aluflexpack as set forth in Article 34 of Aluflexpack's Article of Association.

Other items

None of the members of the Board of Directors has been a member of the management of the Company or a subsidiary of the Group in the three years preceding the year under review. Martin Ohneberg has served as Head of the Advisory Committee of the legal predecessor of the Company, AFP Group GmbH, since 2012.

Internal Organization

The Board of Directors exercises management, supervision and control over the conduct of the Company's business. The Board of Directors currently consists of five members. The President convenes meetings of the Board of Directors as often as the Group's business requires, but at least four times a year on a quarterly basis. The Board of Directors may take circular resolutions (in writing, electronically or by fax). In 2019, the Board of Directors held 3 physical meetings. All members of the Board of Directors attended the meetings, except for one meeting which was attended by four members and one representative. At all meetings, members of the management board have been called in. The President is responsible to prepare the meetings, draw up the agenda, and chair the meetings. Every Board member can ask for a meeting to be convened and for the inclusion of an item on the agenda. In order to pass resolutions, the majority of the Board members must be participating in the meeting. The Board will adopt resolutions by a simple majority of the votes cast unless required differently by mandatory law. In case of a tie, the President has the casting vote. Board resolutions may also be passed in writing by way of circular resolution, provided that no member of the Board of Directors requests oral deliberation. Written board resolutions require the affirmative vote of a majority of all the members of the Board. There are two permanent Board committees: the Audit and Compliance Committee, and the Nomination and Compensation Nomination Committee. Subject to the provisions of the Articles of Association and the Organizational Regulations, the Committees shall comprise at least two members of the Board of Directors, who shall be nonexecutive members. The members of the Committees must qualify as independent under the Swiss Code of Best Practice for Corporate Governance. Each Committee has its own charter governing its duties and responsibilities.

Responsibilities

The Board of Directors exercises management, supervision and control over the conduct of the Company's business. It represents the Company vis-à-vis third parties and resolves on all matters that are not reserved to another body of the Company. The Board's responsibility includes the duty to select carefully, to instruct properly and to supervise diligently the Chief Executive Officer (the "CEO") and the other members of the Management Board. With regard to the subsidiaries of the Company, the Board of Directors is responsible for decisions concerning foundations, financing, mergers & acquisitions, dissolutions and changes of Articles of Associations, while it is the CEO's responsibility to prepare and execute such decisions as well as to exercise the voting rights in the subsidiaries. To the extent permissible by law and the Articles of Association, the Board of Directors has delegated the operational management of the Company to the Management Board pursuant to the Organizational Regulations. The Organizational Regulations are intended to organize the management, determine the positions required therefore, and define its duties. According to statutory law and Article 21 of the Articles of Association, the Board of Directors' non-transferable and inalienable duties include:

- the ultimate management of the Company and the giving of the necessary directives in this regard;
- the determination of the organization of the Company;
- the structuring of the accounting system, financial controls and financial planning;
- the appointment and removal of the persons entrusted with the management and representation of the Company;
- the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with applicable law, the Articles of Association, regulations and directives;
- the preparation of the annual report, the compensation report as well as the preparation of General Meetings and extraordinary shareholders' meetings and the implementation of their resolutions;
- notification of the judge in case of negative equity;
- the passing of resolutions concerning the subsequent payment of capital with respect to not fully paid-in shares;

- the adoption of resolutions concerning increases in share capital to the extent that such power is vested in the Board of Directors (Article 651(4) CO), including resolutions concerning the confirmation of capital increases and respective amendments to the Articles of Association, and

- the non-transferable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Federal Merger Act (Fusionsgesetz) and any other applicable law.

Audit and Compliance Committee

The Board of Directors appoints the chairperson of the Audit and Compliance Committee and at least another member for a period of one year, who shall be non-executive and independent from the management. At least one member must have recent and relevant financial experience. The Audit and Compliance Committee has been newly formed in connection with the Initial Public Offering and as of 31.12.2019 consisted of Martin Ohneberg, Bernd Winter and Markus Vischer.

The Audit and Compliance Committee assists the Board of Directors in fulfilling its responsibilities with respect to the accounting and financial reporting practices of the Company and its subsidiaries, the internal and external audit processes, and the Company's financing, financial risk management, treasury, insurance and risk management processes. In particular, the duties and responsibilities of the Audit and Compliance Committee include:

- to review and assess the effectiveness of the external and internal auditors, in particular their independence;

- to review and assess the scope and plan, the examination process and the results of the external and internal audit and to examine whether the recommendations issued by the external and internal auditors have been implemented;

- to review the auditors' reports and to discuss their contents with the auditors;

- to make recommendations to the Board of Directors, for it to put to the shareholders for their approval in the general meeting, in relation to the appointment of the external auditor;

- to approve the remuneration and terms of engagement of the external auditor;

- to assess internal controls and the risk assessment established by the management and the proposed measures to reduce risks;

- to assess the state of compliance with statutory, internal and organizational regulations and corporate governance within the Company;

- to review and approve the Company's compliance program, including preventive measures of the Company, supervision of material compliance questions and ongoing investigations, comparison exercises with compliance programs of other companies (if applicable) and review of relevant legal developments;

- to review in cooperation with the auditors, the CEO and the CFO whether the accounting principles and the financial control mechanisms of the Company and its subsidiaries are appropriate in view of the size and complexity of the Company;

- to review and discuss with management and auditors the annual and interim statutory and consolidated financial statements and any other formal statements by the Company which are financial in nature before submission to the Board;

- to consider any other matters as may be requested by the Board of Directors; and

- to review its own performance and effectiveness and recommend any necessary changes to the Board.

The Audit and Compliance Committee has unrestricted and direct access to all relevant information in relation to the Company. Moreover, the Audit and Compliance Committee is required to report its activities to the Board of Directors on a regular basis and to make recommendations and propose appropriate measures to the Board of Directors. The Committee meets at the invitation of the chairman of the Audit and Compliance Committee, but at least once a year. In 2019, the committee met once. All committee members attended the meeting. Members of the Management Board and representatives of the group auditor have been called in to the meeting in 2019. Following a meeting, the Committee sends the minutes of its meetings to its members and, absent any conflict of interests concerns, to all members of the Board of Directors.

Nomination and Compensation Committee

The Nomination and Compensation Committee comprises at least two members, each of whom must be independent from the management. The members of the Nomination and Compensation Committee are elected by the General Meeting for a period of one year until the end of the next General Meeting. The Board of Directors appoints the chairperson of the Committee. The Nomination and Compensation Committee has been established in connection with the Initial Public Offering and as of 31 December 2019, consisted of Martin Ohneberg, Bernd Winter and Christian Hosp. The duties and responsibilities of the Nomination and Compensation Committee include:

- to ensure long-term planning of appropriate appointments to positions on the Board of Directors and the Management Board; and more generally, management development and succession planning, to ensure the Company has the best possible leadership and management talent;

- to nominate candidates to fill vacancies on the Board of Directors or the position of CEO;

- to appoint candidates for the Management Board in response to proposals by the CEO;

- to make recommendations to the Board of Directors on the composition of the Board of Directors and to identify appropriate candidates;

- to make determinations regarding the independence of members of the Board of Directors;
- to recommend to the Board of Directors whether to reappoint a director at the end of their term of office;
- to recommend to the Board of Directors the terms of employment of the CEO and members of the Management Board;
- to submit proposals to the Board of Directors on the definition of principles for compensating the members of the Board of Directors and Management Board within the parameters of the law and the Articles of Association;
- regularly to check the Company's compensation system for compliance with the compensation principles pursuant to the law, Articles of Association, Regulations and the remuneration-related resolutions of the shareholders' meeting;
- to review matters related to the general compensation rules for employees as well as the Company's human resource practices;
- to submit proposals to the Board of Directors on the amounts of fixed compensation to be paid to members of the Board of Directors;
- to submit proposals to the Board of Directors on the assessment criteria for qualitative and quantitative targets for calculating variable compensation paid to members of the Management Board;
- to submit proposals to the Board of Directors on the amounts of fixed and variable compensation to be paid to the CEO;
- to recommend to the Board of Directors in response to a proposal by the CEO the amounts of fixed and variable compensation paid to members of the Management Board, all senior employees and key people that report directly to the CEO;
- to submit the proposed compensation report to the Board of Directors;
- to make recommendations to the Board of Directors on granting options or other securities, including employee share schemes, to employees of all levels;
- to consider any other matters as may be requested by the Board of Directors;
- to take all other actions required of it by the law, Articles of Association or Regulations; and
- to review its own performance and effectiveness, and recommend any necessary changes to the Board of Directors.

The Nomination and Compensation Committee meets at the invitation of the chairman of the Nomination and Compensation Committee, but at least once a year. In 2019, the committee met twice. All members attended both meetings. No external specialists were called in in 2019. Following a meeting, the minutes of the Committee are deposited at the headquarter of the Company and can be viewed by the members of the Committee. Absent any conflict of interests concerns, other members of the Board of Directors may request to inspect the minutes.

Information and control systems

The Management Board is supervised by the Board of Directors. The performance of the Management Board is also monitored by the established Committees. Absent any conflict of interest concerns, the Board of Directors has access to the minutes of the Committee meetings. At each Board of Directors meeting, the CEO or another member of the Management Board informs the Board of Directors of the current development of the business, important projects or risks, ongoing earnings and liquidity development and any significant events. Members of the Board of Directors may direct questions to the Management Board to gain the information needed to fulfil their duties, at these meetings. Moreover, the President of the Board of Directors is in regular dialogue with members of the Management Board in between the meetings. Outside of meetings of the Board of Directors, the members of the Board of Directors are entitled to request information from the members of the Management Board within the limits of the law. On a monthly basis, the Board of Directors receives a written report on the key figures of the Group. This comprises information on the balance sheet, cash flow and income statement as well as on capital expenditure. These figures are compared with the budget and the previous year. At the Board of Directors' meetings, the information contained in these reports are discussed in depth. Should any exceptional development occur, all members of the Board of Directors are notified immediately, which takes the necessary actions. In the case of major items such as capital expenditure or acquisitions, the Board of Directors receives special written reports.

Moreover, Aluflexpack performs internal audits on a regular basis. In 2019, there were internal audits at two sites. Internal audit verifies compliance with any entities' responsibilities, risk management and the efficiency of the structures and processes in place. The findings are recorded in written reports, which are submitted to the Audit and Compliance committee at least annually for review together with the Management Board. The latter reports the findings to the Board of Directors. Together with the CFO, the Audit and Compliance Committee is responsible for reviewing the internal audit plan and the budgeted resources for internal audit.

Aluflexpack and its subsidiaries assess several financial and non-financial risks on ongoing basis. The primary objective of the management with respect to financial risk management is to identify and monitor financial risk to which the Group is subject and to establish effective measures for hedging such risk. Financial risk arises from the company's operating activities as well as its financing structure. This includes, in particular, credit risk, liquidity risk, currency risk, interest rate risk, and market price risk with respect to commodities. In addition to identifying, analyzing and measuring financial risk, decisions on the use of financial instruments to manage risk are made by Group headquarters, which generally pursues a low-risk strategy.

The Group monitors credit risk on loans, trade receivables, other receivables and cash and cash equivalents. The risk of default on loans is mitigated by using targeted measures such as credit checks, pre-payment agreements and receivables management. The immanent risk of default of business partners resulting from the underlying transaction is widely hedged in the Group by credit risk insurance as well as by bank guarantees and letters of credit. In addition, there is low concentration of credit risk since the Group's client base is made up mainly of a large variety of customers.

The Management Board also monitors liquidity and capital management on an ongoing basis. Liquidity management extends from constant comparison of forecast and actual payment flows to coordinating the maturity profiles of financial assets and liabilities. Capital management is monitored by the means of equity ratio, gearing ratio and return on capital employed.

Furthermore, in order to reduce the risk from swings in commodity prices, the Group uses derivative financial instruments.

In addition, risks arising from the business environment and from business processes are monitored including risks associated with the industry and the general market environment, laws and regulations, catastrophic events, environmental risks, supply-side risks, IT and other systematic risks as well as risks related to planning and reporting. After identifying individual risks, it is the task of Group and local management to draw up a number of measures to reduce the danger of occurrence and any potential damage.

Management Board

The Board of Directors has delegated the operational management of Aluflexpack to the Management Board, which is headed by the CEO, to the extent permitted by applicable law, the Articles of Association and the Organizational Regulations. Besides the CEO, the Management Board includes the CFO. The COO position has been declared vacant after Jörg Wingefeld`s departure from Aluflexpack on 25 October 2019. The Management Board is primarily responsible for managing the affairs of the business as well as the Company's corporate functions. Under the chairmanship of the CEO, the members of the Group Management Board carry out the strategic tasks and implement the resolutions of the Board of Directors. They are directly supervised by the Board of Directors and its Committees. The CEO is appointed by the Board of Directors at the proposal of the Nomination and Compensation Committee. The members of the Group Management Board (other than the CEO) are appointed by the Board of Directors at the proposal of the CEO and the Nomination and Compensation Committee. In the business year 2019, the Management Board consisted of the following members:

Members of the Management Board on 31 December 2019	**Board membership**	**Since**
Igor Arbanas	Chief Executive Officer (CEO)	2012
Johannes Steurer	Chief Financial Officer (CFO)	2012

Members of the Management Board that left the company in 2019	**Board membership**	**Left in**
Jörg Wingefeld	Chief Operating Officer (COO)	Oct, 2019[26]

26 Jörg Wingefeld, who joined the company in January 2019, left Aluflexpack AG on 25 October 2019.

Igor Arbanas
born 1965, Austrian citizen

Mr. Arbanas studied electrical engineering and computing at the Technical University Zagreb and holds the degree of a chartered engineer (Dipl. Ing.). He also holds a "Master of Science in Electrical Engineering" degree from the Technical University Zagreb and a "European Laser Engineer" degree from the Technical University Vienna. Mr. Arbanas started his career in 1995 as a group leader research & development at Boehringer Ingelheim and a consultant and manager at KPMG Consulting in Austria. From 2002 to 2009, he served as the CEO of Tricon Consulting GmbH, Austria, and between 2011 and 2012 Mr. Arbanas was interim CEO of Trotec Laser UK. Since 2009, Mr. Arbanas is the owner and director of the consulting firm XARA e.U. He joined the Group as CEO in September 2012. Mr. Arbanas is also acting as CEO of AFP Group GmbH and Aluflexpack Novi d.o.o.

Johannes Steurer
born 1983, Austrian citizen

Mr. Steurer studied economics at the Vienna University of Economics and Business Administration and the Nanyang Technological University in Singapore and holds a master degree (Magister) in business administration from the Vienna University. He also is a Chartered Financial Analyst (CFA® program). Mr. Steurer started his career working as an investment analyst and investment manager at Global Equity Partners Group, Austria, from 2008 to 2012. From 2008 to 2018, he served as CEO of Starbet Gaming Entertainment AG 135 (now: Motto Entertainment und Veranstaltung AG), Austria. From 2011 to January 2020, Mr. Steurer has been serving as managing director and shareholder of VVB GmbH, Austria. Mr. Steurer joined the Group as CFO in November 2012. Mr. Steurer is also acting as CFO of AFP Group GmbH and Aluflexpack Novi d.o.o. In addition, he acted as General Manager of Aluflexpack Deutschland, which was liquidated in Q4 2019.

Number of permissible activities

Pursuant to Article 34 of Aluflexpack's Articles of Association, the number of mandates members of the Management Board may hold on management and supervisory boards of legal entities outside the Group is restricted to three, of which only one may be in another listed company.

Other items

There are no management contracts with external individuals or companies to perform management tasks for Aluflexpack.

Compensation, shareholding and loans

The content and process for determining remuneration and equity participation programs as well as information on the remuneration, shareholdings and loans of the Board of Directors and the Management Board can be found in the Compensation Report on page 77 which is an integral part of the Annual Report.

Shareholders' participation rights

Each share registered in the shareholders' register of the Company carries one vote in the shareholders' meetings. The shares rank pari passu in all respects with each other. The voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights (see below section 6 of this report under "Entries in the Share Register"). According to Article 5 of the Articles of Association, purchasers of registered shares shall, on request, be registered in the shareholders' register as shareholders with voting rights, provided they declare explicitly to have acquired the registered shares in their own name and for their own account. For nominee registrations see above section 2 of this report under "Limitations on transferability and nominee registration".

Independent proxy

Shareholders may personally participate in the General Meeting and cast their vote(s), or be represented by a proxy appointed in writing, which does not need to be a shareholder of Aluflexpack, or be represented by the independent proxy. The independent proxy is obliged to exercise the voting rights that are delegated to him/her by shareholders according to their instructions. Should he/she have received no instructions, he/she shall abstain from voting. The Board of Directors determines the requirements for the proxies and instructions. The General Meeting elects an independent proxy holder each year. The term of office concludes at the end of the next annual General Meeting. Re-election is permitted. Should the Company have no independent proxy, the Board of Directors shall appoint an independent proxy for the next Annual General Meeting.

Quorums requirements

The Articles of Association do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting. Unless otherwise required by law or the Articles of Association, the shareholders' meeting passes resolutions and carries out elections by absolute majority of the votes present. Elections are to be held separately. Unless otherwise required by law or the Articles of Association, the shareholders' meeting passes resolutions and carries out elections by absolute majority of the votes present. Elections are to be held separately. By law, the following actions require the approval of the shareholders holding at least two-thirds of the votes represented at such meeting and the absolute majority of the nominal share value represented at such meeting: (i) the change of the Company's purpose; (ii) the creation of shares with privileged voting rights; (iii) the restriction of the transferability of registered shares and the amendment of the respective provisions; (iv) an authorized or conditional capital increase; (v) an increase of capital out of equity against contributions in kind, or for the purpose of the acquisition of assets and the granting of special benefits; (vi) a restriction or suspension of pre-emptive rights; (vii) the change of the registered office of the Company; (viii) the dissolution of the Company. Decisions on mergers, demergers and conversions shall be guided by the provisions of the Swiss Mergers Act.

Shareholder Meeting

The Annual General Meeting is convened by the Board of Directors or, if necessary, by the Company's independent auditors. Extraordinary shareholders' meetings are called for if the Board of Directors or the auditors deem it necessary or if the General Meeting so resolves. Furthermore, one or more shareholders representing together at least 10% of the total share capital outstanding at the time may in writing, by indicating the agenda items and the associated motions with the Board of Directors, request that an extraordinary shareholders' meeting be called. Such request must be submitted to the Board of Directors, which must fix a date within a reasonable time by stating the items of the agenda and the associated motions. One or more shareholders holding shares with an aggregate nominal value of at least CHF 1.0 million, or representing at least 10% of the total share capital outstanding at the time, whichever is lower, may request items to be included in the agenda. Such request must be submitted to the Board of Directors at least 45 days prior to the shareholders' meeting, unless a different deadline has been publicly announced by the Board of Directors ahead of the shareholders' meeting. The notices of any shareholders' meeting are to be made by the Board of Directors by way of official publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) not less than 20 days prior to the date of the meeting. Notices may also be mailed (by letter or electronically) to the shareholders registered in the share register. The invitation states the day, time and place of the meeting, the agenda items as well as the motions of the Board of Directors and of the shareholders who have requested the holding of the shareholders' meeting or the inclusion of an item in the agenda.

