Translation from the Italian which remains the definitive version

ANNUAL REPORT 2018

ANNUAL REPORT AND CONSOLIDATED NON-FINANCIAL STATEMENT

Guala Closures Group

31 DECEMBER 2018

Registered and administrative office:
Via Rana, 12 - D/6 industrial estate - 15122 Spinetta Marengo - Alessandria
Share capital subscribed Euro 68,906,646 fully paid-up
Tax code and Company Registration no. 10038620968

COMPANY OFFICERS

BOARD OF DIRECTORS

Chairman and Chief Executive Officer	Marco Giovannini
Director	Anibal Diaz
Director	Francesco Bove
Director	Filippo Giovannini
Director	Edoardo Carlo Maria Subert
Director	Nicola Colavito
Independent Director	Luisa Maria Virginia Collina
Independent Director	Lucrezia Reichlin
Independent Director	Francesco Caio

RISK AND CONTROL COMMITTEE

Chairman	Francesco Caio
Independent Director	Lucrezia Reichlin
	Nicola Colavito

REMUNERATION COMMITTEE

Chairman	Luisa Maria Virginia Collina
Independent Director	Francesco Caio
	Edoardo Carlo Maria Subert

BOARD OF STATUTORY AUDITORS

Chairman	Benedetta Navarra
Standing auditors	Piergiorgio Valente
	Franco Aldo Abbate
Alternate auditors	Ugo Marco Luca Maria Pollice
	Daniela Delfrate

INDEPENDENT AUDITORS

KPMG S.p.A.

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AS PER LEGISLATIVE DECREE 254/2016

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DIRECTORS' REPORT

Introduction

Guala Closures Group is a multinational Group leader in the production of aluminium and non-refillable closures, which operates in 5 different continents, with 29 production plants and a commercial structure that operates out of more than 100 countries.

Starting **6 August 2018**, Guala Closures Group, through its parent company Guala Closures S.p.A. has been listed on the STAR segment of the Milan stock exchange following a business combination with Space 4 S.p.A. (Special Purpose Acquisition Company listed on the MIV - Investment Vehicles Market - of Borsa Italiana).
The ownership structure of the parent company of Guala Closures Group as at the date of this document is characterised by a significant portion of shares being held by the market.
These financial statements are characterised by the above business combination and, therefore, to assist the reader of the financial statements, the Directors' report contains "pro forma" data with a view to making the performance of operations comparable between FY 2017 and FY 2018 (for more details, see the paragraph entitled "*Statement of financial position, results of operations and cash flows of Guala Closures Group pro forma*").

Definitions

Lux BU: Company Branch transferred from GCL Holdings S.C.A. to GCL International S.à r.l. on 31 July 2018 which includes certain goods, assets, liabilities and legal relationships of GCL Holdings S.C.A. related, inter alia, to research and development activities, as well as a portion of the trade receivables and payables of GCL Holdings S.C.A. due from/to Guala Closures Pre-merger, except for the balances arising from intercompany loans granted to the latter.

Company: Space4 S.p.A., renamed Guala Closures S.p.A. following the merger occurred on 6 August 2018.

Pre-merger Guala Closures: Guala Closures S.p.A. before the merger into Space4 S.p.A. occurred on 6 August 2018.

Pre-merger Guala Closures Group: Guala Closures Group before the merger into Space4 S.p.A. occurred on 6 August 2018

Post-merger Guala Closures Group: Space4 S.p.A. with pre-merger Guala Closures Group in place following the merger of Space4 S.p.A. into Guala Closures S.p.A..

Guala Closures Group: pre-merger Guala Closures Group and post-merger Guala Closures Group.

Group structure as at 31 December 2018 – Post-merger Guala Closures Group

Group Structure as at 31 July 2018 - Guala Closures Group at the date of the business combination with Space4

Group structure as at 31 December 2017 - Pre-merger Guala Closures Group

Key figures

€ million	PRO FORMA FIGURES[1]					
	2017	2018		2018	2018	
		Constant exchange rates	Current exchange rates	Constant exchange rates excluding UCP	Constant exchange rates end of year 2018 perimeter[2]	Current exchange rates end of year 2018 perimeter[2]
					PRE-synergies	
Revenue	535	580	543	579	626	588
% growth		*8.5%*	*1.5%*	*8.3%*	*17.1%*	*10.0%*
Adjusted gross operating profit (Adjusted EBITDA)	111	112	105	112	116	108
% growth		*1.4%*	*(5.5%)*	*1.4%*	*4.9%*	*(2.0%)*
ESMA net financial indebtedness[3]	553	449		431	449	
Reported net financial indebtedness[4]	553	453		435	453	

Employees	4,747
Plants	29 plants and 3 sales offices in 22 countries on 5 continents
Patents and utility models	more than 140

Note:

(1) Reference should be made to page 30 in this Directors' report for the definition of Pro forma and to the section "Alternative performance indicators" in this Directors' report on page 34 for information about the Group's Alternative performance indicators, such as Adjusted gross operating profit (Adjusted EBITDA) and sales for 2018 at constant exchange rates.