Entries in the share register

According to Article 4 of the Articles of Association, following the acquisition of shares and on the basis of a request for registration as a shareholder, every owner shall be regarded as a shareholder without voting rights until the Company has acknowledged him or her to be a shareholder with voting rights. If the Company does not decline the request for registration of the owner within twenty days, he or she shall be deemed acknowledged as a shareholder with voting rights. For limitations on transferability and the registration of nominees see section 2 above of this report under "Limitations on transferability and nominee registration".

Neither the law nor the Articles of Association set a deadline for entry in the share register. However, for practical reasons the share register will be closed to entries several days before a shareholders' meeting. With regard to the Annual General Meeting 2020 concerning the financial year 2019, shareholders who have been entered into the share register by 30 April 2020, may exercise their right to vote at the Annual General Meeting on 8 May 2020.

Changes of control and defence measures

Aluflexpack's Article of Association do not contain any "opting out" or "opting up" provision. Therefore, the statutory obligation to publish a tender offer of any shareholder or group of shareholders holding 33.33% of the outstanding share capital applies. Members of the Board of Directors and the Management Board are not entitled to any severance packages or termination payments or change-of-control payments under their agreements.

Auditors

The external auditors are appointed by the Annual General Meeting for a period of one year. The current independent auditors of the Company are KPMG AG, Bogenstrasse 7, CH-9000 St. Gallen. KPMG AG has audited the financial statements of Aluflexpack AG since its foundation on 31 July 2018. KPMG AG has also audited financial statements of the legal predecessor AFP Group GmbH since 2013. The lead auditor is rotated every seven years in accordance with Swiss law. The current lead auditor, Daniel Haas, was first appointed in 2018. The main group companies are also audited by KPMG AG. At the ordinary Annual General Meeting 2020, KPMG AG will be recommended for reelection as statutory auditor.

The table below summarizes the fees paid to auditors in 2019:

(T€)	Statutory auditors	Other auditors
Auditing services, total	1,761	75
o/w related to IPO	1,479	21
Additional services, total	179	2
o/w tax consulting	74	2
o/w other advisory services	105	0

Informational instruments pertaining to the Auditors

The external auditor informs the Audit and Compliance Committee at every meeting about relevant auditing activities and other important facts and figures related to the Company. In 2019, one such meeting took place. The statutory auditors have access to the minutes of the meetings of the Board of Directors. Representatives of the external auditors attend Audit Committee meetings to explain their activities and answer questions. The Audit and Compliance Committee annually assesses the performance and compensation of the external auditors with regard to professional qualifications, independence, expertise, sector specific risk awareness, open communication and engagement of sufficient resources. The Audit and Compliance Committee recommends to the Board of Directors proposals for the general shareholders meeting regarding the election or dismissal of the Company's independent auditors. Prior to the audit, the auditors agree on the proposed audit scope, approach, staffing and fees of the audit with the Audit and Compliance Committee.

Information policy

Aluflexpack is committed to communicating in a timely and transparent way to existing shareholders, potential investors, financial analysts, customers as well as all other stakeholders. The Group commits to comply with its obligations under the rules of SIX Swiss Exchange, including the requirements on the dissemination of material and price-sensitive information. Moreover, the Company publishes an annual report that provides audited consolidated financial statements and information about Aluflexpack including business results, important key performance indicators (KPI), strategy and material developments, corporate governance and executive compensation.

Pursuant to listing rules of SIX Swiss Exchange, the annual report is published within four months after the 31 December balance sheet date. The results included are also summarised in the form of a press release. In the first two months following the balance sheet date, Aluflexpack communicates preliminary unaudited sales figures for the preceding year. Aluflexpack releases results for the first half of each year within three months after the 30 June balance sheet date, accompanied by a press release containing the most important results. In addition, Aluflexpack publishes sales statements in the form of a press release within two months following the first three (Q1 sales statement) and the first nine months (Q3 sales statement) of its financial year.

The published annual and half-year interim consolidated financial statements comply with the requirements of Swiss company law, the listing rules of SIX Swiss Exchange and International Financial Reporting Standards ("IFRS"). The figures in the HY interim report, the preliminary sales figures as well as the Q1 and Q3 sales statements are not audited. At the day of publication of the full year and half year results, a conference call open to analysts and investors is organized. Investors may contact the company for dial-in details prior to the call. An overview on published annual reports, interim reports and related presentations can be found at https://ir.aluflexpack.com/publications-3/?lang=en. Interested parties can register for Aluflexpack's distribution list in order to directly receive information at the time of any potential price-sensitive event (ad-hoc announcements) under https://ir.aluflexpack.com/ir-contact/?lang=en.

The notices of any shareholders' meeting are to be made by the Board of Directors by way of official publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) not less than 20 days prior to the date of the meeting. Notices may also be mailed (by letter or electronically) to the addresses of the shareholders registered in the share register. The invitation states the day, time and place of the meeting, the agenda items as well as the motions of the Board of Directors and of the shareholders who have requested the holding of the shareholders' meeting or the inclusion of an item in the agenda. The financial calendar of Aluflexpack AG in the year 2020 is outlined below:

Date	Announcement
04.02.2020	FY 2019 Sales Statement
20.03.2020	Publication of results for the full year ending 31 December 2019
30.04.2020	Closure of share register at 23:59
05.05.2020	Q1 Sales Statement
08.05.2020	Annual General Meeting
24.08.2020	Publication of results for the half year ending 30 June 2020
06.11.2020	Q3 Sales Statement

Further investor specific information can be obtained online (https://ir.aluflexpack.com/) or from the following contact address:

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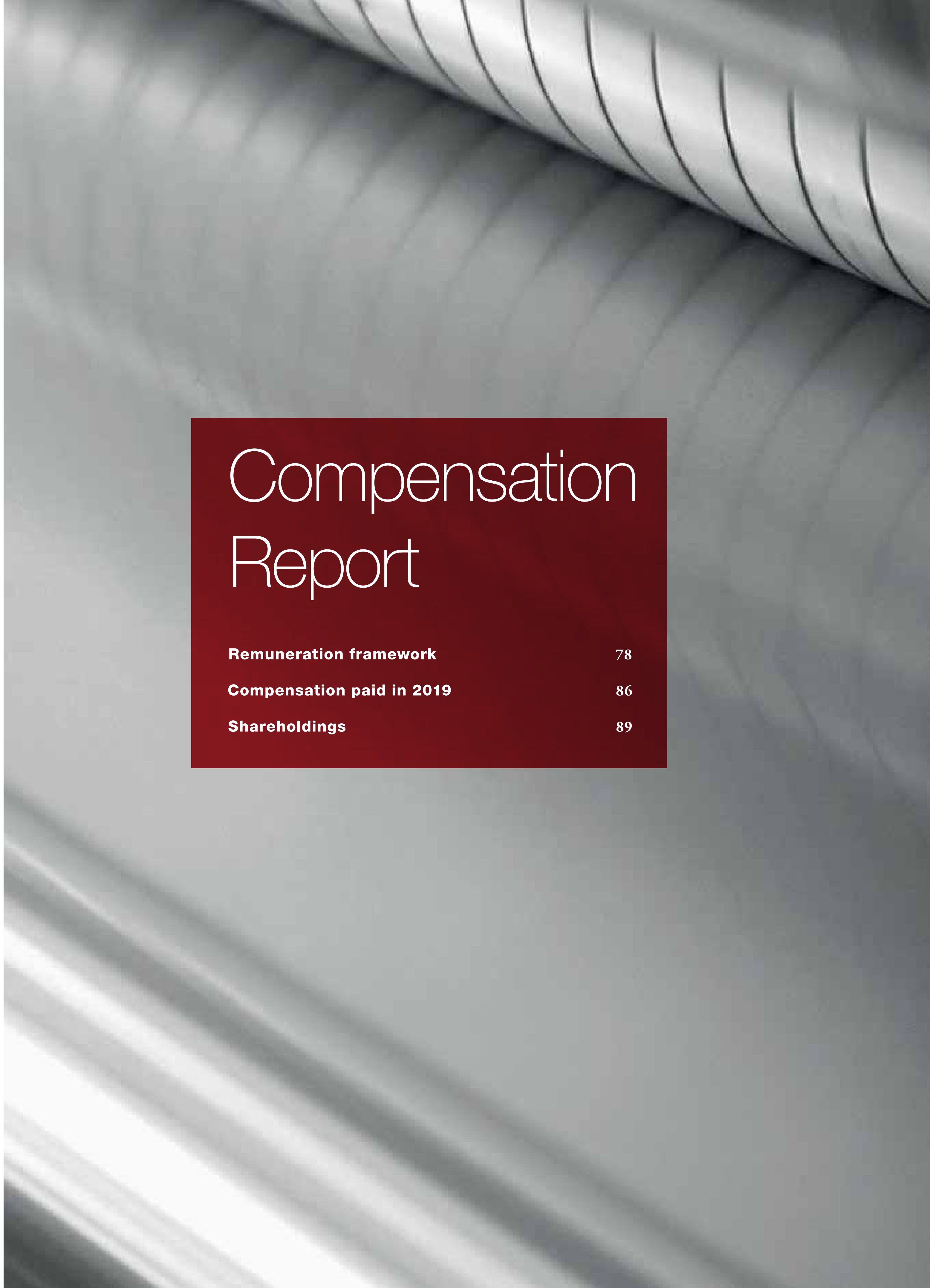

Compensation Report

The Compensation Report describes the remuneration framework and principles of remuneration of Aluflexpack AG's Management Board and Board of Directors. Moreover, it sets forth the organization, competences and duties of Aluflexpack's Nomination and Compensation Committee and explains the application of the remuneration framework in the year 2019. This report has been prepared in compliance with the Ordinance Against Excessive Compensation in Listed Stock Companies and the disclosure requirements of the SIX Corporate Governance Directive (DCG). The below disclosures were audited by the statutory auditor of Aluflexpack AG, to the extent such disclosures refer to art. 13 to 16 of the Ordinance Against Excessive Compensation in Listed Stock Companies. The audit report is presented on page 90.

Remuneration framework

Principles

The remuneration policy for all employees of Aluflexpack AG, and in particular for the members of the Management board, focuses on rewarding employees for their contribution to the successful development of Aluflexpack AG and at aligning shareholders' and employees' interests in a sustainable manner. Moreover, the policy aims at motivating employees, retaining qualified and talented professionals and promoting an entrepreneurial way of thinking. This shall be achieved through a balanced weighting of base salary, short-term incentives and long-term incentives.

Reward performance
The short-term variable incentive plan for members of the Management Board rewards the collective performance of the company as well as the individual contribution.

Reward value creation
Part of the long-term compensation elements of members of the Management Board as well as extended management are share based in order to encourage a long-term view and to align interests with shareholders.

Retain talent
Remuneration levels are designed to attract, retain and develop the best talent.

Transparency
All of Aluflexpack AG's remuneration programs are aimed to be transparent and fair. The framework is also set forth in articles 29-35 of Aluflexpack's Articles of Association.[27]

27 Weblink to Aluflexpack's Article of Association: https://ir.aluflexpack.com/wp-content/uploads/2019/11/Articles_of_Incorporation.pdf

Overview of compensation framework for members of the Board of Directors and Group Management

The maximum aggregate amount of compensation of each the Board of Directors and the Management Board is approved annually by the Annual Generally Meeting of the shareholders, as provided for in Article 15 of Aluflexpack's Articles of Association.[28]

	Board of Directors	Management Board
Fixed compensation	Fixed fee awarded in cash or in shares	Base salary on the bases of individual classification (function, experience, skills)
Variable compensation	None	Short term: compensation in % of base salary depending on quantitative and qualitative targets for one year; the target amount may be between 0 and 200% of the base salary. Long term: share based compensation in % of base salary based on achievement of strategic objectives over multiple years
Other	Reimbursement of travel costs in connection with mandate, out-of-pocket expenses	Company car, out-of-pocket expenses

Compensation framework and approach for Board of Directors

Pursuant to Article 29 of the Articles of Association of Aluflexpack AG, the members of the Board of Directors receive a fixed fee for membership on the Board, which may be awarded in cash or in the form of shares. To underline the Board of Director's role of independent oversight and supervision, the entire compensation is fixed and does not contain any variable component. The aggregate maximum amount of compensation has to be within the limits of the aggregate maximum amounts approved by the Annual General Meeting. The Board of Directors sets the amount of compensation for each member with reservation to and in the scope of the approved maximum amount on a yearly basis and at its own discretion. No specific criteria are applied in determining the compensation. According to Article 29 of the Articles of Association of

28 Weblink to Aluflexpack's Article of Association: https://ir.aluflexpack.com/wp-content/uploads/2019/11/Articles_of_Incorporation.pdf

Aluflexpack, the compensation may include other compensation elements. However, member of the Board of Directors do not receive any attendance fees. No signing bonus and termination benefits are paid to members of the Board of Directors. Travel costs in connection with the mandate and out-of-pocket expenses are borne by Aluflexpack AG. The term of office of members of the Board of Directors corresponds to the legally permitted maximum term of one year and ends at the end of the next AGM. Re-election, also repeatedly, is permitted under Aluflexpack AG's Articles of Association. Further information on the framework as well as the vote on compensation can be found in Article 15 and 29 of Aluflexpack's Articles of Association.[29]

Compensation framework and approach for Management Board

Pursuant to Article 30 of the Articles of Association of Aluflexpack AG, the remuneration of members of the Management Board of Aluflexpack AG may comprise a fixed and a variable amount. The fixed amount consists of a base salary and may include other compensation elements. The fixed amount is determined on a discretionary basis based on individual classification and takes into account function, experience and skills.[29]

The variable amount may include both short and long-term compensation elements. The payout for the short-term performance-based variable amount ("bonus") is capped at 200% of the base salary. The remuneration of members of the Management Board is subject to the limits of the maximum aggregate amounts approved by the shareholders' meeting. It can be paid in full or in part in cash, in the form of shares in the Company or of entitlement to shares.

All remuneration components shall be assessed and reviewed on a yearly basis by the Nomination and Compensation Committee. If changes are deemed necessary, they are proposed to the Board of Directors. Members of the Management Board are not allowed to attend meetings in which the amount of compensation is determined. Further information on the framework as well as the vote on compensation can be found in Article 15 and 30 of Aluflexpack's Articles of Association.[29]

For additional consideration payable to new or promoted members of the Management Board subsequent to the grant of approval by the shareholders' meeting, and further information on the framework in general see Article 30 and 31 of Aluflexpack's Article of Association.[29]

Short term performance based remuneration

The actual amount of short-term performance-based variable remuneration ("bonus") depends on the achievement of targets set by the Board of Directors for the one-year performance period (calendar year). The amount of the individual short-term performance-based remuneration for 100% target achievement (target bonus) is set by the Board of Directors separately for each member of the Management Board. In 2019, the variable amounts ranged between 20% and 32% of the base salary. Targets are determined and reviewed on an annual basis for each member of the Management Board, taking into account such member's position, responsibilities and tasks, at least one month before the start of a one-year performance period. At the end of the one-year performance period, the degree of target achievement for the individual goals, which may lie between zero and a maximum of 100%, shall be determined by the Nomination and Compensation Committee. The effective bonus is calculated by multiplying the degree of target achievement by the target bonus.

Deegree of target achievement	+	target bonus	=	short term variable compensation

For all members of the Management Board, 50% of the degree of target achievement is dependent on the achievement of quantitative financial goals for Aluflexpack AG and 50% on the achievement of qualitative individual targets.

In the financial year 2019, quantitative criteria of the target bonus were based on achieving a target level of adjusted EBITDA in line with the Group's one-year growth target, and qualitative criteria based on the achievement of 1) strategic objectives in line with the Group's organic and non-organic growth plan, 2) strategic objectives in line with the Group's long-term other strategic goals, i.e. specific business development, supply chain integration, and cost savings, as well as 3) individual qualitative goals.[30] The weighting of qualitative criteria is based on the discretion of the Board of Directors.

100% short-term performance-based variable remuneration 2019 ("bonus")	
50% Quantitative elements	50% Qualitative elements
100% adj EBITDA	

29 https://ir.aluflexpack.com/wp-content/uploads/2019/11/Articles_of_Incorporation.pdf

30 Adjusted EBITDA in line with the company's definition displayed on page 48 of the Annual Report.

In the financial year 2020, the calculation of quantitative criteria of the target bonus was amended to better represent Aluflexpack Group's long-term strategic targets. As of 2020, the quantitative elements of the target bonus are based on three equally weighted criteria, all in line with the Group's one year growth target: 1) Achievement of a target level of adjusted EBITDA. 2) Achievement of a target adjusted EBITDA margin. 3) Achievement of a target Return on Capital Employed (ROCE).[31] The scheme for qualitative criteria remains unchanged.

100% short-term performance-based variable remuneration 2020 ("bonus")			
50% Quantitative elements			50% Qualitative elements
33% adj EBITDA	33% adj EBITDA margin	33% ROCE	

Long term performance based remuneration

According to article 30 of Aluflexpack's Article of Association, the long-term variable remuneration is share based and shall take into account, in particular, performance criteria supporting strategic objectives of the Company and/or a business line, which are measured in absolute terms and/or relative to other companies, comparable benchmarks, if any, and/or individual objectives. Besides the settlement of the management phantom stock agreement (see section 1.7 below), which was paid by the majority shareholder, no other long-term variable compensation was implemented in the business year 2019.

Nomination and Compensation Committee

The Nomination and Compensation Committee is a permanent committee formally implemented by the Board of Directors. The main task of the Nomination and Compensation Committee is to support the Board of Directors in preparing the necessary decision-making processes and resolutions as well as fulfilling supervision duties in accordance with Article 7 of the Compensation Ordinance and Article 26 of Aluflexpack's Articles of Association. For the organization, competences and duties of the Nomination and Compensation Committee see page 65 of the Aluflexpack's Corporate Governance Report, which is an integral part of the Annual Report.

The Nomination and Compensation Committee comprises at least two members, each of whom must be independent from the management. As of 31 December 2019, the Nomination and Compensation Committee consisted of Martin Ohneberg (President), Bernd Winter (Member) and Christian Hosp (Member). The members of the Nomination and Compensation Committee are elected by the General Meeting for a period of one year until the end of the next General Meeting. The Board of Directors appoints the chairperson of the Committee. The Nomination and Compensation Committee was newly formed in connection with the listing on the stock exchange on 28 June 2019.