(2) The data pertaining to the end of year 2018 perimeter include an estimate of the economic results of UCP for the entire year 2018, without considering the possible post-acquisition synergies

(3) The ESMA net financial indebtedness at December 31, 2018 was € 449 million. Excluding approximately € 19 million relating to the acquisition of UCP, this ESMA net financial indebtedness (pro-forma) at 31 December 2018 would have been € 431 million (€ 553 million at 31 December 2017)

(4) Reported net financial indebtedness is calculated by deducting cash, cash equivalents and financial assets from financial liabilities.

Guala Closures S.p.A. (the "company" or the "parent") (formerly Space4 S.p.A.) was incorporated by Space Holding S.r.l. on 19 September 2017 with the name of Space4 S.p.A. It is a special purpose acquisition company (SPAC), set up under Italian law as an SIV (special investment vehicle) pursuant to the Italian stock exchange regulation. Trading began on 21 December 2017.

On 31 July 2018, SPAC Space4 S.p.A. acquired Guala Closures S.p.A., the parent of Guala Closures Group (respectively "pre-merger Guala Closures" or "pre-merger Guala Closures Group"). On 6 August 2018 Guala Closures S.p.A. was merged into Space4 S.p.A.. Furthermore, the latter company was renamed Guala Closures S.p.A and the group headed by Space4 S.p.A. was renamed Guala Closures Group.

Guala Closures S.p.A. is a company limited by shares set up under Italian law and registered with the Alessandria company register. Its registered office is in via Rana 12, industrial estate D6, Spinetta Marengo (Alessandria).

Guala Closures Group is a leading multinational group manufacturing closures for spirits, wine and non- alcoholic drinks such as water, olive oil and vinegar, as well as pharma products. The Group is also active in the production of PET plastic preforms and bottles.

Thanks to the policy of continuous product development, the Group is the world leader in "non-refillable" closures which are an instrument against adulteration and counterfeiting of liquids; these closures protect the quality and the reputation of the most important international brands in the areas of alcoholic beverages, soft drinks, wine, oil, pharmaceuticals and cosmetics.

Events of the year and strategies

2018 was a year of continuous, significant business growth during which the Group confirmed its world leadership and the long-standing resilience of its multinational business model with more than 90% of sales made abroad, showing it is an anti-cyclical business with stable margins and of absolute importance of around 20%.
Despite an extremely volatile world context, characterised by major financial and commercial tension, the increase in market shares, the launch of new products, a significant acquisition and the refinancing of debt in the context of the stock market listing were pursued and successfully implemented.

Below is a summary, in chronological order, of the main events which affected the Company and Guala Closures Group.

Change in company name:

On 1 January 2018, Pharma Trade S.r.l. changed its name to GCL Pharma S.r.l..

Sale of the building located in Torre d'Isola (Italy):

On 19 February 2018, the preliminary sale of the building located in Torre d'Isola (Italy) was signed in Milan. The consideration agreed with the buyer amounts to Euro 2.1 million.
The transaction was completed on 29 June 2018 with the signing of the notary deed and payment of the relevant consideration.

Acquisition of non-controlling interests in Guala Closures Argentina S.A.:

On 20 March 2018, pre-merger Guala Closures Group acquired a residual non-controlling interest (1.62%) in Guala Closures Argentina S.A. through its holding company Guala Closures International B.V. for Euro 0.1 million.

Transfer of plant and machinery to a single plant with Guala Closures UK Ltd:

A process to streamline production activities in Glasgow began in the first quarter of 2018, envisaging the transfer of plant and machinery from the secondary site of Broomhill to the main site of Kirkintilloch. The process is expected to be completed in 2019. As at 31 December 2018, an amount has been accrued for Euro 0.4 million in connection with these events, as a result of a period provisions totalling Euro 0.8 million and uses of Euro 0.4 million.

Merger between companies of pre-merger Guala Closures Group:

On 26 June 2018, the merger between Guala Closures Bulgaria A.D. and Guala Closures Tools EAD was completed and the new merging company remains Guala Closures Bulgaria A.D..

The purpose of the above merger is to concentrate and rationalize the resources of the companies, realising cost savings and, as a result, increasing the overall efficiency of the structure of Guala Closures Group.

Business combinations and admission to listing

(A) On 16 April 2018, the Boards of Directors of Space4 S.p.A. (renamed after the merger, as described below, "Guala Closures S.p.A.", the "**Company**"), GCL Holdings S.C.A., Peninsula Capital II S.a.r.l. and pre-merger Guala Closures S.p.A. approved the business combination, by means of a Framework Agreement, to be implemented through (i) the acquisition of an equity investment equal to approximately 80% of the share capital of pre-merger Guala Closures S.p.A. by the Company and Peninsula Capital II S.à.r.l.; (ii) the merger of pre-merger Guala Closures into the Company, and (iii) the admission to listing of the ordinary shares resulting from the merger of pre-merger Guala Closures into the Company, on the STAR segment of the Italian Stock Exchange organized and managed by Borsa Italiana S.p.A. (the "**Business Combination**").