The Nomination and Compensation Committee meets at the invitation of the chairman of the Nomination and Compensation Committee, but at least once a year. In 2019, the Nomination and Compensation Committee met 2 times. All members were present at all meetings. The Nomination and Compensation Committee keeps a record of its decisions and recommendations in minutes submitted to the full Board of Directors and reports the results of its activities at the next Board meeting.

Overview on competences

The below table summarizes the competences of the various bodies, boards and committees as regards to the determination of the compensation. "D" refers to competence on final decision, "P" refers to preparation of the decision, "E" refers to execution of the final decision.

	General Meeting	Board of Directors	Nomination and Compensation Committee	CEO
Maximum compensation of the Board of Directors	D	P / E		
Maximum compensation of the Management Board	D	P / E		
Compensation of the individual members of the Board of Directors		D / E	P	
Compensation of the individual members of the Management Board		D / E	P	
Resolutions on, additions or changes to granting of share-based performance incentives		D / E	P	
Authorization of bargaining rounds, social plans or pension plan outside of the Boards		D		P / E

31 The stated financial figures and key performance indicators are in line with the Company's definition displayed on p. 48 of the Annual Report.

Management Board Phantom Stock Agreements

In connection with their employment, the CEO and the CFO entered into phantom stock agreements with the majority shareholder, Montana Tech Components AG. Under this phantom stock program, the CEO and the CFO as beneficiaries were granted phantom stocks representing virtual participations in Aluflexpack shares in order to treat them economically (but not legally) as if they were shareholders, with an aggregate virtual participation in Aluflexpack's share capital of 4.5%. To settle the arrangement, the CEO and the CFO received a non-refundable payment from Montana Tech Components in the aggregate amount of c. EUR 1.7 million in 2018 and EUR 7.5 million in 2019. The structuring and the scope of the arrangement was based on the discretion of the principal shareholder, Montana Tech Components AG, and took into account Management Board's past efforts and their efforts towards the Initial Public Offering. According to IFRS, these payments from the majority shareholder must be booked in Aluflexpack's Profit and Loss statement. In addition, with that payment, the existing Phantom stock agreement of the CEO and the CFO was terminated. No other phantom stock agreements were implemented thereafter.

Employee Phantom Stock Plan

Members of the management of the Group apart from the Management Board and certain key employees of the Company and its affiliated companies are entitled to participate in a long-term phantom stock finalized in Q1 2020. Under this plan, Aluflexpack intends to grant to the participants options, free of charge, to acquire virtual shares in the Company in the aggregate amount of 198,300 shares over four years. To enable all intended employees to participate in the program, an immediate cash settlement is put in place. Hence, the participants are effectively granted contractual rights to conditional cash payments based on the difference between the virtual stock option`s redemption and exercise price. The exercise price for the virtual stock options will be equal to emission price of Aluflexpack's share price at IPO less a 20% discount, i.e. a share price of CHF 16.8. Beneficiaries may exercise up to 25% of their virtual stock options each financial year with options not exercised in a given year being carried forward to the next financial year and being exercisable in addition to the options exercisable in that next financial year. The agreement will cease to exist after the fourth financial year or in the case of a beneficiary's departure from the company. In addition, the virtual stock options must be exercised in accordance with Aluflexpack's applicable rules on insider trading and directors' dealings. In total, roughly 80 employees are entitled to participate in the Employee Phantom Stock Plan. The Management Board is not entitled to participate in the Employee Phantom Stock Plan. To implement the Employee Phantom Stock Plan, Aluflexpack will enter into separate phantom stock agreements with each beneficiary. The rights granted under the Employee Phantom Stock Plan are not transferrable.

Loans granted to Members of the Board of Directors or the Management Board (audited)

As per Article 32 of Aluflexpack's Article of Association, members of the Board of Directors or the Management Board are not allowed to be granted loans, credits or collaterals by the company, except for advance payments in relation to costs for attorneys, courts or other costs for defence against liability claims in the maximum amount of CHF 250,000. As of 31 December 2019, Aluflexpack has not granted any loans to members or former member of the Board of Directors or members of the Management Board or closely related persons.

Employment contracts and mandate agreements

Aluflexpack entered into one-year mandate agreements with members of the Board of Directors ending and beginning respectively at the yearly Annual General meeting. The members of the Management Board have employment contracts based on unlimited terms with a notice period of six months for the CEO and CFO and twelve months for the former COO.

Post employment benefits

Members of the Board of Directors are not entitled to pension benefits other than those required by law. According to Article 33 of Aluflexpack's Articles of Association, members of the Management Board may participate in the company`s pension plan. Further information on pension benefits may be found in Article 33 of Aluflexpack's Articles of Association.

Other items

No member of the Board of Directors, nor a member of the Management Board is entitled to a signing bonus, termination benefit or compensation due to a change of control.

Aluflexpack AG provides each member of the Management Board with a company car and covers out-of-pocket expenses.

Compensation paid in 2019

Board of Directors

In advance of the public listing of Aluflexpack AG, which took place on 28 June 2019, the Board of Directors was extended to five members, and complemented by Alois Bühler, Markus Vischer and Bernd Winter who all began their mandate on the Board on 27 June 2019. Martin Ohneberg was installed as President of the Board of Directors on 19 March 2019. Christian Hosp was elected as Vice Chairman. Given the new composition of the Board of Directors in advance of the public listing, the compensation for 2019 is shown as of the first day of trading until the end of the fiscal year 2019.

The amount of remuneration of the members of the Board of Directors is a fixed amount only. In the year 2019, the compensation was awarded in cash only. In 2019, the total compensation amounted to TCHF 34.4. The amounts stated in the table are all gross. CHF amounts were translated using an average EUR/CHF exchange rate of 1.1124.

2019, as of IPO dated 28 June 2019 (audited)	Board membership	Fixed remuneration in cash in TEUR/TCHF	Social security and pension contributions in TEUR/TCHF	Total
Martin Ohneberg[32]	President of the Board of Directors, Nomination and Compensation Committee and Audit and Compliance Committee	0/0	0/0	0/0
Alois Bühler[32]	Member of the Board of Directors	7.7/8.6	0/0	7.7/8.6
Christian Hosp[33]	Member of the Board of Directors and Nomination and Compensation Committee	7.7/8.6	1.1/1.2	8.8/9.8
Markus Vischer[33]	Member of the Board of Directors and Audit and Compliance Committee	7.7/8.6	0/0	7.7/8.6
Bernd Winter[33]	Member of the Board of Directors, Nomination and Compensation Committee and Audit and Compliance Committee	7.7/8.6	0/0	7.7/8.6
Total Remuneration: Board of Directors		30.8/34.4	1.1/1.2	31.9/35.6

32 For the period starting 28 June 2019, the date the shares of Aluflexpack AG were listed and the Ordinance against Excessive Compensation became applicable to Aluflexpack AG, to 31 December 2019.

Management Board

In the year 2019, the Management Board consisted of Igor Arbanas (CEO), Johannes Steurer (CFO) and Jörg Wingefeld (COO) who joined the Management Board in January 2019 and left the company on 25 October 2019. As of 31 December 2019, the Management Board consists of Igor Arbanas (CEO) and Johannes Steurer (CFO).

In 2019, members of the Management Board received the remuneration detailed in the table below in cash. The amounts stated are all gross and include social security and pension contributions required by law. Besides these, members of the Management Board receive no other payments.

33 For the period starting 28 June 2019, the date the shares of Aluflexpack AG were listed and the Ordinance against Excessive Compensation became applicable to Aluflexpack AG, to 31 December 2019.

2019 (audited)	Base remuneration TEUR/TCHF	Variable remuneration TEUR/TCHF	Payments majority shareholders[34] TEUR/TCHF	Social security and pension contributions TEUR/TCHF	Other contributions (company car) TEUR/TCHF	Total TEUR/TCHF
Total remuneration: Management Board	693/771	193/214	7,454/8,291	174/193	25/28	8,538/9,498
Highest remuneration: Igor Arbanas, CEO	308/343	92/103	4,246/4,723	87/97	12/13	4,744/5,278

In 2018, the members of the Management Board received the remuneration detailed in the table below. The amounts stated are all gross.

2018	Base remuneration TEUR/TCHF	Variable remuneration	Payments majority shareholders[34] TEUR/TCHF	Social security and pension contributions TEUR/TCHF	Other contributions (company car) TEUR/TCHF	Total TEUR/TCHF
Total remuneration: Management Board	441/509	118/136	1,729/1,997	66/76	20/23	2,374/2,742
Highest remuneration: Igor Arbanas, CEO	294/340	88/102	1,729/1,997	48/55	12/13	2,171/2,507

34 The majority shareholder of Aluflexpack, Montana Tech Components AG, made a commitment to a voluntary bonus payment to Aluflexpack's management in the amount of EUR 7.5 million in 2019 and EUR 1.7 million in 2018. Neither Aluflexpack nor any of its subsidiaries are required to reimburse the majority shareholder for this expense. The aforementioned payment is included in personnel expenses and considered a contribution by the shareholder. The payments relate to the Phantom stock agreement that the CEO and the CFO entered in connection with their employment.

In 2019, the aggregate base remuneration increased mainly due to the extension of the Management Board to three members. The total variable amount including payments from the majority shareholder increased in 2019 mainly because of the contribution of the payments in connection with the phantom stock agreement between the Management Board and the Majority Shareholder in the amount of EUR 7.5 million in 2019 (2018: EUR 1.7 million).

Required employee social security contributions under the relevant country's applicable law are included in the base compensation. Members of the Management Board are not entitled to receive social security or pension payments other than those required by law.

Shareholdings

Shareholdings of members of the Management Board and the Board of Directors are disclosed on page 156 in the statutory accounts of Aluflexpack AG, which are an integral part of the Annual Report.

KPMG

Statutory Auditor's Report

To the General Meeting of Aluflexpack AG, Reinach (AG)

We have audited the accompanying remuneration report of Aluflexpack AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections and tables referred to as audited on pages 77 to 89 of the remuneration report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

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

KPMG AG

Daniel Haas Licensed Audit Expert Auditor in Charge	Roman Künzle Licensed Audit Expert

St. Gallen, 18 March 2020

KPMG AG, Bogenstrasse 7, PO Box, CH-9001 St. Gallen

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Consolidated statement of financial position

(in T€)	Notes	31.12.2019	31.12.2018
ASSETS			
Intangible assets and goodwill	13	29,932	30,585
Property, plant and equipment	14	102,197	68,508
Other receivables and assets		154	114
Deferred tax assets	28	1,038	1,233
Non-current assets		**133,321**	**100,440**
Inventories	17	48,721	49,390
Trade receivables	9	22,830	22,630
Other receivables and assets	16	10,695	5,514
Cash and cash equivalents	18	62,823	18,976
Current assets		**145,069**	**96,510**
TOTAL ASSETS		**278,390**	**196,949**
EQUITY AND LIABILITIES			
Capital stock	20	15,553	86
Capital reserves	20	135,887	1,958
Retained earnings		19,802	23,000
Equity attributable to owners of the Company		**171,242**	**25,044**
Non controlling interests		946	883
TOTAL EQUITY		**172,188**	**25,927**
Loans from affiliated companies	21/29	0	43,979
Bank loans and borrowings	21	22,916	23,527
Other financial liabilities	21	18,377	9,934
Deferred tax liabilities	28	4,536	4,343
Employee benefits	19	1,715	1,383
Other liabilities	23	645	950
Non-current liabilities		**48,189**	**84,116**
Bank loans and borrowings	21	6,080	17,581
Loans from affiliated companies	21/29	0	23,776
Other financial liabilities	21	3,392	923
Current tax liabilities	28	1,288	978
Provisions		117	23
Employee benefits	19	1,453	978
Trade payables and advances received from customers	9	38,881	33,695
Accruals	22	2,765	2,316
Other liabilities	23	4,037	6,636
Current liabilities		**58,013**	**86,906**
TOTAL LIABILITIES		**106,202**	**171,022**
TOTAL EQUITY AND LIABILITIES		**278,390**	**196,949**

Consolidated statement of profit or loss and other comprehensive income (OCI)

(in T€)	Notes	2019	2018
Gross Sales		**211,132**	**184,321**
Sales deductions		-3,201	-2,580
Net Sales	12	**207,931**	**181,741**
Change in finished and unfinished goods		720	2,641
Other operating income	25	14,480	10,672
Cost of materials, supplies and services		-138,647	-125,344
Personnel expenses	24	-35,796	-26,056
Other operating expenses	26	-29,507	-22,144
EBITDA		**19,181**	**21,510**
Depreciation and amortisation	13/14	-18,565	-15,154
Operating Profit		**616**	**6,356**
Interest income		66	5
Interest expenses		-3,730	-3,923
Other financial income	27	3,358	1,703
Other financial expenses	27	-1,775	-5,653
Financial result		**-2,081**	**-7,868**
Result before tax		**-1,464**	**-1,511**
Tax expense/benefit	28	-1,963	197
Result for the year		**-3,427**	**-1,314**
Thereof attributable to:			
Owners of the company		-3,490	-1,272
Non controlling interests		63	-42
Earnings per share in EUR	20.3		
Basic earnings per share		-0,4	-12,7
Diluted earnings per share		-0,4	-12,7

Other comprehensive income

(in T€)	Notes	2019	2018
Result for the year		**-3,427**	**-1,314**
Items that are not reclassified to profit or loss			
Remeasurements of the defined benefit liability (asset)	19	-355	-3
Related taxes		42	0
		-313	**-3**
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange differences		605	96
		605	**96**
Other comprehensive income for the year		**292**	**93**
Total comprehensive income for the year		**-3,135**	**-1,221**
Thereof attributable to:			
Owners of the Company		-3,198	-1,179
Non controlling interests		63	-42

Consolidated statement of cash flows

(in T€)	Notes	2019	2018
Income/Loss before tax		**-1,464**	**-1,511**
+/- Financial results excluding other financial income/expense		3,663	3,918
+/- Other non-cash expenses and income		-3,928	-178
+ Costs of initial public offering	20	2,751	0
+ Depreciation and amortisation	13/14	18,565	15,154
-/+ Gains and losses from disposals of PPE and intangible assets		0	-2,695
-/+ increase and decrease in inventories		694	-5,165
-/+ Increase and decrease in trade receivables		-215	-2,089
-/+ Increase and decrease in other receivables and assets		-5,244	1,393
+/- Increase and decrease in trade payables		3,298	-777
+/- Increase and decrease in accruals		446	12
+/- Increase and decrease in other liabilities		-2,907	3,171
+/- Increase and decrease in provisions		91	671
+/- Increase and decrease in liablities for employee benefits		769	-7
-/+ Income taxes paid		-1,069	51
Net cash from operating activities		**15,450**	**11,949**
+ Payments received for disposals of PPE and intangible assets		0	14,595
- Payments made for purchases of PPE and intangible assets		-32,907	-18,605
- Payments for acquisition of subsidiaries	10	0	-17,178
+ Interest received		66	5
+/- Other payments received/made for investing activities		0	4
Net cash used in investing activities		**-32,840**	**-21,178**
+ Proceeds from issuance of share capital	20	148,038	0
- Payments for the costs of initial public offering	20	-9,505	0
+ Issuance of share capital	20	0	86
+ Contribution in kind	20/24	8,123	1,958
- Payments of lease liabilities (2018: payments of financial lease liabilities)		-4,232	-1,661
+ Issuances of financial liabilities (3rd parties)	21	5,246	9,860
+ Issuances of financial liabilities (MTC group companies)	21/29	0	26,192
- Repayments of financial liabilities (3rd parties)	21	-17,333	-10,103
- Repayments of financial liabilities (MTC group companies)	21/29	-67,755	-36
- Interest paid		-2,519	-1,918
Net cash from financing activities		**60,064**	**24,378**
Net change in cash and cash equivalents		**42,673**	**15,148**
+/- Effect of exchange rate fluctuations on cash held		1,174	50
+ Cash and cash equivalents at the beginning of the period		**18,976**	**3,778**
Cash and cash equivalents at the end of the period		**62,823**	**18,976**

Consolidated statement of changes in equity

(in T€)	Notes	Capital stock	Capital Reserves	Foreign Exchange Differences	Retained earnings	Total Retained earnings	Total	Non controlling interest	Total equity
		Attributable to owners of the Company							
Balance as of January 1, 2019		**86**	**1,958**	**910**	**22,090**	**23,000**	**25,043**	**883**	**25,927**
Transactions with owners of the company									
Issue of ordinary shares	20	15,467	132,571				148,038		148,038
Transaction costs from the IPO	20		-6,765				-6,765		-6,765
Contribution in kind	20/24		8,123				8,123		8,123
Total comprehensive income for the period									
Result for the period					-3,490		-3,490	63	-3,427
Other comprehensive income for the period, net of tax				605	-313		292		292
Total				**605**	**-3,803**		**-3,198**	**63**	**-3,135**
Balance as of December 31, 2019		**15,553**	**135,887**	**1,515**	**18,287**	**19,802**	**171,241**	**946**	**172,188**

(in T€)	Notes	Capital stock	Capital Reserves	Foreign Exchange Differences	Retained earnings	Total Retained earnings	Total	Non controlling interest	Total equity
		Attributable to owners of the Company							
Balance as of January 1, 2018		**35**	**0**	**814**	**23,364**	**24,178**	**24,213**	**925**	**25,138**
Issuance of share capital	20	86					86		86
Legal reorganisation	2	-35					-35		-35
Contribution in kind	20/24		1,958				1,958		1,958
Total comprehensive income for the year									
Result for the year					-1,272		-1,272	-42	-1,314
Other comprehensive income for the year, net of tax				96	-3		93		93
Total				**96**	**-1,275**		**-1,179**	**-42**	**-1,221**
Balance as of December 31, 2018		**86**	**1,958**	**910**	**22,090**	**23,000**	**25,043**	**883**	**25,927**

Notes to the Consolidated Financial Statements

1 Reporting entity

Aluflexpack AG (Aluflexpack) (the 'Company') was incorporated in Switzerland on 31 July 2018. The Company's registered office is at Alte Aarauerstrasse 11, Reinach, Switzerland.

The core business activity of Aluflexpack and its affiliated companies is the production of flexible packaging and conversion of aluminium foil, paper and flexible films by using printing technologies such as rotogravure, UV-flexo, conventional flexo and digital as well as other conversion steps such as lacquering, laminating, extrusion coating & lamination, slitting, oiling, lasering, container & capsule forming, punching, embossing and pouch-making. Aluflexpack is producing a wide range of flexible packaging products and solutions.

The controlling parent company of Aluflexpack AG is Montana Tech Components AG.

The reporting date for Aluflexpack, all subsidiaries and for the consolidated financial statements is 31 December 2019.

2. Significant changes in the current reporting period

The Company completed a successful initial public offering on June 28, 2019 and is now listed on the SIX Swiss Exchange. The shares of Aluflexpack AG are traded under the Swiss Securities Number (Valor) 45322689, the International Securities Identification Number (ISIN) CH0453226893 and the ticker symbol AFP. Prior to the Offering, there was no public market for the shares. With the issuance of 7,300,000 new shares and the offer price of CHF 21,00 per share the Company was able to receive gross proceeds of TCHF 153,300 (T€ 138,038) (see also note 20).

The Company will use the gross proceeds predominantly for the expansion of production capacity in Europe, production automation and to target acquisitions. In addition, proceeds were used to repay shareholder loans granted to prefinance these growth initiatives (see also note 29).

In the prior year, the legal restructuring on 25 September 2018, can be described as follows:

As of 1 January 2018 and until 25 September 2018, AFP Group GmbH incorporated and domiciled in Vienna, Austria, was the ultimate parent company of the Group. On 25 September 2018, following legal reorganisations ("restructuring"), Aluflexpack AG became the direct parent entity to AFP Group GmbH and herby the ultimate parent company of the Group.

During this legal restructuring on 25 September 2018, the investment in AFP Group GmbH was taken over by Aluflexpack via an in-kind contribution from its parent company. In addition, on 26 September 2018, an 80% interest in Arimpeks Alüminyum San. İç ve Dış Tic. A.Ş. ("Arimpeks"), was directly acquired by Aluflexpack AG.

Please note that in the comparative period 2018 Arimpeks is only considered for 3 months.

3 Basis of accounting

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Details of the Group's accounting policies are included in Note 31.

This is the first set of the Group's financial statements in which IFRS 16 have been applied. Changes to significant accounting policies are described in Note 7.

These financial statements were authorized for issue by the Board of Directors on 18 March 2020. They further have to be approved by the next shareholder meeting.

4. Basis of measurement

The assets included in the consolidated financial statements are recognised on a cost basis, except that derivative financial instruments and contingent considerations are stated at their fair values and the employee benefit liability is stated at the fair value of plan assets less the present value of the defined benefit obligation.

5. Functional and presentation currency

These consolidated financial statements are presented in Euro. The Company's functional currency is the Swiss Franc (CHF). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

6. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Accounting for acquisitions

Goodwill is reported in the consolidated balance sheet as a consequence of company acquisitions. As part of the initial consolidation of a company acquisition, all identifiable assets, liabilities and contingent liabilities are recognized at fair values as of the effective acquisition date. The valuation of intangible assets is, in particular, based on the forecast of the total expected cash flows and is strongly dependent on the assumptions of the management regarding future developments as well as the underlying developments of the discount rate to be applied (see note 10.2.1 "Business combinations").

Useful life on non-current assets

Property, plant and equipment, and acquired intangible assets are recognized at acquisition costs and are depreciated/amortized on a straight-line basis over their estimated useful lives. The estimation of useful lives is based on assumptions about wear and tear, aging, technical standards, contract periods, and changes in demand. Changes in these factors may cause a reduction of the useful life of an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses (see note 13 "Intangible assets" and note 14 "Property, plant and equipment").

Impairment of non-current assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment in the course of an annual impairment test. Furthermore, a recoverability evaluation of Goodwill and intangible assets is performed whenever events that have occurred or circumstances that have changed indicate that the carrying amount of an asset or a group of assets exceeds its recoverable amount. In the course of this impairment test, the evaluation of Goodwill and intangible assets is also based on budget assessments of market or company-specific discount rates, expected annual growth rates, and gross margin/costs development. The assumptions involved in these calculations may change and may lead to an impairment loss in future periods (see note 13 "Intangible assets").

More information on the impairment tests conducted is given in Note 13 "Intangible assets". However, the assumptions made could be subject to changes that could lead to impairment losses in future periods.

If there is any impairment indication of property, plant and equipment and intangible assets with finite useful lives, an impairment test is performed to determine the new carrying amount and the difference between the previous and the new carrying amounts is recognised in profit or loss.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts in the IFRS financial statements and the tax base as well as for expected recoverable tax loss carry forwards. Deferred taxes are calculated on the basis of the tax rates expected under current legislation to apply to the period in which the temporary differences are expected to reverse and on the basis of an assessment of future taxable profit. Any changes in the tax rate or variations in future taxable profit from that assumed could make it improbable or probable that deferred tax assets will be recovered and necessitate a value adjustment with regard to the respective assets. Moreover, changes in the tax rate could lead to adjustments in deferred tax liabilities. The carrying amounts of deferred taxes are shown in the consolidated balance sheet and are broken down into the individual balance sheet items in Note 28 "Income Taxes". Tax losses carried forward are shown in Note 28 "Income taxes".

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

7. Changes in significant accounting policies

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards and interpretations are effective from 1 January 2019, but they do not have a material effect on the Group's consolidated financial statements.

The effect of initially applying IFRS 16 are described below.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use-assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a Lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a Lessee

The Group leases assets, including land & buildings, technical equipment and machines and other equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. the leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

	Property, plant and equipment			
(in T€)	**Land & Buildings**	**Technical equipment and machines**	**Other equipment**	**Total**
Balance at 1 January 2019 - initial recognition IFRS 16	11,528	10	1,505	13,043
Property, plant and equipment measured under IAS 17 at December 31, 2018		4,260	20	4,280
Balance at 01 January 2019	**11,528**	**4,270**	**1,525**	**17,323**
Balance at 31 December 2019	**9,458**	**5,000**	**2,127**	**16,585**

The Group presents lease liabilities in 'Other financial liabilities' in the statement of financial position.

Transition

Previously, the Group classified leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group also leases items of production equipment. These leases were previously classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

(in T€)	January 1, 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	15,214
Discounted using the incremental borrowing rate at 1 January 2019	12,888
Finance lease liabilities recognised as at 31 December 2018	3,259
Exceptions:	
- Recognition exemption for leases with less than 12 months of lease term at transition	-8
- Recognition exemption for leases of low-value assets	
- Extension options reasonably certain to be exercised	
Other	163
Lease liabilities recognised at January 1, 2019	**16,302**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5,2%.

8. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. None of them is expected to have a significant impact on the Group's consolidated financial statements.

	Effective date	Planned application
New Standards or Interpretations		
IFRS 17 Insurance Contracts*	1 January 2021	2021
Revisions and amendments of Standards and Interpretations		
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020	2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020	2020

* ED/2019/4 – Amendments to IFRS 17 proposes to defer the effective date of IFRS 17 by one year to annual reporting periods beginning on or after 1 January 2022.

9. Financial instruments – Fair values and risk management

9.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The fair values of financial instruments such as short-term trade receivables and payables and short-term bank loans and borrowings are not disclosed, because their carrying amounts are a reasonable approximation of fair value.

		Carrying amount				
(in T€)	2019	Fair value - hedging instruments	Mandatorily at FVTPL - others	Financial assets at amortised cost	Other financial liabilities	Total
Derivative financial instruments	40	40				40
Financial assets measured at fair value	**40**	**40**	**0**	**0**	**0**	**40**
Trade receivables	22,830			22,830		22,830
Cash and cash equivalents	62,823			62,823		62,823
Corporate debt securities	5			5		5
Other receivables and assets	5,348			5,348		5,348
Financial assets not measured at fair value	**91,006**	**0**	**0**	**91,006**	**0**	**91,006**
Derivative financial instruments	-175	-175				-175
Financial liabilities measured at fair value	**-175**	**-175**	**0**	**0**	**0**	**-175**
Bank loans and borrowings	-28,996				-28,996	-28,996
Loan liabilities from affiliated companies	0				0	0
Other financial liabilities	-5,957		-5,957			-5,957
Lease liabilities (IFRS 16)	-15,812				-15,812	-15,812
Trade payables	-38,861				-38,861	-38,861
Accruals	-2,765				-2,765	-2,765
Other liabilities	-2,385				-2,385	-2,385
Financial liabilities not measured at fair value	**-94,776**	**0**	**-5,957**	**0**	**-88,819**	**-94,776**

	Carrying amount					
(in T€)	2018	Fair value - hedging instruments	Mandatorily at FVTPL - others	Financial assets at amortised cost	Other financial liabilities	Total
Derivative financial instruments	0					0
Financial assets measured at fair value	**0**	**0**	**0**	**0**	**0**	**0**
Trade receivables	22,630			22,630		22,630
Cash and cash equivalents	18,976			18,976		18,976
Corporate debt securities	16			16		16
Other receivables and assets	2,115			2,115		2,115
Financial assets not measured at fair value	**43,737**	**0**	**0**	**43,737**	**0**	**43,737**
Derivative financial instruments	-1,876	-1,876				-1,876
Financial liabilities measured at fair value	**-1,876**	**-1,876**	**0**	**0**	**0**	**-1,876**
Bank loans and borrowings	-41,108				-41,108	-41,108
Loan liabilities from affiliated companies	-67,755				-67,755	-67,755
Other financial liabilities	-7,589		-7,589			-7,589
Capital lease obligations (IAS 17)	-3,259				-3,259	-3,259
Trade payables	-33,667				-33,667	-33,667
Accruals	-2,316				-2,316	-2,316
Other liabilities	-2,141				-2,141	-2,141
Financial liabilities not measured at fair value	**-157,835**	**0**	**-7,589**	**0**	**-150,246**	**-157,835**

Derivative financial instruments are in level 2 and other financial liabilities (see also note 21) are in level 3 in the fair value hierarchy.

9.2 Financial risk management

The primary objective of the management with respect to financial risk management is to identify and monitor financial risk to which the Group is subject and to establish effective measures for hedging such risk. Financial risk arises from the company's operating activities as well as its financing structure. This includes, in particular, credit risk, liquidity risk, currency risk, interest rate risk, and market price risk with respect to commodities.

In addition to identifying, analysing and measuring financial risk, decisions on the use of financial instruments to manage risk are made by Group headquarters, which generally pursues a low-risk strategy.

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, and arises principally from the Group's receivables from customers, other receivables and cash equivalents. The risk of default on loans is mitigated by using targeted measures such as credit checks, pre-payment agreements and receivables management. Credit risk arising from bank deposits is likewise limited as a result of the company's policy of only investing cash and cash equivalents with financial institutions of impeccable, first-rate credit quality.

The carrying amount of financial assets corresponds to the maximum credit risk, which was comprised as follows as of the reporting date:

(in T€)	2019	2018
Cash & cash equivalents	62,823	18,976
Trade Receivables	22,830	22,630
Other receivables and assets	5,348	2,115
Total for the Group	**91,001**	**43,721**

*not included other tax claims of T€ 3.333 (2018: T€ 1.453) and prepaid expenses of T€ 2.168 (2018: T€ 2.060)

The inherent default risk of business partners due to the underlying transaction is assessed individually and hedged in the Group by credit risk insurance as well as by bank guarantees and letters of credit, whereby customers with excellent credit ratings are not secured.

The applicable criteria for credit assessment are set forth in the agreements with credit insurers and in internal guidelines. In addition, there is no concentration of credit risk since the Group's client base is made up of a large variety of customers. All these factors have been considered in calculating the loss allowance.

Any claims outstanding as of the reporting date must meet the Group's risk assessment criteria, regardless of their due dates. No financial assets were subject to a renegotiation of conditions.

The following shows trade receivables before and after allowances:

(in T€)	31.12.2019	31.12.2018
Trade reveivables (gross)	22,928	22,749
Allowances	-98	-119
Total for the Group	**22,830**	**22,630**

The following table discloses the information on overdue trade receivables:

	31.12.2019			31.12.2018		
(in T€)	Carrying amount (gross)	Impairment loss	Net	Carrying amount (gross)	Impairment loss	Net
Not due	18,551	-98	18,453	18,297	-90	18,207
0 to 10 days overdue	1,662	0	1,662	1,569	0	1,569
11 to 30 days overdue	1,128	0	1,128	1,403	0	1,403
31 to 60 days overdue	728	0	728	825	0	825
61 to 180 days overdue	740	0	740	591	0	591
181 to 360 days overdue	113	0	113	-3	0	-3
More than 360 days overdue	6	0	6	67	-29	38
Total for the Group	**22,928**	**-98**	**22,830**	**22,749**	**-119**	**22,630**

The net overdue trade receivables primarily relate to receivables from customer with a long-term relationship. Based on past experience and taking into consideration management's expectations on future performance, the Group does not anticipate any significant defaults.

Liquidity risk

The management monitors liquidity on an ongoing basis. Liquidity management extends from constant comparison of forecast and actual payments to coordinating the maturity profiles of financial assets and liabilities, see also Note 21 "Financial liabilities".

The undiscounted, contractual due dates of non-derivative and derivative financial liabilities are shown in the following. The table contains both interest and principal payments:

31. December 2019

(in T€)	Carrying amount	Contractual Cash Flows	immediately	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	28,996	31,058			6,703	24,355	
Other financial liabilities	5,957	5,957				5,957	
Lease liabilities (IFRS 16)	15,812	19,191			3,848	12,600	2,743
Trade payables*	38,861	38,861	7,354	31,375	132		
Accruals**	2,765	2,765			2,765		
Other liabilities***	2,385	2,385	784	421	1,024	156	
Total non-derivative financial liabilities	**94,776**	**100,217**	**8,138**	**31,796**	**14,472**	**43,068**	**2,743**

* not including current advances received from customers T€ 20 (trade payables more than 1 year --> other non current liabilities)
** not including accruals for benefits to employees T€ 1.453
*** not including deferred income T€ 514, liabilities from taxes and social security T€ 1.606, derivative financial instruments T€ 175

31 December 2019

(in T€)	Carrying amount	Contractual Cash Flows	immediately	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years
Derivative financial instruments							
Commodity swaps*	135	135		38	58	39	
Total for the Group	**135**	**135**	**0**	**38**	**58**	**39**	**0**

* Cash Outflow

31 December 2018

(in T€)	Carrying amount	Contractual Cash Flows	immediately	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years
Non-derivative financial liabilities							
Loan affiliated companies	67,755	71,562		2,007	22,736	42,814	4,005
Bank loans and borrowings	41,108	43,467	25	444	7,597	28,207	7,194
Other financial liabilities	7,589	7,589				6,889	700
Capital lease obligations	3,259	3,259			914	2,345	
Trade payables*	33,667	33,667	3,936	29,566	165		
Accruals**	2,316	2,316			2,316		
Other liabilities***	2,141	2,141	704	1,116	7	314	
Total non-derivative financial liabilities	**157,835**	**164,001**	**4,665**	**33,133**	**33,735**	**80,569**	**11,899**

* not including current advances received from customers T€ 28 (trade payables more than 1 year --> other non current liabilities)
** not including accruals for benefits to employees T€ 978
*** not including deferred income T€ 221, liabilities from taxes and social security T€ 2.816, derivative financial instruments T€ 1.877

31 December 2018

(in T€)	Carrying amount	Contractual Cash Flows	immediately	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years
Derivative financial instruments							
Commodity swaps*	1,876	1,876		389	1,346	141	
Total for the Group	**1,876**	**1,876**	**0**	**389**	**1,346**	**141**	**0**

* Cash Outflow

Interest rate risk

Interest rate risk is divided into the risk of changes in future interest payments due to fluctuations in the market interest rate and interest rate risk relating to a change in the fair value of financial instruments due to fluctuations in the market interest rate.

The Group is subject to interest rate risk resulting from the receipt or payment of cash at fixed or variable interest rates.

(in T€)	Carrying Amount 2019	2018
Financial instruments - fixed interest rate		
Cash and cash equivalents	7	16
Financial liabilities*	23,126	80,259
Financial instruments - variable interest rate		
Cash and cash equivalents	62,816	18,960
Financial liabilities*	27,639	39,461

* including bank loans and borrowings, loan liabilities from affiliated companies and other financial liabilities

Sensitivity analysis for fixed-rate financial instruments

The Group measures neither financial assets (fixed deposits and securities) nor financial liabilities (liabilities to financial institutions) bearing fixed interest rates at fair value through profit or loss. These financial instruments are measured at amortised cost. An increase in interest rates would therefore not impact the Group's net income for the year.

Sensitivity analysis for variable interest-rate financial instruments

An increase in interest rates of one percentage point would lead to an increase of the consolidated net profit or loss before non-controlling interests by T€ 288 (2018: a decrease of T€ 168). A decrease in interest rates of one percentage point would lead to a decrease of the consolidated net profit or loss before non-controlling interests by T€ 288 (2018: increase of T€ 168). This analysis includes the assumptions, that all other variables, in particular foreign currency effects, remained constant.

Derivative financial instruments

The Group uses derivative financial instruments primarily to reduce the risk of changes in commodity prices.

The following table shows the Group's holdings of derivative financial instruments as of the balance sheet date:

31. December 2019

(in T€)	Currency	Notional amount (in 1,000 units of original currency)	Fair value (in T€)	thereof through OCI	Maturity
Commodity swap	EUR	1,317	-24	0	up to 1 year
Commodity swap	EUR	10,292	40	0	1 - 5 years
Commodity swap	EUR	3,207	-72	0	up to 1 year
Commodity swap	EUR	19,473	-79	0	1 - 5 years
Total for the Group			**-135**	**0**	

31. December 2018

(in T€)	Currency	Notional amount (in 1,000 units of original currency)	Fair value (in T€)	thereof through OCI	Maturity
Commodity swap	EUR	12,877	-727	0	up to 1 year
Commodity swap	EUR	853	-42	0	1 - 5 years
Commodity swap	EUR	14,120	-1,008	0	up to 1 year
Commodity swap	EUR	1,559	-99	0	1 - 5 years
Total for the Group			**-1,876**	**0**	

The liquidity analysis of the derivative financial instruments is presented above under "Liquidity risk".

Currency risk

The Group settles goods purchases and sales predominantly in euros (for the international market) and in Croatian Kuna (for the local Croatian market).

As of the reporting date, the majority of interest-bearing financial liabilities were denominated in euros.

The following table shows – by currency pair – financial assets and liabilities denominated in a currency that deviates from the functional currency of the respective Group company holding the financial instrument.

	31.12.2019		31.12.2018	
(in T€)	EUR/CHF	EUR/HRK	EUR/CHF	EUR/HRK
Cash and cash equivalents	51,230	7,003	305	16,179
Accounts receivables	4,461	10,595	3,989	11,057
IC-loans receivable	70,016	0	0	0
IC-receivables	928	6,257	23	5,215
Financial debts	0	27,745	0	40,861
Accounts payable	351	21,855	1,130	21,434
IC-loans payable	0	47,274	17,352	31,746
IC-payables	508	530	2,196	236
Net exposure	**125,776**	**-73,549**	**-16,361**	**-61,825**

Sensitivity analysis

Provided that currencies related to current and non-current financial receivables and financial liabilities as of 31 December 2018 stated below changed by the below-stated percentage ("Volatility"), assuming that all other variables remained constant, the profit for the year and hence equity would have increased or decreased by the following values.