(B) In accordance with the above master agreement the completion of the business combination was subject to conditional clauses, including the transfer of some goods, assets, liabilities and legal relationships (the "BU Lux") from the parent GCL Holdings S.C.A. to pre-merger Guala Closures Group. On 7 May 2018, Guala Closures International B.V. acquired an investment in GCL International S.à r.l. and, on 25 May 2018, the Board of Directors of the parent GCL Holdings S.C.A. approved GCL Holdings S.C.A.'s transfer of the BU Lux to GCL International S.à r.l.. The BU Lux comprises GCL Holdings S.C.A.'s goods, assets, liabilities and legal relationships related, inter alia, to research and development activities, as well as a portion of the trade receivables and payables of GCL Holdings S.C.A. due from/to pre-merger Guala Closures, except for the balances arising from the intercompany loans granted to the latter.

(C) On 30 July 2018, the Managers' capital increase was fully subscribed and paid-in by GCL Holdings S.C.A. ("GCL") for Euro 25,000,000 (of which Euro 370,161.40 allocated to share capital and Euro 24,629,838.60 to share premium reserve), against the issuance by pre-merger Guala Closures of 3,701,614 ordinary shares, together with 1,480,646 Guala Closures Management Warrants (for an equivalent ratio of four Guala Closures Management Warrants every ten issued ordinary shares). Such amount was made available to GCL through a facility agreement with Credit Suisse entered into on the same date guaranteed through a pledge over the pre-merger Guala Closures' shares held by GCL.

(D) Further to the above, on 30 July 2018 the Board of Directors of pre-merger Guala Closures resolved to (i) use part of the share premium reserve (created with the Managers' capital increase) to cover the losses carried forward from the previous financial years which had not already been covered pursuant to the resolution of 28 May 2018, equal to Euro 4,893,059, the further losses resulting from the quarterly financial statements at March 31, 2018, for an overall amount equal to Euro 4,913,235 as well the additional Euro 3,897,765 losses estimated at 30 July 2018 on the basis of the budget of pre-merger Guala Closures; and (ii) redeem all the participating financial instruments (SFP), by using the SFP reserve and the remaining part of the share premium reserve created with the Managers' capital increase.

(E) The redemption of the SFP held by GCL was carried out by offsetting a receivable held by pre-merger Guala Closures vis-à-vis GCL. Such offsetting is part of a broader intercompany netting transaction which led to the write-off of all the payables and receivables existing among pre-merger Guala Closures, its parent (GCL) and its subsidiary Guala Closures International B.V.. Specifically, on 31 July 2018, the intercompany loan granted in 2016 by pre-merger Guala Closures to GCL for an amount equal to Euro 91,200,000, plus interest, was extinguished by offsetting (i) pre-merger Guala Closures' payable to GCL arising from the SFP redemption described above, against (ii) the assignment of GCL's receivables from Guala Closures International B.V. to pre-merger Guala Closures.

(F) As a consequence of the resolutions and intercompany netting transactions mentioned under letter (E) above, at 31 July 2018, GCL's payable to pre-merger Guala Closures totalled Euro 3,676,144. The receivable was partially repaid on the same date through the payment by GCL of Euro 2,219,000. The residual amount, equal to Euro 1,457,144, was waived by pre-merger Guala Closures, which therefore had no other outstanding payables or receivables to/from at 31 July 2018.

(G) On the closing date of the Business Combination (i.e. on 31 July 2018) the acquisition of the 61,200,000 ordinary shares of pre-merger Guala Closures (equal to 78.13% of its share capital) was completed with the transfer by GCL of (i) 52,316,125 ordinary shares of pre-merger Guala Closures to the Company, (ii) 7,403,229 ordinary shares of pre-merger Guala Closures to PII G S.à r.l.[1], and (iii) 1,480,646 ordinary shares of pre-merger Guala Closures to Quaestio Capital SGR S.p.A., against the payment of the agreed consideration. Furthermore, on the same date pre-merger Guala Closures and the Company signed the merger deed, the effects of which have been conditioned to the approval by Consob (the Italian commission for listed companies and the stock

[1] By means of the designation by Peninsula of its related company PII G S.à.r.l. as purchaser of the shares of Guala Closures pursuant to the master agreement referred to under letter (A) above.

exchange) of the prospectus for the listing of post-merger Guala Closures (the "**Prospectus**").

(H) Finally, further to the approval by Consob of the Prospectus, the merger of pre-merger Guala Closures into the Company became effective on 6 August 2018 (the "Merger"). Following the Merger, the Company adopted the corporate name of "Guala Closures S.p.A." and its ordinary shares and market warrants have been traded on the Italian Stock Exchange (Mercato Telematico Azionario), within the Star Segment since 6 August 2018.