(in T€)	Impact on profit for the year and equity	
Currency	**Volatility**	**2019**
CHF / EUR	+/- 3,7%	+/- 4,104
HRK / EUR	+/- 0,8%	+/- 511

(in T€)	Impact on profit for the year and equity	
Currency	**Volatility**	**2018**
CHF / EUR	+/- 4,8%	+/- 693
HRK / EUR	+/- 1,1%	+/- 602

Capital management

The capital managed by the Group is equivalent to its consolidated equity. The Group's objectives are:

- to increase the income of those with an investment in the company by optimising the ratio of equity to debt
- to ensure that all Group companies are able to operate under the going concern principle
- to achieve a return for investors commensurate with the level of risk

The Group regularly monitors the equity structure by means of the equity ratio, the gearing ratio and return on equity. The equity ratio for 2019 amounts to 62% (2018: 13%).

10. Significant changes to the scope of consolidation

10.1 Significant changes in 2019

The number of consolidated companies shows the following development during the last two years:

	2019		2018	
Development/number of consolidated companies	**full-consolidation**	**equity-consolidation**	**full-consolidation**	**equity-consolidation**
as of 1.1.	**9**	**0**	**7**	**0**
first consolidation in the reporting year				
start-up	0	0	1	0
acquisition	0	0	1	0
deconsolidated in the reporting year	1	0	0	0
as of 31.12.	**8**	**0**	**9**	**0**

(see also Note 2 "Significant changes in the current reporting period").

The liquidation of Aluflexpack Deutschland GmbH was completed in October 2019.

10.2 Significant changes in 2018

10.2.1 Business combinations

Acquisition of subsidiary

On 26 September 2018 the Group acquired 80% of the shares and voting interest in Arimpeks Aliminyum San. İç ve Dış Tic. A.Ş. ("Arimpeks"). Acquiring Arimpeks will enable the Group to further strengthen its market position in the Pharma end customer segment as well as to enhance its technology portfolio.

For the three months period ended 31 December 2018, Arimpeks contributed revenue of T€ 3.485 and profit of T€ 613 to the Group's result. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been € 191 Mio. and consolidated income for the period would be close to zero.

11. Consolidated Cash Flow Statement

Liquid funds are composed of cash on hand and credit balances at banks readily convertible into a known amount of cash within original maturities of three months or less.

The cash flow from investing activities is affected from payments for investments in property, plant and equipment T€ 32,418 (2018: T€ 18,316) and intangible assets T€ 489 (2018: T€ 289). In 2018, additionally from payments received for disposals in property, plant and equipment T€ 14,595 and to payments made for the acquisition of subsidiaries.

The cash flow from financing activities shows especially the proceeds received from the issuance of share capital, payments for the costs of initial public offering, issuances and repayments of granted loans by European Bank for Reconstruction and Development and OTP Banka (see Note 21 "Financial liabilities") and the repayments of financial liabilities to related companies (see Note 29 "Related parties").

12. Segment reporting

12.1 Basis for segmentation

The Group operates in one industry segment which encompasses the production of flexible packaging and conversion of aluminium foil, paper and flexible films. The Group is producing a wide range of flexible packaging products and solutions by converting and refining aluminium foil, paper and flexible films. The allocation of resources and performance assessment is made at Group level. The Group's organization is not divided into business units, neither in the management structure nor in the internal reporting system.

The Group has the following production factories:

- Production plant Zadar (Croatia)
- Production plant Umag (Croatia)
- Production plant Drnis (Croatia)
- Production plant Omis (Croatia)
- Production plant Einsiedeln (Switzerland)
- Production plant La Ferte-Bernard (France)
- Production plant Istanbul (Turkey)

In 2018, the Group has changed its reporting structure due to legal reorganizations ('restructuring') as set out in note 2 above. A new Board of Directors was established and defined as the Chief Operating Decision Maker (CODM). The CODM receives a monthly reporting, which includes figures on a Group wide level. For the single products, no segment manager is installed and neither an allocation of resources nor a performance review for single products is done by the CODM.

12.2 Entity-wide disclosures

Revenue and non-current-assets – Geographic information by countries

(in T€)	2019 Net Sales	2019 Non-current assets	2018 Net Sales	2018 Non-current assets
Croatia	14,556	83,207	14,560	60,240
Germany	33,193		28,575	
Italy	14,139		16,477	
Poland	9,577	157	8,470	25
Liechtenstein	14,937	11,704	13,340	7,736
Switzerland	3,674		4,256	
Denmark	477		1,467	
Czech Republic	2,782		2,762	
France	63,741	13,996	53,195	9,161
Austria	1,513	154	1,497	2
Netherlands	9,284		8,046	
Turkey	13,507	22,911	3,319	21,928
Russia	1,459		1,539	
Other Europe	17,201		16,907	
America	5,161		5,220	
China	1,586		1,545	
Other Asia	873		280	
Africa, Australia and New Zealand	271		287	
Total Group	**207,931**	**132,129**	**181,741**	**99,093**

The geographic information on revenues in the table above is based on the customers' location.

(in T€)	2019 Net sales w/o IC	2019 Trade receivables	2018 Net sales w/o IC	2018 Trade receivables
thereof product sales	207,074	22,829	181,461	22,438
thereof service sales	857	1	280	192
Total Group	**207,931**	**22,830**	**181,741**	**22,630**

For the 12 months ended 31 December 2019, transactions with one external customer accounted for more than 15% but less than 20% of the Group sales (2018: one external customer, more than 10% but less than 15%).

No information is provided about remaining performance obligations at 31 December 2019 or at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

13. Intangible assets

(in T€)	Goodwill	Customer relationships and other intangible assets	Corporate brand	Licenses	Total
COST					
Balance as of January 01, 2018	**5,317**	**8,811**	**1,677**	**1,064**	**16,869**
FX differences	92	171	64	4	331
Change in consolidation scope	4,778	14,199	3,073	0	22,050
Additions	0	269	0	20	289
Transfer	0	21	0	0	21
Balance as of December 31, 2018	**10,187**	**23,471**	**4,814**	**1,088**	**39,560**
FX differences	261	732	196	-6	1,183
Additions	0	140	0	349	489
Disposals	0	0	0	-6	-6
Transfer	0	-274	0	274	0
Balance as of December 31, 2019	**10,448**	**24,069**	**5,010**	**1,699**	**41,226**
ACCUMULATED AMORTIZATION and IMPAIRMENT LOSSES					
Balance as of January 01, 2018	**0**	**6,297**	**1**	**688**	**6,986**
FX differences	0	163	0	3	166
Additions	0	1,647	0	176	1,823
Balance as of December 31, 2018	**0**	**8,107**	**1**	**867**	**8,975**
FX differences	0	108	-14	-4	90
Additions	0	1,787	281	167	2,235
Disposals	0	0	0	-6	-6
Balance as of December 31, 2018	**0**	**10,002**	**268**	**1,024**	**11,294**
CARRYING AMOUNT					
Carrying amount January 01, 2018	5,317	2,514	1,676	376	**9,883**
Carrying amount December 31, 2018	10,187	15,364	4,813	221	**30,585**
Carrying amount December 31, 2019	10,448	14,067	4,742	675	**29,932**

The goodwill reflects the acquisition of 85% of the capital stock and voting rights of Process Point Ser-vice AG on October 1, 2013, the acquisition of 80% of the capital stock and voting rights of French Eliopack-Group in 2015 and the acquisition of 80% of the shares and voting interest in Arimpeks on 26 September 2018.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there are indications of impairment. An impairment loss is recognized if the book value is higher than the higher of fair value less costs to sell and value in use.

Intangible assets with finite useful lives are recognised at cost less cumulative amortisation and impairment losses.

The book value of goodwill, customer relationships, similar intangible assets and corporate brands is allocated to the individual cash-generating units as follows:

2019 (in T€)	Goodwill	Customer relationships with finite useful life	Similar intangible assets with finite useful life	Corporate brands with finite useful life	Corporate brands with indefinite useful life
Omial Group	2,576				1,807
Eliopack Group	2,928	246	93		
AFP Novi			128		
Arimpeks	4,944	13,558	42	2,935	
Total	**10,448**	**13,804**	**263**	**2,935**	**1,807**

2018 (in T€)	Goodwill	Customer relationships with finite useful life	Similar intangible assets with finite useful life	Corporate brands with finite useful life	Corporate brands with indefinite useful life
Omial Group	2,481		251		1,740
Eliopack Group	2,928	906	141		
AFP Novi			71		
Arimpeks	4,778	13,958	37		3,073
Total	**10,187**	**14,864**	**500**	**0**	**4,813**

A reevaluation was carried out for the corporate brand of Arimpeks in 2019. A reclassification from indefinite useful life to finite useful life was carried out.

Another Corporate brand is accounted for with an indefinite useful life as this is a well recognised brand in the market and the entity has not the intention to stop using the brand in the foreseeable future.

Value in use is calculated using the discounted cash flow method and is based on internal projections, which are prepared in detail for the following three financial years. After these three years an inflation-protected level is assumed in the absence of significant evidence to the contrary. The projections are derived from previous results and past experience as well as management's best estimates of probable future developments. It is assumed that the Cash Generating Units will not experience any significant organisational changes. The discount rate applied to the calculation of discounted cash flows is the interest rate that reflects current market estimates of the time value of money and the specific risk related to respective Cash Generating Unit. Since the cash flows reflect tax expenditure, the discount rate is applied after taxes. Applying the discount rate after taxes leads to a similar result as applying a discount rate before taxes to cash flows before taxes.

The calculations for 2019 and 2018 are based on the following assumptions:

2019	Post-tax WACC	Pre-tax WACC	Growth rate after detailled planning period
Omial Group	9.58%	11.08%	1.10%
Eliopack Group	8.72%	10.96%	1.40%
Arimpeks	11.18%	15.04%	3.00%

2018	Post-tax WACC	Pre-tax WACC	Growth rate after detailled planning period
Omial Group	9.72%	11.11%	2.00%
Eliopack Group	7.73%	10.42%	2.00%
Arimpeks	10.98%	13.50%	2.10%

Impairment tests revealed that all goodwill items and intangibles with indefinite useful life were fully recoverable. Thus no impairment losses were recognised for the items in question during the reporting period. In addition, the goodwill items were tested by means of sensitivity analyses with the following results:

The goodwill impairment test for Omial-, Eliopack Group and Arimpeks resulted in a value in use that exceeded the carrying amount. The value in use would lead to a carrying amount equal to the book value at a post-tax WACC discount rate of 23,86%, 19,20% resp. 12,14% (instead of 9,58%, 8,72% resp. 11,18%) or a negative growth rate in the terminal value of 35,32%, 20,43% resp. positive 1,50%.

The difference between the carrying amount and value in use for the CGU Arimpeks amounts to T€ 3,300.

14. Property, plant and equipment

31. December 2019 (in T€)	Land	Buildings	ROU - Land & Buildings	Technical equipment and machinery	ROU - Technical equipment and machines	Other equipment	ROU - Other equipment	Plant under construction and payments in advance	Property, plant and equipment
COST									0
Balance as of December 31, 2018	**1,402**	**4,516**	**0**	**85,116**	**0**	**6,786**	**0**	**15,826**	**113,646**
FX differences	-5	-16	6	-79	125	-65	-7	-82	-123
Balance at 1 January 2019 - initial recognition IFRS 16	0	0	11,528	0	10	0	1,505	0	13,043
Change in consolidation scope	0	0	0	0	0	0	0	0	0
Additions	0	7	0	7,490	1,605	2,330	1,199	24,908	37,539
Disposals	0	0	0	-3,854	0	-459	0	0	-4,313
Transfer	0	0	0	-1,448	5,967	2,282	20	-6,820	0
Other adjustment	0	0	0	0	0	-34	0	-45	-79
Balance as of December 31, 2019	**1,397**	**4,507**	**11,534**	**87,225**	**7,707**	**10,840**	**2,717**	**33,787**	**159,714**
ACCUMULATED DEPRECIATION									
Balance as of December 31, 2018	**0**	**1,144**	**0**	**41,122**	**0**	**2,589**	**0**	**283**	**45,138**
FX differences	0	-4	11	-14	21	32	-1	11	56
Additions	0	217	2,065	10,511	443	1,532	586	-15	15,339
Additions Impairment	0	104	0	769	0	118	0	0	991
Disposals	0	0	0	-3,550	0	-457	0	0	-4,007
Transfer	0	0	0	-2,329	2,243	81	5	0	0
Balance as of December 31, 2019	**0**	**1,461**	**2,076**	**46,509**	**2,707**	**3,895**	**590**	**279**	**57,517**
CARRYING AMOUNT									
Carrying amount January 01, 2018	1,402	3,372	0	43,994	0	4,197	0	15,543	**68,508**
Carrying amount December 31, 2018	1,397	3,046	9,458	40,716	5,000	6,945	2,127	33,508	**102,197**

Capital expenditure focused on expanding production capacities, especially in Croatia and France.

Contractual commitments for the acquisition of property, plant and equipment amount to T€ 2,332 (2018: T€ 672).

31. December 2018 (in T€)	Land	Buildings	Technical equipment and machinery	Other equipment	Plant under construction and payments in advance	Property, plant and equipment
COST						
Balance as of December 31, 2017	**2,105**	**13,235**	**77,141**	**5,374**	**13,386**	**111,241**
FX differences	7	41	527	152	68	795
Change in consolidation scope				257	3	260
Additions		107	5,149	1,371	10,666	17,293
Disposals	-710	-8,813	-1,612	-400	-4,412	-15,947
Transfer		-54	3,909	32	-3,887	-1
Balance as of December 31, 2018	**1,402**	**4,516**	**85,116**	**6,786**	**15,826**	**113,646**
ACCUMULATED DEPRECIATION						
Balance as of December 31, 2017	**0**	**2,487**	**31,164**	**1,791**	**149**	**35,591**
FX differences		8	228	19	9	264
Additions		692	11,246	1,146	125	13,209
Additions Impairment			107	15		122
Disposals		-2,043	-1,623	-382		-4,048
Balance as of December 31, 2018	**0**	**1,144**	**41,122**	**2,589**	**283**	**45,138**
CARRYING AMOUNT						
Carrying amount December 31, 2017	2,105	10,748	45,977	3,583	13,237	**75,650**
Carrying amount December 31, 2018	1,402	3,372	43,994	4,197	15,543	**68,508**

On 27 December 2018, Omial Novi d.o.o. and Aluflexpack Novi d.o.o. entered into sale and leaseback transactions with WertInvest Nekretnine d.o.o., Croatia, an entity beneficially controlled by our indirect sole shareholder DDr. Tojner, with respect to the owned properties and buildings situated on such properties in Zadar, Drniš and Omiš in Croatia. The purchase price for the Zadar, Drniš and Omiš properties was T€ 2,888, T€ 6,200 and T€ 5,500, respectively (excluding VAT). The sale and lease-back agreements contain customary pre-emption clauses in favor of Omial Novi d.o.o. and Aluflexpack Novi d.o.o., respectively. The term of the sale and leaseback agreements regarding such properties is seven years; thereafter, Omial Novi d.o.o. and Aluflexpack Novi d.o.o., respectively, have the option to re-purchase the properties at the then current market value, as appraised by a duly licensed, certified court appraiser for valuation of real estates, which option expires three months after the expiry of the term of such sale and leaseback agreements. Upon exercise of the re-purchase option, WertInvest Nekretnine d.o.o. will be obligated to enter into sale and purchase agreements regarding the relevant properties.

The disposals in 2018 regarding plant under construction relates to the sale and leaseback transactions in Croatia (see above).

Capital expenditure focused on expanding production capacities.

15. Leases

The Group applies IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been adjusted and is reported in accordance with IAS 17 and IFRIC 4. The details of the accounting policies in accordance with IAS 17 and IFRIC 4 are disclosed separately if they differ. Regarding leases see also note 7 "Changes in significant accounting policies".

15.1 Amounts included in the income statement

2019 - Leases in accordance with IFRS 16

(in T€)	2019
Depreciation of ROU (PPE)	-3,098
Interest expense lease liabilities	-495
Short-term lease expenses	-133
Expenses from leases for low-value assets, excluding short-term leases for low-value assets	-557
Total values recorded in the income statement	**-4,283**

2018 - Operating leases under IAS 17

(in T€)	2018
Total payments recorded as an expense in the period	-2,118
thereof payments from subleases (-)	-5

15.2 Total cash outflow for leases

(in T€)	2019
Total cash outflow for leases	-4,446

15.3 Leases in which the Aluflexpack Group is the lessor

There are no leases in which the Aluflexpack Group is the lessor.

16. Other receivables and assets

Other current receivables and assets are composed as follows:

(in T€)	31.12.2019	31.12.2018
Other receivables and assets	5,190	1,985
Prepaid expenses / deferred charges	2,167	2,060
Other tax receivables	3,332	1,453
Securities with a duration of 3-12 months	5	16
Total	**10,695**	**5,514**

The Company recognised a receivable for the insurance compensation in the amount of T€ 3,354. The insurance compensation is shown in "Other receivables and assets" (see also Note 25 "Other operating income").

17. Inventories

Inventories are distributed amongst the individual items as follows:

(in T€)	31.12.2019	31.12.2018
Raw materials and supplies	16,271	18,083
Tools and replacement parts	1,136	1,172
Unfinished goods and services	15,776	16,497
Finished goods, merchandise and payments in advance	15,538	13,638
Inventories	**48,721**	**49,390**
valuation adjustment realised in the profit and loss statement	579	0

The valuation adjustments result from the fire at Eliopack (see also Note 16 "Other receivables and assets" and Note 25 "Other operating income").

18. Cash and cash equivalents

Cash and cash equivalents are distributed as follows:

(in T€)	31.12.2019	31.12.2018
Cash	7	16
Bank deposits	62,816	18,960
Total	**62,823**	**18,976**

19. Employee benefits

19.1 Composition of post-employment and other employee benefits

(in T€)	31.12.2019	31.12.2018
Net defined benefit liability	1,189	766
Severance payments	342	355
Anniversary bonuses	184	263
Employee bonuses	488	245
Other accruals for personnel	16	0
Entitlement to holiday, overtime, compensatory time	628	733
Redundancy payments	321	0
Total liabilities for employee benefits	**3,168**	**2,362**
thereof current	1,453	978
thereof non-current	1,715	1,383

Defined benefit pension plan

The two most significant plans are located in Liechtenstein and Switzerland (LLB Vorsorgestiftung für Liechtenstein for its employees in Liechtenstein and PKG Pensionskasse für KMU for its employees in Switzerland).

(in T€)	31.12.2019	31.12.2018
Present Value of Defined Benefit Obligation	3,673	2,828
Fair Value of Plan Assets	-2,484	-2,062
Net liability (+) / Net asset (-) in balance	**1,189**	**766**
thereof Switzerland	763	476
thereof Liechtenstein	426	290

Characteristics of defined benefit plans and risks associated with them

The Swiss pension plan is governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The pension plan in Liechtenstein is governed by Liechtenstein Law (Gesetz über die betriebliche Personalvorsorge (BPVG)). For both jurisdictions the assets of the pension plan are held within a separate foundation and cannot revert to the employer. Pension plans are overseen by a regulator as well as by a state supervisory body.