Pre-merger Guala Closures' financial indebtedness

(A) On 28 June 2018 pre-merger Guala Closures, in agreement with the Company, started two distinct consent solicitation procedures with the purpose of obtaining a waiver by (i) the bondholders under the bond issued by pre-merger Guala Closures in 2016 (the "**Guala Closures Bonds**") and (ii) the revolving credit facility lenders under the 2016 revolving credit facility agreement (the "**RCF**") in relation to their right to exercise the change of control clauses provided under the Guala Closures Bond and the RCF which would have been triggered upon completion of the Business Combination.
As part of these procedures, the bondholders under the Guala Closures Bond and the RCF lenders were also requested to release certain security interests created to secure their obligations under the relevant agreements.
On 20 July 2018 and on 19 July 2018, the bondholders under the Guala Closures Bonds and the RCF lenders respectively, agreed to grant the above-mentioned waivers and carried out the necessary activities to release the relevant security interests.

(B) Following the consultation procedures described under letter (A), on 1 August 2018, pre-merger Guala Closures, by agreement with the Company, fully repaid the Guala Closures Bond and RCF for an amount of 100% of said totals, plus any interest accrued as at the date of repayment, using the proceeds from the intercompany loan of Euro 552,475,766.67 granted by the Company on 20 July 2018 Part of such intercompany loan was made available to the Company on the same date further to the signing by the latter of a bridge facility agreement (the "**Bridge Facility Agreement**") with UniCredit Bank AG, Milan Branch, acting as agent, and the original bridge lenders (Credit Suisse AG, Milan Branch, Banca IMI S.p.A., Banco BPM S.p.A., Barclays Bank PLC and UniCredit S.p.A.) for an amount equal to Euro 450 million, which was repaid during the year.

(C) Furthermore, on 20 July 2018, the Company also entered into with UniCredit Bank AG, Milan Branch, as agent, and the original lenders (Credit Suisse International, Banco BPM S.p.A., Barclays Bank PLC, Intesa Sanpaolo S.p.A. and Unicredit S.p.A.) a new revolving credit facility agreement governed by the law in England and Wales, for a maximum amount of Euro 80 million (the "**New RCF**"), Euribor/LIBOR GBP 3 months + 2.5% (zero floor). The New RCF will expire five years and six months after the first utilization of the bridge financing described under letter (B) above.

Refinancing

(A) On 3 October 2018, Guala Closures S.p.A. fully repaid the Euro 450 million bridge loan, using the proceeds from a floating-rate bond issue due in 2024 of Euro 455 million (the "**Bonds**") (Euribor 3 months +3.5% - zero floor) under an indenture contract governed by the laws of the State of New York. The contract was signed, inter alia, by Guala Closures S.p.A., as the issuer, The Law Debenture Trust Corporation p.l.c., as the senior secured notes trustee and Bondholders' representatives pursuant to articles 2417 and 2418 of the Italian Civil Code, Deutsche Bank AG, London branch, as the paying agent, and Deutsche Bank Luxembourg S.A., as the transfer agent and the registrar (the "**Indenture**").

(B) On 11 October 2018, under some agreements to participate in the new RCF and a supplement to the indenture, Guala Closures International B.V., Guala Closures U.K. Limited, Guala Closures Australia Holdings Pty Ltd, Guala Closures Australia Pty Ltd, Guala Closures New Zealand Limited, Guala Closures do Brasil LTDA and Guala Closures Iberica S.A. granted a personal guarantee to guarantee the facility made available by the new RCF and the Bonds.

(C) In addition to the above and in order to guarantee the facility made available by the new RCF and the Bonds, the following companies granted the following guarantees:
- (i) Pledge over Guala Closures International B.V. shares held by Guala Closures S.p.A.;
- (ii) Pledge over Guala Closures International B.V.'s receivables arising from some intercompany financing contracts;
- (iii) Specific security deed on Guala Closures Australia Holdings Pty Ltd shares held by Guala Closures International B.V.;
- (iv) Specific security deed on Guala Closures Australia Holdings Pty shares held by Guala Closures Australia Holdings Pty Ltd;
- (v) Pledge over the FPI and shares of Guala Closures Ukraine LLC held by Guala Closures International B.V.;
- (vi) Specific security deed on Guala Closures New Zealand Limited shares held by Guala Closures International B.V.;
- (vii) Charge on Guala Closures U.K. Limited shares held by Guala Closures International B.V.;
- (viii) Pledge over Guala Closures DGS Poland S.A. shares held by Guala Closures International B.V.;

Incorporation of a newco

On 30 October 2018, the Board of Directors of the subsidiary GCL International S.à r.l. approved the incorporation of a new company in Kenya, named Guala Closures East Africa Limited. The newco will initially market the products manufactured by other group companies and, in the future, it may set up a production unit. The company was effectively established on 8 November 2018.

Merger between group companies

Guala Closures (India) Pvt Limited and its subsidiary Axiom Propack (Pvt) Limited (acquired in 2017) undertook a merger process, after which Axiom Propack Pvt Limited will be merged into Guala Closures (India) Pvt.

As part of this process, on 11 September 2018 the companies jointly requested the Mumbai National Company Law Tribunal to approve the merger. Pending approval by the competent authorities, the merger is expected to be finalized by 30 June 2019.

Acquisition of United Closures and Plastics (UCP)

On 12 December 2018, through its Luxembourg subsidiary GCL International S.à r.l., the Group completed the purchase of the important Scottish company, called United Closures and Plastics ("UCP"), with registered office in Bridge of Allan. UCP boasts a long-standing presence on the Scottish market and supplies some historic brands of scotch whisky with which it has consolidated relations.

In FY 2018[2], UCP achieved net revenues of GBP 44.8 million, with 2018 adjusted EBITDA[3] of GBP 3.5 million (or 2018 net revenue of approximately Euro 51 million and 2018 adjusted EBITDA of approximately Euro 4 million).

This transaction allows Guala Closures Group to expand its presence on the Scottish market, extending its commercial activities and innovation and production processes.
The Group will in fact be able to consolidate its collaboration with the spirits multinationals operating in Scotland and, in particular, with those of whisky, one of the most important segments in the spirits sector. The transaction will also speed up the reorganisation of industrial structures launched by the Group in 2018, in order to achieve greater production efficiency.

The enterprise value is GBP 19.1 million (equal to approximately Euro 21.1 million), whilst the equity price is GBP 17.8 million (equal to approximately Euro 19.8 million).
The financial commitment of GBP 17.8 million has been financed for GBP 10 million through the RCF multicurrency available to the Group and, for the remainder, through use of part of its available cash.

2018 investments:

During 2018, the Group invested Euro 36.0 million (net of disposal and excluding the assets held for sale) (Euro 28.6 million in 2017), in order to support its future growth. The main investments in 2018 were made in Italy, the Ukraine, Poland, Mexico, India, Chile and Spain.

[2] FY 2018 runs from 1 April 2017 to 31 March 2018
[3] EBITDA adjusted to exclude the effect of non-recurring costs

Research and development

Guala Closures Group has more than 140 active patents and IP rights.
The Group has always been a world leader in its market segment, thanks to the innovative solutions designed for its products and processes and its ability to anticipate future market trends and transform them into new concepts.

2018 research and development activities have once again confirmed the Group's creativity in spotting the trends of the market and be able to translate them into smart, sustainable and valuable solutions.
The Group's traditional market is experiencing major changes; the new generations, the "millennials" are shifting their interest towards the consumption of alcoholic drinks that differ from those of the major manufacturers, looking for more local, authentic, healthy and simpler products; this means a strong growth of craft products, which also need to convey their origin in the message transmitted by the packaging.
In the meantime, the market demand for "connected" packaging is growing and the Group has invested to ensure that it is cutting-edge in this development.
A significant number of closures have been re-designed to incorporate NFC (near-field communication) devices to allow the end client to authenticate the product and/or connect to the brand and obtain useful information. Brands can thus interact with the client in the manner defined as "customer engagement".

Sustainability and reduced environmental impact of packaging is becoming increasingly important the world over. The Group, which is already active in this sector with targets for lower emissions and offsetting carbon, has invested in research with partners in eco-compatible materials, flanked by a new approach taken to product design to prepare the products of today to use these new materials in the future.
Innovation and marketing are working together to interpret these trends and transform inputs into captivating, competitive ideas.

R&D TARGETS IN 2019
Most of the current group research and development goals are in the area of:
- brand identity - highly aesthetic, thanks to the use of colours, dimensions, forms and materials;
- trademark protection - anti-counterfeiting: highly technological security systems are conceived and designed, exploiting the corporate know-how acquired through vast experience and implementing cutting-edge technologies;
- new technologies, that are selected, piloted, approved and introduced into the production cycle;
- sustainability, which takes the form of the use of new environmentally-sustainable, compostable materials and new product designs aiming to facilitate the treatment of the product at the end of its life.

IMPLEMENTATION OF RFID/NFC SYSTEMS
NFC is today the most promising anti-counterfeiting technology. It can also offer exceptional opportunities in terms of communication between brand and consumers and can open of new opportunities in terms of the logistic traceability of the product. In 2018, the research and development centre in Luxembourg developed and launched some important trials of closures equipped with the RFID/NFC system. The aims of these closures are:
- product authentication
- consumer engagement
- logistic tracking and tracing

The aluminium NFC closures, thanks to the use of a patent (pending), which allows NFC technology to work with the presence of aluminium, they are the first launch of the very first aluminium closure to the world, with built-in NFC. A proprietary IoT platform called the "Internet of Closures" (IoC) has been perfected and its now fully operative. In addition to this platform, the Group has also stipulated agreements with start-up specialised in the IoT world and can now offer more varied, specialised solutions in various areas as authentication based on blockchain and consumer engagement.
We have 1 patent (pending) and various models deposited.

ALUMINIUM ELECTRO-MAGNETIC FORMING
This aluminium forming technology has been used in various different applications in different industrial sectors. Since 2017 and for 2018, the Luxembourg research centre has been working on this technology to take it into the world of closures for alcoholic drinks. The aim is to obtain a new generation of anti-counterfeiting plastic closures, finished with a layer of highly aesthetic aluminium, formed in very freely designed forms.
EMF technology has the following major advantages:
1. Great freedom of design;
2. The option of bypassing many of the limits of traditional aluminium forming technologies;
3. The option of having very fine details and embossing and debossing solutions simultaneously on the same piece;
4. Obtaining of all-new performance in terms of anti-counterfeiting.
Three patents have been filed to protect this development.