The Swiss Group entity and also the Liechtenstein Group entity are affiliated to a collective pension fund. The plans are fully segregated from the ones of other participating employers.

The most senior governing body of the collective foundation is the Board of Trustees. All governing and administration bodies have an obligation to act in the interests of the plan participants.

Plan participants, their spouse and children are insured against the financial consequences of old age, disability and death. Their benefits are defined in pension plan rules compliant with the BVG in Switzerland and the BPVG in Liechtenstein, which is specifying the minimum benefits that are to be provided. Retirement benefits are based on the accumulated retirement capital which can either be drawn as a life-long annuity or as a lump sum payment.

The accumulated retirement capital is made of the yearly contributions towards the old age risk by both employer and employee and the interest thereon until retirement. Contributions towards the old age risk are based on the rules defined by the Board of Trustees of the collective foundations.

For Switzerland minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2018 and 2019 the minimum interest was 1.00%.

According to IAS 19, the both pension plans are classified as "defined benefit" plan.

Movement in net defined benefit (asset) liability

The development of the pension obligation and the changes in the plan assets for the defined benefit pension plans can be illustrated as follows:

	Net liability		Fair Value of Plan Assets		Present Value of Defined Benefit Obligation	
(in T€)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fair Value / Present Value at 1 January	766	683	-2,062	-1,779	2,828	2,462
Included in profit or loss						
Current service cost	158	152			158	152
Past service cost	0	0			0	0
Interest cost (income)	6	4	-17	-11	23	15
Plan amendments	-15	0			-15	
	149	**156**	**-17**	**-11**	**166**	**167**
Included in OCI						
(i) Remeasurement loss (gain):						
Actuarial loss (gain) arising from:	457	-52			457	-52
- experience adjustment	70	60			70	60
- demographic assumptions	0	0			0	0
- financial assumptions	387	-112			387	-112
Return on plan assets excluding interest income	-106	55	-106	55		
(ii) Effect of movements in exchange rates:	27	20	-88	-67	115	87
	378	**23**	**-194**	**-12**	**572**	**35**
Other						
Changes in consolidation scope	0	0	0	0	0	0
Contributions paid by the employer	0	0		0	0	0
Employers contributions	-115	-96	-115	-96		
Employee contributions	0	0	-115	-96	115	96
Benefis paid	0	0	8	-68	-8	68
Administration expense	11		11			
	-104	**-96**	**-211**	**-260**	**107**	**164**
Balance at 31 December	**1,189**	**766**	**-2,484**	**-2,062**	**3,673**	**2,828**
funded via provision	0	0			0	0
funded via plan assets	1,189	766			3,673	2,828
- Thereof Switzerland	763	476	-1,337	-1,051	2,100	1,527
- Thereof Liechtenstein	426	290	-1,147	-1,011	1,573	1,301

Plan assets

The market value of assets of the LLB Vorsorgestiftung für Liechtenstein is based on the information provided by the pension fund as of 31 December 2019.

The market value of assets the PKG Pensionskasse für KMU is based on the information provided by the pension fund as of 30 November 2019. This was projected to 31 December 2019 based on the expected contributions for the month of December and an expected return equal to the discount rate of 0.20%.

Actuarial assumptions

The actuarial assumptions of the pension plan in Liechtenstein and Switzerland (pension plan of Process Point Service AG) are as follows:

	31.12.2019	31.12.2018
Discount rate (in %)	0.20%	0.80%
Salary increase (in %)	1.00%	1.00%
Pension indexation (in %)	0.00%	0.00%
Inflation rate (in %)	1.00%	1.00%
Fluctuation employees (in %)	0.00%	0.00%
Mortality/Disability Rates	BVG2015	BVG2015
Average retirement age (men)	65	65
Average retirement age (women)	64	64

The actuarial assumptions are recalculated at the end of each financial year. The actuarial assumptions are used to determine the liabilities at the end of the year and the pension costs of the following year.

Sensitivity Analysis

A change in the above-mentioned actuarial assumptions used to determine the DBO as at 31.12.2019/31.12.2018 would increase or reduce the corresponding DBO (and ceteris paribus also the net pension liability) of the company as follows:

	31.12.2019 - Reduction / + Increase in DBO	31.12.2018 - Reduction / + Increase in DBO
Discount rate -0.25%	191	140
Discount rate +0.25%	-175	-129
Salary increase -0.25%	-32	-23
Salary increase +0.25%	33	24

Provisions for redundancy (balance sheet)

At the end of October 2019, the employment relationship with Mr. Wingefeld (COO) was terminated while observing the agreed notice period of 12 months. The employment relationship ends on October 31, 2020. A provision of T€ 320 was therefore posted for the expected expenses in 2020 (see also Note 24 "Personnel expenses").

20. Equity

20.1 Capital stock

The company Aluflexpack AG was incorporated on 31 July 2018 with 100,000 shares and a fully paid-in share capital of CHF 100,000 (T€ 86).

As of 27 June 2019, the extraordinary shareholder's meeting decided to increase the Company's share capital from CHF 100,000 to CHF 17,300,000 (T€ 15,553) by issuing 17,200,000 registered shares of the Company with a nominal value of CHF 1,00 (in total T€ 15,467) each against contribution in cash.

In the first tranche 9,900,000 registered shares of the Company with a nominal value of CHF 1,00 were issued and subscribed by the controlling shareholder (Montana Tech Components AG) for a total amount of T€ 10,000. In the second tranche 7,300,000 registered shares of the Company with a nominal value of CHF 1,00 were issued as part of the initial public offering for CHF 21 per share in cash, totaling TCHF 153,300 (T€ 138,038).

Transaction costs for the initial public offering incurred in the amount of TCHF 10,573 (T€ 9,505). Thereof TCHF 7,513 (T€ 6,765) are recognised directly in equity within the capital reserve and the remaining costs of TCHF 3,060 (T€ 2,751) are included in "Other operating expenses".

As of 31 December 2019, the total authorized and issued number of ordinary shares comprises 17,300,000 shares with a nominal value of CHF 1.00 each. The split of the capital stock is shown in the table below.

Capital stock	December 31, 2019	December 31, 2018
Nominal value per share (CHF)	1.00	1.00
Total number of shares	17,300,000	100,000
Total amount of share capital (CHF)	17,300,000	100,000

The Principal Shareholder (Montana Tech Components AG) holds 53.6% of the shares as of 31 December 2019.

20.2 Capital reserves

In 2018, the capital reserves increased due to contribution in kind by T€ 1,958, whereof T€ 1,911 relate to a voluntary one-off bonus payment to key management personnel (see also Note 24).

In the first half of 2019, the capital reserves increased due to contribution in kind in Aluflexpack AG by T€ 8,123 (see also Note 24).

TCHF 1,221 (T€ 1,098) were allocated to the capital reserve from the first tranche of the increase of the share capital and TCHF 146,000 (T€ 131,473) were allocated to the capital reserve from the proceeds of the initial public offering.

20.3 Earnings per share

The calculation of earnings per share has been based on the profit or loss attributable to shareholders of Aluflexpack AG as presented in the consolidated income statement and the weighted average of shares in circulation as of 31 December 2019, taking into account the legal restructuring. As a result of applying IAS 33, the number of shares outstanding for the comparative period is adjusted as if the legal restructuring had occurred at the beginning of the earliest period presented (i.e. 1 January 2018).

The number of shares increased as follows in 2019:

	December 31, 2019	December 31, 2018
Total number of shares	17,300,000	100,000
Weighted average of ordinary shares in circulation	8,912,055	100,000
Result of the period attributable to the Owners of the company in T€€	-3,490	-1,272
Basic earnings per share in EUR	-0.4	-12.7
Diluted earnings per share in EUR	-0.4	-12.7

20.4 Nature and purpose of reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.5 Dividends

The Company has not paid any dividends in the periods presented.

21. Financial liabilities

21.1 Changes in liabilities arising from financing activities

(in T€)	31.12.2018	Currency translation	Reclassi-fication	Repayment	Proceeds	Acquisition	Interest accrued/ other changes	Changes in Fair value	31.12.2019
Non-current financial liabilities									
Bank loans and borrowings	23,527	-2	-5,440	-392	5,185		37		**22,916**
Loans from affiliated companies	43,979			-43,979					**0**
Other financial liabilities*	7,589	124	3	0			-1,770		**5,947**
Current financial liabilities liabilities									
Bank loans and borrowings	17,581	-61	5,440	-16,942	62		0		**6,080**
Loans from affiliated companies	23,776			-23,776					**0**
Other financial liabilities*	0		0	0					**0**
Total	**116,453**	**62**	**3**	**-85,088**	**5,246**	**0**	**-1,732**	**0**	**34,944**

* not including lease liabilities according to IFRS 16 T€ 15.812 (2018 capital lease obligations: T€ 3.259) and accrued interest payable (3rd party) T€ 9 (2018: T€ 8)

(in T€)	31.12.2017	Currency translation	Reclassi-fication	Repayment	Proceeds	Acquisition	Interest accrued/ other changes	Changes in Fair value	31.12.2018
Non-current financial liabilities									
Bank loans and borrowings	20,858	-196	-6,279	-510	9,654		0		**23,527**
Loans from affiliated companies	39,534			-36	3,000		1,481		**43,979**
Other financial liabilities*	2,408	81	-8	-1,000		5,053	-100	1,156	**7,589**
Current financial liabilities liabilities									
Bank loans and borrowings	19,823	-163	6,279	-8,577	207		13		**17,581**
Loans from affiliated companies	146				23,192		438		**23,776**
Other financial liabilities*	8		8	-16					**0**
Total	**82,777**	**-278**	**0**	**-10,140**	**36,052**	**5,053**	**1,832**	**1,156**	**116,453**

* not including capital lease obligations T€ 3.259 (2017: T€ 3.087) and accrued interest payable (3rd party) T€ 8 (2017: T€ 11)

21.2 Bank loans and borrowings

(in T€)	Original currency	Maturity	Interest calculation type	Effective interest rate in %	Credit line	Carrying amount in reporting currency 2019	Carrying amount in reporting currency 2018
Loan	EUR	15/06/20	variabel	3.0%	1,546	210	
Loan	EUR	15/06/20	fix	3.0%	773	105	
Loan	EUR	15/12/23	variabel	1.8%	7,438	5,861	
Loan	EUR	15/12/25	variabel	1.5%	12,463	6,896	
Loan	EUR	15/12/25	variabel	1.5%	12,463	6,896	
Loan	EUR	15/06/20	variabel	3.0%	140	140	
Loan	EUR	15/06/20	variabel	3.0%	70	70	
Loan	EUR	31/12/23	variabel	1.8%	7,566	7,566	
Loan	EUR	> 1 year	fix	1.5%	870	297	
Loan	EUR	> 1 year	fix	3.0%	340	115	
Loan	EUR	> 1 year	fix	1.1%	820	397	
Loan	EUR	> 1 year	fix	1.2%	250	152	
Loan	EUR	< 1 year	fix	1.2%	200	200	
Loan	EUR	< 1 year	fix	4.0%	400	31	
Loan	EUR	< 1 year	fix	4.0%	200	59	
Total liabilities to financial institutions						**28,996**	**41,108**
Thereof current liabilities to financial institutions						22,916	23,527
Thereof current liabilities to financial institutions						6,080	17,581

The European Bank for Reconstruction and Development and Splitska Banka granted Aluflexpack a loan in the amount of T€ 30,000 in October 2013, which was successively drawn down in tranches in 2013 and 2014.

The European Bank for Reconstruction and Development granted Aluflexpack to extend the existing loan in the amount of up to T€ 20,000 in July 2016. The loans were used for refinancing and investing activities.

Splitska Banka granted Aluflexpack to extend an existing Working Capital loan in the amount of up to T€ 10,000 in September 2017.

On 16 August 2018, Aluflexpack Novi, as borrower, entered into two parallel investment and working capital loans with Splitska Banka and EBRD, each as lender, in an amount of T€ 12,500 each (amounting to a total principal amount of T€ 25,000).

All loans are guaranteed by Montana Tech Components AG.

For liabilities at variable interest rates, the fair value corresponds to the reported carrying amount.

At the balance sheet date, divisional equity investments are pledged in connection with credit agreements. The shares of the subsidiaries Omial Novi d.o.o., Omis, Croatia and Alufexpack Novi d.o.o., Zadar, Croatia are pledged in favour of the European Bank for Reconstruction and Development („EBRD") and Societe Generale – Splitska Banka d.d. as security for the loan of 28 October 2013 and 11 July 2016 between the subsidiaries and EBRD.

Moreover, the Group is required to adhere to various defined financial ratios under the credit agree-ments (including interest coverage ratio, total liabilities to equity ratio, current ratio, net financial debt to EBITDA ratio). For the loan exists a guarantee of Montana Tech Components AG, Switzerland.

The financial ratios shall be tested semi-annually by reference to the financial position as of 30 June and 31 December.

All of these bank covenants have been met as of 31 December 2019.

21.3 Other financial liabilities and loan liabilities to affiliated companies

Other financial liabilities and loan liabilities to affiliated companies are composed as follows:

(in T€)	31.12.2019	31.12.2018
Finance lease liabilities (according to IAS 17)	0	3,259
Lease liabilities (according to IFRS 16)	15,812	0
Other financial liabilities	5,957	7,589
Loans from affiliated companies	0	67,755
Other financial liabilities and loans from affiliated companies	**21,769**	**78,603**
Thereof current	3,392	24,699
Thereof non-current	18,377	53,904

As mentioned in the prospectus of the Initial Public Offering, the company used a part of the net proceeds of the Offering and repaid all loans from affiliated companies in early July 2019.

In accordance with the shareholder agreement of 26 August 2018 between Aluflexpack AG and one existing shareholder of Arimpeks, a put option is granted to the non-controlling shareholder that conveys the right to sell their 20% interest in Arimpeks to Aluflexpack AG. In addition, a call option is granted to Aluflexpack AG to buy the remaining 20% interest in Arimpeks. The option price for the share options (20% of the entire share capital) is calculated as the higher of 1) the equity value for 20% of shares or 2) based on a calculated enterprise value for 100% of the shares. The written put option is recognized as "other financial liability" and no interest of non-controlling shareholders is presented since it is deemed to have acquired the 20% interest at the date of acquisition. The liability is recognized at the present value of the exercise price of the option which amounts to T€ 4,647 (2018: T€ 6,026).

In accordance with the Framework- and Syndicate contract of 30 September 2013, AFP Group GmbH (as the controlling shareholder of Omial Novi d.o.o) has the obligation to take up the shares which were sold in 2013, when certain agreed criteria are met and upon receipt of a written request from the non-controlling shareholders according to the conditions of the Framework- and Syndicate contract. The take-up price to be paid by AFP Group GmbH will be determined at the time of the exercise of the put-option by the non-controlling interests.

According to the share purchase agreement of 5 August 2014, Omial Novi d.o.o. (as the controlling shareholder of Process Point Service AG) has the obligation to take up the shares upon receipt of a written request from the non-controlling shareholders according to the share purchase agreement. The take-up price to be paid by Omial Novi d.o.o. will be determined at the time of the exercise of the put-option by the non-controlling interests.

The fair value for both obligations amount to T€ 1,300 (2018: T€ 1,300).

22. Accruals

Accruals comprise the following significant items:

(in T€)	31.12.2019	31.12.2018
Audit, tax advisory and legal advisory	596	148
Outstanding invoices	183	354
Customer bonuses, rebates and discounts	1,957	1,787
Other accruals	29	27
Accruals	**2,765**	**2,316**

23. Other liabilities

The split of other liabilities is as follows:

(in T€)	31.12.2019	31.12.2018
Deferred income	104	221
Other tax payables	1,515	2,816
Derivative financial instruments	175	1,877
Other	2,887	2,672
Other liabilities	**4,681**	**7,586**
thereof current	4,037	6,636
thereof non-current	645	950

24. Personnel expenses

Personnel expenses contain the following items:

(in T€)	2019	2018
Wages and salaries	25,178	21,669
Severance and redundancy	579	130
Compulsory social security expenses	1,450	1,160
Pension expenses	154	836
Other personnel expenses	8,435	2,260
Total	**35,796**	**26,056**

In April 2018 Montana Tech Components AG, the sole shareholder of AFP Group GmbH, made a voluntary one-off bonus payment in the amount of T€ 1,911 to key management personnel of Aluflexpack for work performed for AFP Group GmbH. Neither Aluflexpack nor any of its subsidiaries are required to reimburse Montana Tech Components AG for this expense. The aforementioned payment is included in personnel expenses and considered a contribution by shareholder (see also Note 20.2 concern-ing share premium) in 2018.

In 2019 Montana Tech Components AG, the main shareholder of Aluflexpack AG, made a one-off bonus payment in the amount of T€ 8,110 (T€ 8,123 if the day's current rate CHF/EUR is used) to key management personnel of Aluflexpack for work performed for Aluflexpack AG. Neither Aluflexpack nor any of its subsidiaries are required to reimburse Montana Tech Components AG for this expense. The aforementioned payment is included in personnel expenses and considered a contribution by shareholder (see also note 20.2 concerning share premium) in 2019.

At the end of October 2019, the employment relationship with Mr. Wingefeld (COO) was terminated while observing the agreed notice period of 12 months. The employment relationship ends on October 31, 2020. Therefore, T€ 370 thousand were booked in redundancy expenses.

At the end of 2019, the Aluflexpack Group had 1.215 employees (2018: 1.128).

25. Other operating income

Other operating income comprises the following significant items:

(in T€)	2019	2018
Income from reversal of provisions and accruals	0	8
Income from disposal of recycling products	4,684	4,907
Income from insurance	7,347	122
Rental income	12	11
Grants and public benefits	947	1,370
Other	1,490	4,254
Other operating income	**14,480**	**10,672**

As of 25 June 2019, the Company informed, that on the late afternoon of 24 June 2019, a fire occurred at the manufacturing facility of its subsidiary Eliopack in the industrial zone of Ajeux in La Ferté-Bernard, France. No human injuries or casualties have occurred. In the opinion of the management, depreciations on inventories amounting to T€ 579, impairments on technical equipment and machinery amounting to T€ 887 and other fire-related expenses amounting to T€ 3,953 were taken into account in the annual financial statements. Based on the current facts, the damages are fully covered by the insurance company. Therefore, the Company recognised insurance compensation in the amount of T€ 7,090. The insurance compensation is shown in "Other operating income".

In 2018, gains from disposal of PPE in the amount of T€ 2,695 are reported (see also note 14). These gains from disposal of PPE are shown under Other.