INDUSTRY 4.0 - flexible automation
The aim of this strategic project for the Group is to construct flexible assembly lines. With the aim of reducing production costs and being able to automate the production processes characterised by smaller numbers/lots, the Group has worked on the definition of new concepts of pick and place and assembly. The general aim is to avoid manual operations, reduce the traditional costs of automation and optimise production flexibility.

ADVANCED ROBOTICS - In search of this greater flexibility in our assembly lines, we have chosen advanced robotic systems for the picking and positioning of components to be assembled. The choice criteria were based on automated solutions characterised by high precision, efficiency, feasibility in respect of the input of parts on industrial assembly lines, with rapid changes, great flexibility and a quick return on investment.

ADVANCED 3D PRINTING
3D printing is today one of the most promising technologies able to bring revolutionary innovation into production processes. The Group has chosen to invest to be a forerunner in this field; HP 3D printing technology is available throughout the Group to print:
- mechanical components for automation machines
- product samples
- small product pre-production
Performance in terms of speed is amongst the best on the market and costs are highly competitive: in particular, some mechanical components traditionally using CNC technology for removal (mills/lathes) can be produced using HP technology at a fraction of the cost (1/5 up to 1/10).

3 INJECTION PROJECT
In 2018, the 3 injection project also started, aiming to conceive and engineer a new multi-component closure developed in a single injection moulding process.

The technology to be used is termed "multi-injection", partly already previously used by the Group but limited to bi-injection. The first draft product designs have been developed and a specific multi-injection machine purchased, which can inject 1-2-3 materials simultaneously and, therefore, with three injection units (absolute innovation for the Group and the closures sector). The first moulding trials were carried out at the mould supplier (Matrix, Spain).

The key to the success of the Group's innovative approach is its close collaboration not only with the Marketing Department but also with external partners, from design agencies to web and connectivity developers.
Implementing the Group's vast technical know-how, which ranges from design through to development, from plastic and metal materials to electronics applied to packaging, the Group is developing numerous new concepts that can open up new markets.

The activities of the R&D department in 2018 led to roughly Euro 2.4 million of costs, on the basis of pro-forma, and roughly Euro 0.9 million of capitalized development expenditure.

Corporate Governance:

For information about corporate governance, reference is made to the Report on Corporate Governance and Ownership Structures, prepared in accordance with Art. 123 bis of the Consolidated Finance Act, approved by the Company's Board of Directors at the same time as the Directors' report made available by the Company at the registered office and on the Group's website (www.gualaclosures.com – Investor Relations section).
Please note that the information pursuant to paragraphs 1 and 2 of Art. 123-bis of Italian Legislative Decree no. 58/1998 is given in the separate "Report on Corporate Governance and Ownership Structures", which refers, for some information relative to remuneration, to the "Remuneration Report" prepared in accordance with Art. 123-ter of Italian Legislative Decree no. 58/1998. Both Reports, approved by the Board of Directors, are published within the envisaged terms on the Company's website www.gualaclosures.com.

Legal disputes

The Group continues its tireless defence of its patents against counterfeit products. Successful outcomes were achieved against competitors in many countries, where the legal disputes demonstrated the importance and validity of our patents.
The Group currently has ongoing lawsuits to protect its patents, particularly in Ukraine, where the case against the competitor Alcopack has been settled in our favour.
In addition, the Group has a nullity proceeding before the EPO's Board of Appeal concerning the patent owned by Doron Rigel/Jumpn'Pour and another proceeding against the same party before the Court of Rome to declare the nullity of the Italian extension of the same European Patent. Under the scope of these latter proceedings, the court-appointed expert witness has confirmed the invalidity of the intellectual rights, also confirming that Guala Closures product would not, in any case, interfere with such.

In relation to the fatal incident that took place on 30 January 2017 at the Magenta (MI) plant of pre-merger Guala Closures, thereafter merged by acquisition into the Company, the heirs of the deceased were fully reimbursed in July 2018; compensation was paid 80% by the insurance of pre-merger Guala Closures and the remaining 20% by the Prevention and Protection Service Manager appointed at the time of the incident, Luigi Cichero.

As regards the liability pursuant to Italian Legislative Decree no. 231/01, pre-merger Guala Closures, as part of the criminal proceedings gen. reg. no. 4361/2017 with the Court of Milan, formulated a plea bargain, to define the position with the payment of a fine of Euro 50 thousand; the public prosecution has already expressed an opinion in favour.

Policies for financial and other business risk management

Reference should be made to note (8) Financial derivative assets, (12) Current and non-current financial liabilities and 15) "Financial derivative liabilities" to the consolidated financial statements for further information on derivatives in place at 31 December 2018 and the related accounting treatment and to note 34) "Fair value of financial instruments and sensitivity analysis" for other financial instruments and risk management policies.

Interest rate risk and stock price change

This risk relates to volatility of the market rates which determine the interest expense paid on outstanding loans.
The Group is exposed to interest rate risk as almost the full amount of its financial liabilities is subject to the payment of interest at floating rates subject to short-term repricing.

The Group's policy is to hedge a small portion of the payable amount subject to interest rate risk. Interest rate swaps are used to hedge the risk which enable the interest rate to be set at fixed amounts.

The Group has two interest rate swaps in place at 31 December 2018 to hedge the floating interest rates on the property finance lease. These derivatives meet the formal requirements of IFRS 9 as at 31 December 2018 and have been recognized as hedging instruments.

With reference to market risk, market warrants are measured at fair value to profit & loss. Consequently, the corresponding changes could significantly affect the Company's economic performance:

- an increase in the fair value of the market warrant could lead to an increase in liabilities and financial expenses for the Company;
- a reduction in the fair value of the market warrant could lead to a reduction in liabilities and financial income for the Company.

It is hereby acknowledged that these financial liabilities / financial income represent change in fair value that never affect the Group cash flow.

Currency risk

This risk relates to the effect of fluctuations in exchange rates on sales and purchases in currencies other than the functional currencies of the various group entities.
The Group is exposed to currency risk, mainly in relation to fluctuations of the USA dollar, Australian dollar, British pound sterling, Indian Rupee, Ukrainian Hryvnia and Polish Zloty.
Interest on loans is denominated in the currency of the cash flows generated by the Group's underlying transactions.

Guala Closures Group manages the currency risk using hedges that provide for the forward purchase or sale of foreign currency when significant differences are noted between cost and revenue in foreign currency. As at 31 December 2018, a hedge contract is in place for trade receivables held in pound sterling.

Liquidity risk

This risk regards the Group's ability to meet its obligations arising from financial liabilities.
The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiry dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions.
The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects arising from extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above.
The aim of the Group's financing strategy is to maintain a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk. Historically, the Group has always met its obligations on time and was able to re-finance the indebtedness in advance before it expires.
Reference should be made to the tables in note 12) "Current and non-current financial liabilities" to these consolidated financial statements for information on the Group's loans, credit lines and facilities at the reporting date.

Risk of fluctuation in raw materials prices

Guala Closures Group manages the risk of fluctuations in the purchase price of raw materials, aluminium in particular, through forward purchases of aluminium on the London Metal Exchange. At 31 December 2018, the Group does not have any contracts for the forward purchase of aluminium.

Pursuant to article 2428.1.6-bis b) of the Italian Civil Code, we note that potential price-related issues are a result of the aluminium price trend, which has fluctuated wildly and prevented the Group from offering customers consistent and stable sales prices.

Credit risk

This is the risk that a customer or the counterparty to a financial instrument is unable to meet an obligation, leading to a financial loss. These risks arise mainly in relation to trade receivables and financial investments.
The Group's exposure to credit risk depends largely on each customer's specific characteristics. The demographics of the Group's customer portfolio, including the segment insolvency risk and the country risk, have an impact on the credit risk.
Most of the Group's trade receivables are due from leading operators of the alcoholic and non-alcoholic beverage segment. Most of its trading relationships are with long-standing customers. The Group's historical figures indicate a modest amount of bad debts. The risk is fully covered by the corresponding allowance for impairment recognized in the separate financial statements. There are no cases of particularly concentrated credit risk in geographical terms.

Business risk

As concerns business risks (such as risks related to international trade and transactions in emerging markets and at-risk countries), Guala Closures Group currently operates across numerous markets and continues to pursue its policy of expanding its business in countries in which the Group is not yet present (see, for example, the establishment of a subsidiary in Kenya in 2018). Operating in emerging markets exposes the Group to international business risks, such as exposure to local political and economic situations, which can sometimes be unstable, exchange rate fluctuations and related hedging issues, and potential export and import limitations.

The Group carries out a significant portion of its business in the United Kingdom, an activity that in 2018, following the purchase of the Scottish company United Closures and Plastics ("UCP"), has increased further.
As regards risks linked to the "Brexit", i.e. the exit from the European Union (EU) of the United Kingdom, Guala Closures Group has carried out an internal assessment after which, by virtue also of the considerable uncertainty surrounding the scenario, no significant indicators have emerged that suggest that the effects of the Brexit may significantly impact the Group's results recorded in that country.
Indeed, at the time this document is prepared, it is not known whether the United Kingdom will leave the EU with or without a commercial agreement at end March. The institutional political context is complicated and there are numerous possible options.
If the United Kingdom should leave the EU without any kind of commercial agreement, the risks for the Group would mainly derive from the difficulties that would ensue in the management of imports by Group companies operating on the territory (Guala Closures UK and UCP) and in exports towards EU countries.
On its part, Guala Closures Group and, in particular, its subsidiaries Guala Closures UK and UCP, are ready for the event of an exit without an agreement, at which point they will launch new procedures for handling imports that would make it possible to manage the flows of goods from the EU to the United Kingdom. As regards production and sales forecasts, following an internal assessment, also backed up by discussions with customers of the local companies of Guala Closures Group, considering the unknown factors of a context that is so uncertain in respect of future events, no significant indicators have been noted that would suggest that production and sales would be significantly impacted by Brexit.