26. Other operating expenses

Other operating expenses comprise the following items:

(in T€)	2019	2018
Energy costs	7,036	6,817
Maintenance from third parties	2,010	1,748
Freight-out costs and customs duties	5,624	5,495
Commissions	135	94
Legal advice, audit and consulting fees	1,341	1,174
Rental and leasing expenses	690	2,121
Travel expenses	642	533
Phone and postal charges, IT supplies	577	565
Insurance	615	593
Marketing, advertising and entertainment expenses	496	438
Directors' remuneration	39	0
Taxes other than income taxes	519	559
Other operating expenses	9,783	2,007
Total other operating expenses	**29,507**	**22,144**

In 2019, other fire-related expenses amounting to T€ 3,953 were taken into account in the annual financial statements. These expenses are shown under Other operating expenses (see also Note 25 "Other operating income"). In addition, IPO costs in the amount of T€ 2,751 are shown under Other operating expenses.

27. Net financial result

The interest income is attributable to cash and cash equivalents. The interest expense is attributable to liabilities measured at amortised cost.

Other financial income and other financial expenses are composed as follows:

(in T€)	2019	2018
Foreign currency exchange gains	0	1,603
Other	3,358	100
Other financial income	**3,358**	**1,703**

(in T€)	2019	2018
Foreign currency exchange losses	1,586	653
Other	181	5,000
Loss from disposal of IC investment	8	0
Other financial expenses	**1,775**	**5,653**

In 2019, other financial income in the amount of T€ 1,740 relates to the valuation of derivative positions and T€ 1,618 relates to the remeasurement of the put option Arimpeks.

In 2018, other financial expenses valued at T€ 3,841 relate to the valuation of derivative positions, to expenses for bank charges and in the amount of T€ 1,156 to the remeasurement of the put option Arimpeks.

28. Income taxes

Amounts recognised in profit or loss

(in T€)	2019	2018
Current tax expense		
Current year	-1,700	-615
Changes in estimates related to prior years	0	7
	-1,700	**-608**
Deferred tax expense/income	-264	804
Tax expense/income for the year	**-1,963**	**197**

Reconciliation of effective tax rate

(in T€)	2019	2018
Result before tax	-1,464	-1,511
Income tax rate of the entity	11.4%	16.8%
Tax using the Group's weighted average applicable tax rate	167	254
Effect of tax rates in foreign jurisdictions	-726	0
Adjustments because of local tax rate changes as compared to the previous year	0	5
Changes in estimates related to prior years	-377	0
Effect of unrecognised tax losses brought forward from current profit or loss	-1,225	-223
Utilisation of unrecognised tax losses brought forward	0	656
Non-tax deductible expenses	-5	-162
Tax expense/tax income due to audit	0	7
Other	202	-341
Income tax	**-1,963**	**197**

The weighted average tax rate has been calculated ignoring algebraic signs.

Movement in deferred tax balances

The movement in deferred tax balances is as follows:

(in T€)	2019	2018
Net balance at 1 January	-3,110	-477
Recognised in profit or loss	-264	804
Acquired in business combinations		-3,498
Other	-124	61
Net balance at 31 December	**-3,498**	**-3,110**

The Group has the following unrecognised loss carryforwards that can be utilised for tax purposes:

(in T€)	31.12.2019	31.12.2018
in the forthcoming financial year - to be used within 1 year	0	1,183
within 6 years	338	0
within 7 years	13,640	325
no expiration	7,320	6,588
Total tax loss carryforwards as of end of period	**21,298**	**8,096**

Each year, the recognition of tax losses carried forward that can be utilised for tax purposes is reassessed based on current assumptions and management estimates. When doing so, those loss carryforwards are recognised that will be able to be used within the next five years based on the earnings situation at the specific company or consolidated tax group. In countries or for companies with a history of tax losses, where no other convincing evidence can be sustained that sufficient taxable profit will be available, deferred tax assets are only recognized to the amount that sufficient taxable temporary differences exist.

As of 31 December 2019, deferred tax assets in the amount of T€ 1,038 were recognised based on the aforementioned assessments (2018: T€ 1,233). All country-specific tax provisions were complied with and tax structuring possibilities taken account of.

Deferred tax assets and liabilities are attributable to the following balance sheet items:

(in T€)	Deferred tax assets	Deferred tax liabilties	31.12.2019 net	Deferred tax assets	Deferred tax liabilties	31.12.2018 net
Intangible assets	18	3,936	-3,918	18	3,937	-3,919
Property, plant and equipment	66	392	-326	62	135	-73
Inventories	0	268	-268	0	288	-288
Trade receivables	1	363	-362	6	325	-319
Other current receivables and assets	16	0	16	68	0	68
Non-current financial liabilities	367	0	367	246	0	246
Other non-current liabilities	14	0	14	25	0	25
Liabilities for employee benefits	212	0	212	154	0	154
Current financial liabilities	103	0	103	0	37	-37
Other current liabilities	16	241	-225	314	198	116
Tax loss carried forward	898	0	898	917	0	917
Offset	-674	-674	0	-577	-577	0
Total deferred tax assets / liabilities	**1,038**	**4,536**	**-3,498**	**1,233**	**4,343**	**-3,110**

Deferred tax liabilities were only recognised for temporary differences relating to investments in subsidiaries to the extent that taxes will be incurred upon reversal of the differences.

29. Related parties

The related parties include the members of Group Management, key shareholders and companies over which the key shareholders exert control or significant influence and pension funds existing for the benefit of employees to provide benefits after cessation of the employment relationship.

The main shareholder of Aluflexpack is Montana Tech Components AG, Switzerland. DDr. Michael Tojner, who holds the majority of voting rights either directly or indirectly via several companies, controls the Montana Tech Components AG.

29.1 Overview

The transactions and outstanding amounts with related parties were included in the following items in 2019 and 2018:

2019	Transaction volume		Outstanding amount	
Transaction type (in T€)	**Revenue**	**Expense**	**Receivables**	**Payables**
Transactions with persons and companies related to the main shareholder	0	1,186		20
Transactions with affiliated companies	238	3,208	0	69
Operating activity	**238**	**4,394**	**0**	**89**
Balance as of December 31, 2018				**67,755**
Loans granted				
Repayments				-67,755
Interest		1,136		
Transactions with affiliated companies	**0**	**1,136**		**0**
Financing activity	**0**	**1,136**		**0**
Total	**238**	**5,530**	**0**	**89**

2018	Transaction volume		Outstanding amount	
Transaction type (in T€)	**Revenue**	**Expense**	**Receivables**	**Payables**
Transactions with persons and companies related to the main shareholder *	14,588	399		31
Transactions with affiliated companies	138	90	132	15
Operating activity	**14,726**	**489**	**132**	**46**
Balance as of December 31, 2017				**39,680**
Loans granted				26,192
Repayments				-36
Interest		1,919		1,919
Transactions with affiliated companies	**0**	**1,919**		**67,755**
Financing activity	**0**	**1,919**		**67,755**
Total	**14,726**	**2,408**	**132**	**67,801**

* Regarding sale and leaseback transactions with WertInvest Nekretnine d.o.o. see Note 14 (“Property, plant and equipment”)

Loan repayments

As mentioned in the prospectus of the Initial Public Offering, the company used a part of the net proceeds of the Offering and repaid all loans from related parties in early July 2019 (see also Note 21.3. "Other financial liabilities and loan liabilities to affiliated companies").

29.2 Remuneration paid to the Group Management

Remuneration paid to the Group Management was as follows in the year under review:

(in T€)	2019	2018
Short-term employee benefits	8,538	2,270
Remuneration to Board- and Management members of AFP	**8,538**	**2,270**

Regarding the increase of short-term employee benefits compared to 2018, please see Note 24 "Personnel expenses".

Group Management consists of DI Igor Arbanas (CEO) and Mag. Johannes Steurer (CFO).

30. Contingent liabilities

As of the balance sheet date, the Group had no contingent liabilities.

31. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 7).

31.1 Basis of consolidation

i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

The consolidated financial statements and notes thereto include Aluflexpack as well as its subsidiaries. These are all companies over which the Group has control. The Group has control, when it 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. Generally, the ownership of more than 50% of voting shares provides an entity with control. The existence and effect of potential voting rights that are currently exercisable or convertible when assessing whether the Group controls another entity are taken into account.

The subsidiaries are consolidated as of the date on which control is transferred to the Group. They are de-consolidated on the date on which such control creases to exist.

iii) Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest over a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

31.2 Currency translation

i) Foreign operations

Assets and liabilities of foreign operations, including Goodwill and fair value adjustments arising from acquisitions, with a functional currency other than the Euro are translated into Euro at the exchange rates at the reporting date. Revenues and expenses are translated using average exchange rates for the year. Differences arising from the translation of assets and liabilities in comparison with the previous periods are recognized as a separate component of equity.

ii) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary items in foreign currency are translated using the exchange rates on the balance sheet date. Gains and losses resulting from foreign currency transactions are recognized in the income statement as incurred.

The currency translation exchange rates with a material impact on the consolidated financial state-ments are as follows:

1 Euro	Closing rate		Average rate	
Currency	**31.12.2019**	**31.12.2018**	**2019**	**2018**
HRK (Croatian Kuna)	7.4395	7.4125	7.4180	7.4182
PLN (Polish Zloty)	4.2568	4.3014	4.2976	4.2615
CHF (Swiss Franc)	1.0854	1.1269	1.1124	1.1550
TRY (Turkish Lira)	6.6843	6.0588	6.3578	5.7077

31.3 Financial instruments

31.3.1 Recognition and initial measurement

i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is

not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

31.3.2 Derivative financial instruments

The Group holds derivative financial instruments to hedge its commodity price risk. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

31.3.3 Equity

Share capital

Shares are part of equity since they are not repayable and there are no dividend guarantees. Any costs directly related to an increase in the share capital are deducted from equity.

Dividends

Dividends are reported as a liability as soon as they are approved by the Annual General Meeting.

31.4 Intangible assets

31.4.1 Goodwill

The positive difference between the fair value of the consideration transferred plus the recognised amount of non-controlling interests in the purchased company plus the fair value of existing equity shares in the company purchased in the case of an acquisition in steps and the fair value of all net assets acquired is recognised as goodwill (see Note 6). If the difference is negative, the profit is recognised immediately in profit or loss.

Goodwill is not systematically amortised but is tested for impairment at least once annually or whenever there is any indication of impairment (see Note 31.6 “Impairment”).

31.4.2 Research and development

Research costs incurred for the purpose of obtaining new technological knowledge or basic understanding are recognised as an expense. Development costs incurred to achieve new or significantly improved products or processes are capitalised provided all of the following conditions are fulfilled: Resources controlled by the entity from which future economic benefits are expected to flow to the entity, lack physical substance and identifiable. Capitalised development costs are recognised at cost less cumulative amortisation and any impairment (see Note 31.6 “Impairment”). Other development costs are recognised as an expense as incurred.

31.4.3 Other intangible assets

Other intangible assets include trademarks and patents, licenses, corporate brands and capitalised, acquired customer relationships.

Intangible assets with determinable useful lives are recognised at cost less cumulative amortisation and impairment losses (see Note 31.8 “Impairment”). Subsequent expenditures are capitalized if it is probable that they will increase the future economic benefit. All other expenses are charged directly to profit or loss when incurred. Intangible assets are amortised straight-line over their estimated useful lives, starting on the date on which they are available for use. The estimated useful life for concessions, licenses and other intangible assets is 3 to 16 years, and customer relationships with determi-nable useful lives are amortised over a period of 5 and 15 years.

Intangible assets with indeterminable useful lives such as Corporate Brands are not amortised but subjected to an annual impairment test (see Note 31.8 “Impairment”).

31.5 Property, plant and equipment

Property, plant and equipment is measured at cost less cumulative depreciation and any impairment losses. Items of property, plant and equipment with varying useful lives are recognised individually and depreciated separately. Subsequent expenditures are capitalized when it is probable that the economic benefit will flow to the entity. All other expenses for property, plant and equipment are recognised immediately as an expense.

With the exception of land, all property, plant and equipment is depreciated to profit or loss on a straight-line basis over the following expected useful lives:

Buildings	30 - 40 years
Technical equipment and machinery	4 - 25 years
Other equipment	3 - 15 years

The method of depreciation, the useful life and the assumed residual value, if not immaterial, are reviewed each year.

31.6 Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remearsurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

31.7 Inventories

Inventories are recognised at the lower of cost or net realisable value. Net realisable value is the esti-mated average selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Internally generated products are measured at the cost of conversion and purchased products at the cost of purchase. The cost of conversion includes direct materials and direct labour costs as well as the allocable portion of overheads. Fixed production overheads are based on the normal capacity of the production facilities. Inventories are generally measured using the first-in, first-out (FIFO) formula.

31.8 Impairment

Financial assets

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs (expected credit losses).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Non-financial assets

The carrying amounts of non-financial assets are assessed for indications of impairment as of each balance sheet date, except for assets from employee benefits (see 19 "Employee benefits"), invento-ries (see 17 "Inventories") and deferred tax assets (see 29 "Income taxes"). If there are any such indications, the recoverable amount is determined.

The recoverable amount is determined at the same time each year for goodwill and intangible assets with an indeterminable useful life or that are not yet available for use.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of the value in use and fair value less costs to sell. To estimate value in use, the estimated future cash flows are discounted to present value. When performing the impairment test, the assets are divided into the smallest group of assets that generates independent cash inflows (cash-generating units).

The goodwill acquired is allocated for the purpose of impairment testing to those cash-generating units that are expected to benefit from synergies from the underlying business combination.

An impairment loss exists if the carrying amount of an asset of a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in income. Impairment losses recognised for a cash-generating unit or a group of cash-generating units are first allocated to goodwill and then pro rata to the other assets of the unit or group.

Goodwill impairment is not reversed.

In the case of impairment losses recognised for other assets, an assessment is made at each balance sheet date as to whether there are indications that the loss may have decreased or may no longer exist. Reversals of impairment losses are made to the increased recoverable amount, which may not, however, exceed the original amortised carrying amount of the asset.

31.9 Non-current assets held for sale

Non-current assets or groups of assets, including directly allocable liabilities, are classified as "held for sale" and reported as a separate item in the balance sheet if the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and the sale must be highly probable.

Immediately before the asset is classified as "held for sale", the carrying amounts of the asset are remeasured in accordance with group-wide accounting policies. After reclassification, the assets (or disposal groups) are measured at the lower of the carrying amount and fair value less costs to sell. From such point onward the asset is no longer depreciated. Any impairment of a disposal group is first allocated to goodwill and then pro rata to the other assets and liabilities. Impairment losses from initial classification as "held for sale" are recognised in profit or loss.

31.10 Post-employment benefits and other employee benefits

The Group provides defined benefit or defined contribution pension plans for portions of the workforce in addition to the government retirement benefits. The pension plans provide age-related benefits and benefits in the event of death or invalidity.

31.10.1 Defined contribution plans

In the case of defined contribution plans, the expenses reported in the statement of profit or loss correspond with the contributions made by the employer.

31.10.2 Defined benefit plans

For all significant defined benefit plans, the defined benefit obligation (DBO) is determined each year by independent actuaries using the projected unit credit method. The fair value of plan assets is then deducted. The discount rate is based on the interest rate for high-quality corporate bonds having terms similar to those of the defined benefit obligations. Plan costs resulting from employee service in the current period (current service cost) are recognised in profit or loss.

Any increase in plan costs from past employee service that is attributable to new or improved plan benefits (past service cost) is recognised on a straight-line basis as an expense from post-employment or other employee benefits until the benefits concerned are vested. To the extent that the benefits are already vested immediately, the past service cost is recognised immediately.

Excess amounts of plan assets over the DBO are only recognised if they are actually available to the Group in the form of future contribution payments or reductions.

Service and interest cost are reported under personnel expenses.

31.11 Accruals

Accruals refer to future expenditures that are uncertain in terms of their amount or timing but where the uncertainty is less than in the case of provisions. Accruals include liabilities for items or services received or supplied that have neither been paid for nor invoiced or formally agreed. They also include current liabilities to employees (for instance bonuses or holiday entitlements). Accruals are carried in the amount of the expected utilisation.

31.12 Provisions

Provisions are recognised if the Group has a present obligation to a third party based on a past event, an outflow of resources to settle the obligation is probable and the amount of the obligation can be reliably estimated. Provisions are discounted where the effect is material.

Provisions where the outflow of resources is likely to occur within the next year are classified as current, and all other provisions as non-current.

31.13 Revenue and earnings recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. Customers obtain control of the products mainly upon arrival at the customer or when the goods are dispatched from the Group's warehouse. Invoices are generated and revenue is recognised at that point in time.

Invoices are usually payable within a range of 10 and 180 days (specified in the individual customer contracts).

At the end of the year, customer discounts are granted to certain customers, provided that a specific sales volume is exceeded (almost exclusively quantity discounts). Discounts are already being demarcated during the year.

Similar to the discounts, cash discounts granted are to be taken into account in the revenue recognition on an ongoing basis. Due to the insignificance, no significant implications were identified.

31.14 Net financial result

Net interest expense includes income from financial assets and cash and cash equivalents as well as expenses from liabilities to financial institutions and other financial liabilities. Interest income and expenses are recognised in profit or loss in the period in which they are incurred using the effective interest rate method.

The Group recognises borrowing costs incurred in connection with the acquisition of a qualifying asset in accordance with IAS 23.4. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Dividend income is recognised in income when the right to receive payment is established.

31.15 Income taxes

Income taxes include both current and deferred taxes on income. Income taxes are normally recognised in profit or loss unless they refer to an item that is recognised directly in the consolidated statement of comprehensive income.

Current income taxes are charged on taxable profit based on the tax rates applicable at the balance sheet date including expenses for taxes for past periods.

Under the balance sheet liability method, deferred taxes are calculated for all temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base. Deferred taxes are measured at the tax rates applicable or expected to be applicable to the Group entity in question.

Relevant tax rate in Austria is 25%, in Croatia 18%, in Poland 19%, in Liechtenstein 12.5%, in Switzerland 7.83%, in France 28% and in Turkey 22%.

Deferred taxes are not recognised for the following temporary differences: initial recognition of goodwill, initial recognition of an asset or liability associated with a transaction affecting neither taxable profit or accounting profit and temporary differences on investments in subsidiaries, provided that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets on tax losses carried forward and deductible temporary differences are only recognised to the extent it is probable that it will be possible to utilise them against future taxable profits.

32. Subsidiaries and Non-Controlling Interest

As of 31 December 2019, Aluflexpack held shares in the following companies:

Name of the company	Directly held/ Indirectly held	Location	Country	Currency	Interest	Share capital
AFP Group GmbH	Directly held	Wien	AT	EUR	100.00%	35,000
Arimpeks Aliminyum San. İç ve Dış Tic. A.Ş	Directly held	Istanbul	TR	TRY	80.00%	2,000,000
Aluflexpack Novi d.o.o	Indirectly held	Umag	HR	HRK	100.00%	1,000,000
Omial Novi d.o.o.	Indirectly held	Omis	HR	HRK	97.00%	7,274,728
Aluflexpack Polska sp. z.o.o	Indirectly held	Poznan	PL	PLN	100.00%	6,006,548
Process Point Service AG	Indirectly held	Triesen	LI	CHF	92.15%	1,000,000
Eliopack s.a.s.	Indirectly held	La Ferte Bernard	FR	EUR	80.00%	1,340,000

As of 31 December 2018, Aluflexpack held shares in the following companies:

Name of the company	Directly held/ Indirectly held	Location	Country	Currency	Interest	Share capital
AFP Group GmbH	Directly held	Wien	AT	EUR	100.00%	35,000
Arimpeks Aliminyum San. İç ve Dış Tic. A.Ş	Directly held	Istanbul	TR	TRY	80.00%	2,000,000
Aluflexpack Novi d.o.o	Indirectly held	Umag	HR	HRK	100.00%	1,000,000
Omial Novi d.o.o.	Indirectly held	Omis	HR	HRK	97.00%	7,274,728
Aluflexpack Polska sp. z.o.o	Indirectly held	Poznan	PL	PLN	100.00%	6,006,548
Aluflexpack Deutschland GmbH	Indirectly held	Zorneding	DE	EUR	100.00%	60,000
Process Point Service AG	Indirectly held	Triesen	LI	CHF	92.15%	1,000,000
Eliopack s.a.s.	Indirectly held	La Ferte Bernard	FR	EUR	80.00%	1,340,000

Non-Controllig Interest (NCI) is only recognized within equity for Eliopack SAS.

The following table summarises the information relating to each of the Group's subsidiaries that has NCI, before any intra-group eliminations.

	2019 Eliopack SAS	2018 Eliopack SAS
NCI percentage	20%	20%
Non current assets	14,286	8,930
Current assets	9,631	6,776
Non current liabilties	-6,202	-2,054
Current liabilities	-12,995	-9,237
Net assets	4,720	4,415
Net assets attributable to NCI	944	883
Revenue	22,514	23,782
Profit	314	-210
OCI	0	0
Total comprehensive income	314	-210
Profit allocated to NCI	63	-42
OCI allocated to NCI	0	0

33. Events after the balance sheet date

At the end of December 2019 / beginning of January 2020, a phantom stock agreement was concluded with certain employees of the Aluflexpack Group, which basically gives the beneficiary the opportunity to participate in an increase in the market value of Aluflexpack AG. The beneficiaries are granted phantom stocks, virtual shares. The underlying vesting period is 4 years and the prerequisite for exercising is that the beneficiaries are in an unconditional service relationship with the Aluflexpack Group at the time of exercising.

There were no other events after the balance sheet date that had a material effect on the consolidated financial statements of Aluflexpack.

The impact of the corona virus on the 2020 annual financial statements cannot yet be assessed. The current forecasts for economic growth are subject to the fact that the actual economic effects of the coronavirus for 2020 as a whole are not yet foreseeable. The decisive factor will be how long delivery problems and trade difficulties caused by the virus will last, especially in industry, trade and services.

KPMG

Statutory Auditor's Report

To the General Meeting of Aluflexpack AG, Reinach (AG)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aluflexpack AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 92 to 144) 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 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.

Key Audit Matters

Existence and Accuracy of Revenue

Valuation of Goodwill and Other Intangible Assets with indefinite useful life

Key audit matters are those matters that, in our professional judgment, 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.

KPMG

Existence and Accuracy of Revenue

Key Audit Matter

The Group manufactures flexible packaging products and solutions, mainly aluminium-based, and recognises revenue when the customers obtain control of the products.

Revenue is the basis for evaluating the course of business of the Group and is thus a focus area of internal target setting and external expectations. These expectations create potential pressure on management to achieve the set targets, which leads to an increased risk in revenue recognition, in particular that revenue is overstated or not recognised in the correct period.

Our response

Amongst others, we performed the following audit procedures:

— Obtaining an understanding of significant customer contracts and revenue streams and testing selected key controls over revenue recognition;

— Comparing a sample of revenue transactions throughout the year to underlying customer orders, delivery papers and invoices;

— Assessing on a sample basis whether sales transactions on either side of the balance sheet date are recognised in the correct period by inspecting invoices, delivery papers and applicable commercial terms;

— Inspecting a sample of credit notes issued after balance sheet date and evaluating whether the related adjustments to revenue are recognised in the appropriate period;

— Comparing recorded revenue and margins to budget and prior year to identify significant or unusual deviations. We discussed such analysis with management and corroborated with additional documentation where appropriate;

— Additionally we identified transactions that deviated from the standard processes, such as entries by management or manual entries, for further investigation and validated the existence and accuracy of this population.

For further information on revenue refer to the following:

— Notes to the Consolidated Financial Statements, 12. Segment reporting, page 112

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.13 Revenue and earnings recognition, page 142.

KPMG

Valuation of Goodwill and Other Intangible Assets with indefinite useful life

Key Audit Matter

The Group reports goodwill and other intangible assets with indefinite useful life totalling EUR 12.3 million as of 31 December 2019, arising from past business combinations.

Management assesses goodwill and other intangible assets with indefinite useful life for impairment on a yearly basis using a discounted cash flow model to determine the value in use of the cash-generating units (CGUs). In case of business combinations occurring during the reporting period, management applies judgement in allocating goodwill and intangible assets to the appropriate CGUs. Performing the impairment test on the level of individual CGUs requires the use of a number of key assumptions and judgements, including estimated future cash flows, long-term growth rates, profitability levels and discount rates.

We focused on this area in light of the amounts involved and the level of judgement and estimation required.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the valuation model used for the impairment testing, the appropriateness of the assumptions and the methodology used by management to prepare its cash flow forecasts. We used our own valuation specialists to support our procedures.

In particular, we performed the following:

— For intangible assets, challenging the adequacy of the indefinite useful life assumption used by management by assessing relevant factors, events and changes in circumstances;

— Gaining an understanding and assessing the reasonableness of business plans and forecasts by back-testing historical forecasts to actual results;

— Comparing business plan data against the latest plans approved by the board of directors and forecasts approved by management;

— Challenging the robustness of the key assumptions used to determine the recoverable amount, including identification of the CGUs and respective goodwill and intangible asset allocation, forecast cash flows, long-term growth rates, profitability levels and discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;

— Conducting a sensitivity analysis on key assumptions;

— Recalculating the recoverable amount and its surplus over the carrying amount to assess the headroom.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on goodwill and other intangible assets with indefinite useful life refer to the following:

— Notes to the Consolidated Financial Statements, 13. Intangible assets, page 114

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.4 Intangible assets, page 139

— Notes to the Consolidated Financial Statements, Significant accounting policies, 31.8 Impairment, page 140

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 of the company, the remuneration report 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.

Responsibility 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 skepticism 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 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 para. 1 item 3 CO and the 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.

KPMG AG

Daniel Haas
Licensed Audit Expert
Auditor in Charge

Roman Künzle
Licensed Audit Expert

St. Gallen, 18 March 2020

Statutory Accounts

Balance Sheet as of 31 December (CHF)	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents		54,177,069.65	97,686.88
Other short-term receivables			
-from third parties		68,023.33	6,352.50
		54,245,092.98	**104,039.38**
Non-current assets			
Financial assets	2.1	75,995,890.34	0.0
Investments	2.2	22,170,118.47	22,170,118.47
		98,166,008.81	**22,170,118.47**
TOTAL ASSETS		**152,411,101.79**	**22,274,157.85**

Balance Sheet as of 31 December (CHF)	Notes	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Trade accounts payable			
-to third parties		32,177.44	90,950.30
-to holders of participations and governing bodies		29,586.67	0.0
-to entities in which the entity holds a participation		99,381.00	0.0
Short-term interest-bearing liabilities			
-to holders of participations and governing bodies	2.3	0.0	20,082,291.63
Other short-term liabilities			
-to third parties		2,337.75	0.0
-to holders of participations and governing bodies		17,144.00	0.0
Accrued expenses and deferred income		611,025.00	97,500.00
Total liabilities		**791,651.86**	**20,270,741.93**
Shareholders' equity			
Share capital	2.4	17,300,000.00	100,000.00
Legal capital reserves			
-Reserves from capital contributions	2.5	147,909,287.14	2,270,048.69
-Other capital reserves		1,581,761.55	0.0
Accumulated losses			
Accumulated losses brought forward		-366,632.77	0.0
Loss for the year		-14,804,965.99	-366,632.77
		151,619,449.93	**2,003,415.92**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**152,411,101.79**	**22,274,157.85**

Income statement (CHF)	Notes	2019	31 July 2018 - 31 December 2018
Financial income	2.6	2,708,526.48	0.0
Other operating income		79,387.01	0.0
Total income		2,787,913.49	0.0
Personnel expenses		-169,488.77	0.0
Other operating expenses	2.7	-11,767,579.80	-185,097.80
Financial expenses	2.8	-5,629,810.91	-181,182.87
Direct taxes		-26,000.00	-352.10
Total expenses		-17,592,879.48	-366,632.77
Loss for the year		**-14,804,965.99**	**-366,632.77**

Notes:

1. Principles

1.1 General aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves. Aluflexpack AG was founded on July 31, 2018 in Switzerland, the company address is Alte Aarauerstrasse 11, Reinach, Switzerland. Aluflexpack AG is registered in the commercial register with the number CHE-379.203.800.

1.2 Financial assets

Financial assets include long-term loans. Loans granted in foreign currencies are valued at the exchange rate on the reporting date, whereby unrealized losses are recorded but unrealized profits are not recognized (imparity principle).

1.3 No cash flow statement, additional information in the notes and management report

As Aluflexpack AG prepares consolidated financial statements in accordance with a recog-nized accounting standard (IFRS), it has omitted additional information in the notes to the annual financial statements, the cash flow statement and the management report in accordance with the statutory provisions in these financial statements.

2. Disclosure on balance sheet and income statement items

2.1 Financial assets

(in CHF)	2019	2018
Loans granted to subsidiaries	75,995,890.34	0.0

2.2 Investments

a) Direct investments 2019 Company	Domicile	Country	Currency	Voting and capital rights in %	Capital
AFP Group GmbH	Vienna	AT	EUR	100.00	35,000
Arimpeks Aliminyum San. İç ve Dış Tic. A.Ş	Istanbul	TR	TRY	80.00	2,000,000

b) Direct investments 2018 Company	Domicile	Country	Currency	Voting and capital rights in %	Capital
AFP Group GmbH	Vienna	AT	EUR	100.00	35,000
Arimpeks Aliminyum San. İç ve Dış Tic. A.Ş	Istanbul	TR	TRY	80.00	2,000,000

c) Significant indirect investments 2019 Company	Domicile	Country	Currency	Voting and capital rights in %	Capital
Aluflexpack Novi d.o.o.	Umag	HR	HRK	100.00	1,000,000
Omial Novi d.o.o.	Omis	HR	HRK	97.00	7,274,728
Process Point Service AG	Triesen	LI	CHF	92.15	1,000,000
Aluflexpack Polska sp. z.o.o	Poznan	PL	PLN	100.00	6,006,548
Eliopack s.a.s.	La Ferte Bernard	FR	EUR	80.00	1,340,000

d) Significant indirect investments 2018 Company	Domicile	Country	Currency	Voting and capital rights in %	Capital
Aluflexpack Novi d.o.o.	Umag	HR	HRK	100.00	1,000,000
Omial Novi d.o.o.	Omis	HR	HRK	97.00	7,274,728
Process Point Service AG	Triesen	LI	CHF	92.15	1,000,000
Aluflexpack Polska sp. z.o.o	Poznan	PL	PLN	100.00	6,006,548
Eliopack s.a.s.	La Ferte Bernard	FR	EUR	80.00	1,340,000
Aluflexpack Deutschland GmbH	Zorneding	DE	EUR	100.00	60,000

2.3 Short-term interest-bearing liabilities to holders of participations and governing bodies

In 2018, Montana Tech Components AG, the parent company of Aluflexpack AG, granted a loan of TCHF 19,901 (TEUR 17,192, 3.5% pa from September 24, 2018 to July 2, 2019) to finance the acquisition of 80% interest in Arimpeks. This loan was fully repaid on July 2, 2019.

2.4 Share Capital

The share capital was increased in June 2019 in the course of the IPO from CHF 100,000 to CHF 17,300,000 through capital contributions. As of December 31, 2019, the share capital amounted to CHF 17,300,000 and was divided into 17,300,000 registered shares with a nominal value of CHF 1 each. The company has authorized capital of CHF 7,000,000 and conditional capital of CHF 1,200,000, of which CHF 500,000 are reserved for employee shares and CHF 700,000 for financing purposes.

2.5 Legal capital reserves

The statutory capital reserves include reserves from capital contributions from the contribution in kind of the investment in AFP Group GmbH into Aluflexpack AG on September 25, 2018. The Swiss Federal Tax Administration (ESTV) has confirmed the reported reserves from capital contributions as of December 31, 2018 in the amount of CHF 2,270,048.69 within the meaning of Art. 5 Para. 1 to VStG.

In the course of the IPO in June 2019, the premium from the capital increase (TCHF 1,221) and the premium on the issues of shares (TCHF 146,000) were allocated to reserves from capital contributions. Emission taxes in the amount of TCHF 1,582 were deducted form the reserves from capital contributions and allocated to other capital reserves. The total addition to reserves from capital contributions in the amount of TCHF 145,639 will be reported to the Swiss Federal Tax Administration (ESTV) for confirmationi within the meaning of Art. 5 Para 1 to VStG.

2.6 Financial Income

Other financial income amounts to TCHF 2,709 (previous year: TCHF 0) and includes interest income from bank deposits, interest income from loans to subsidiaries and foreign exchange rate gains of TCHF 2,358 (previous year: TCHF 0).

2.7 Other operating expenses

	2019	2018
Administrative expenses	11,610,700.79	183,000.00
Consulting expenses	156,879.01	2,097.80
	11,767,579.80	**185,097.80**

Administrative expenses in 2019 include IPO expenses in the amount of TCHF 11,376 (previous year: TCHF 3).

2.8 Financial expenses

	2019	2018
Bank interest, expenses and fees	8,155.42	315.12
Interest on loans to holders of participations	343,024.85	180,832.43
Foreign exchange losses	5,277,370.64	35.32
Other financial expenses	1,260.00	-
	5,629,810.91	**181,182.87**

3. Other Information

3.1 Full-time equivalents

There are no employees at Aluflexpack AG.

3.2 Contingent liabilities

In accordance with the agreement of August 26, 2018 between Aluflexpack AG and an existing Arimpeks shareholder, the non-controlling shareholder is granted a put option that grants the right to sell the 20% stake in Arimpeks to Aluflexpack AG. In addition, Aluflexpack AG is granted a call option to purchase the remaining 20% of the shares in Arimpeks. This contingent liability was valued at TCHF 4,917 as of December 31, 2019 (Dec. 31, 2018: TCHF 6,790).

3.3 Significant shareholders

The following shareholders held more than 5 percent of voting rights as of December 31:

Shareholder	Percentage of voting rights as of December 31, 2019	Percentage of voting rights as of December 31, 2018
Montana Tech Components AG	53.6%	100.0%

3.4 Participation of the group management and the board of directors including their related par-ties

Board of director	Number of shares as of December 31, 2019	Number of shares as of December 31, 2018
Martin Ohneberg, president board of directors	533,167	n/a

Group management	Number of shares as of December 31, 2019	Number of shares as of December 31, 2018
Igor Arbanas, CEO	52,375	n/a
Johannes Steurer, CFO	52,375	n/a

There are no conversion or option rights in favor of members of the Executive Committee or the Board of Directors.

3.5 Significant events after the balance sheet date

At the end of December 2019 / beginning of January 2020, a phantom stock agreement was concluded with certain employees of the Aluflexpack AG Group, which basically gives the beneficiary the opportunity to participate in an increase in the market value of Aluflexpack AG. The beneficiaries are granted phantom stocks, virtual shares. The underlying vesting period is 4 years and the prerequisite for exercising is that the beneficiaries are in an unconditional service relationship with the Aluflexpack AG Group at the time of exercising.

There are no other significant events after the balance sheet date that have an impact on the book values of the assets or liabilities shown or that have to be disclosed here.

KPMG

Statutory Auditor's Report

To the General Meeting of Aluflexpack AG, Reinach (AG)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aluflexpack AG, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 152 to 156) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of investments

Key Audit Matter

As of 31 December 2019, the financial statements of Aluflexpack AG include investments in subsidiaries in the total amount of CHF 22.2 million. The company annually reviews investments in subsidiaries for impairment indicators and performs a detailed impairment assessment if necessary.

The impairment assessment of investments requires the use of a number of key assumptions and judgements, in particular in relation to estimated future cash flows, future growth rates, profitability levels and discount rates, and is therefore a key area that our audit was focused on.

Our response

We assessed management's identification of potential impairment indicators based on our own analysis of financial information of the investments and our business understanding.

With regard to investments for which a detailed impairment assessment was performed, our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the valuation model used for the impairment testing, the appropriateness of the assumptions and the methodology used by management to prepare its cash flow forecasts. We used our own valuation specialists to support our procedures.

In particular, we performed the following:

- Gaining an understanding and assessing the reasonableness of business plans and forecasts by back-testing historical forecasts to actual results;
- Comparing business plan data against the latest plans approved by the board of directors and forecasts approved by management;
- Challenging the robustness of the key assumptions used to determine the recoverable amount, forecast cash flows, long-term growth rates, profitability levels and the discount rates based on our understanding of the commercial prospects of the related investments and by comparing them with publicly available data, where possible;
- Conducting a sensitivity analysis on key assumptions;
- Recalculating the recoverable amount and its surplus over the carrying amount to assess the headroom.

For further information on investments refer to the following:

- Disclosure on balance sheet and income statement items, 2.2 Investments, page 154

KPMG

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

KPMG AG

Daniel Haas Licensed Audit Expert Auditor in Charge	Roman Künzle Licensed Audit Expert

St. Gallen, 18 March 2020

About Aluflexpack

Aluflexpack produces flexible packaging solutions mainly for end markets such as coffee/tea, pharmaceuticals, pet food, confectionery and dairy. Well-established insights, service flexibility and development competence are what underpin long-term customer relationships; both with locally operating companies and large international corporations. Aluflexpack, headquartered in Reinach (AG), Switzerland, has production facilities in Switzerland, France and Turkey and four production facilities in Croatia. The number of employees as of 31 December 2019 was approximately 1,215.

Disclaimer

Some of the information contained in this press release may be forward-looking statements. Aluflexpack AG cautions that such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Aluflexpack AG undertakes no obligation to publicly update or revise any forward-looking statements.

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