Management regulations and procedures

Mauro Boano is the Data Protection Officer in accordance with Italian Law no. 196/2003 and Directive 679/2016 (GDPR).
The role of Prevention and Protection Service Manager has been confirmed as assigned to Lorenzo Ferrarese, Company employee.

Although the organisational model was updated on 31 January 2018, as a consequence of the acquisition of pre-merger Guala Closures and subsequent business combination, the appointment has been made to prepare another update to the model, by virtue of the altered status of Guala Closures S.p.A., including, amongst others, the situations relative to the stock market crimes.

Guala Closures S.p.A., in accordance with the requirements of Legislative decree no. 231/01, has a Surveillance committee which meets at least four times a year to plan the quarterly checks and to examine the findings thereof. It then reports to the Board of Directors. Roberto Malvezzi is the committee chairman, while Marco Andreoletti has been confirmed as its second member and the external technical expert.

Following the business combination and related listing on the Borsa Italiana MTA, STAR segment, the Company has also established the Control and Risks Committee and Remuneration Committee.

The Control and Risks Committee consists of:

Ing. Francesco Caio (Chairman)
Prof. Lucrezia Reichlin
Dott. Nicola Colavito

The tasks of the Control and Risks Committee can be summarised as follows:

- the Control and Risks Committee is responsible for assisting the Board of Directors by conducting inquiries and providing recommendations and advice, in assessments and decisions relating to the internal control and risk management system, as well as those relating to the approval of periodic financial reports;
- the Control and Risks Committee also has the duty of assisting the Board of Directors in completing its tasks relating to: (i) defining the guidelines of the internal control and risk management system, to ensure that the main risks relating to the issuer and its subsidiaries are properly identified, adequately measured, managed and monitored, determining the criteria of compatibility between the risks thus identified and the sound and prudent management of the Company consistent with the strategic targets identified; (ii) the periodic verification, at least once per year, of the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Issuer and the risk profile assumed; (iii) the approval, at least once a year, of the plan of work prepared by the Internal Audit Department Manager; (iv) the description, in the corporate governance report, of the main characteristics of the internal control and risk management system, to evaluate its adequacy; (v) the evaluation, after consulting with the board of statutory auditors, of the results presented in the reports of the auditing firm and in any letter of suggestions and in the report on the fundamental issues emerging during the audit of the accounts; and (vi) the appointment and revocation of the Internal Audit Department Manager.

In particular, the Control and Risks Committee aims to:
(i) together with the manager responsible for preparing the company's accounting documents and after consulting with the auditor and the board of statutory auditors, assess the correct use of accounting standards and their uniformity for the purpose of drafting the consolidated financial statements;
(ii) define the control mechanisms to verify compliance with the delegations attributed and periodically monitor their functioning, promptly reporting any anomalies to the Board of Directors;
(iii) express opinions on specific aspects regarding the identification of the main business risks;
(iv) examine the periodic reports concerning the assessment of the internal control and risk management system;
(v) report to the Board of Directors at least every six months, when the annual and half-yearly financial report are approved, on the activities carried out as well as on the adequacy of the internal control and risk management system; and
(vi) carry out any other tasks assigned by the Board of Directors.

The Remuneration Committee is made up of:

Prof. Luisa Maria Virginia Collina (Chairman)
Ing. Francesco Caio
Dott. Edoardo Subert

The tasks The Remuneration Committee are as follows:

(i) formulate proposals to the Board of Directors for the definition of the fixed and variable remuneration policy of directors and key managers of the Issuer post-merger, availing itself of the information supplied by the Chief Executive Officer;
(ii) periodically assess the adequacy, overall compliance and actual application of the remuneration policies for directors and key managers, with regard to this, using the information provided by the Chief Executive Officer; establish proposals to submit to the Board of Directors;
(iii) submit proposals or express opinions to the Board of Directors on the remuneration of executive managers and the other directors who carry out specific roles and establish the performance targets related to the variable component of said remuneration; monitor application of the decisions adopted by the Board of Directors, specifying, in particular, the actual achievement of said performance targets.
Moreover, the Remuneration Committee:
(a) with reference to the managers with strategic responsibilities, verifies the consistency of their remuneration with the fixed and variable remuneration policy and expresses an opinion on it;
(b) assists the Board of Directors in examining the proposals to the Shareholders' Meeting for the adoption of remuneration plans based on financial instruments;
(c) examines and submits to the Board of Directors the annual report on remuneration, which, for the members of the administrative and auditing bodies individually and in aggregate form for managers with strategic responsibilities:
• provides an adequate representation of each of the items comprising remuneration; and
• offers an analytical presentation of the fees paid during the reference year for any title and in any manner by the Issuer post-merger and its subsidiaries.
The Remuneration Committee has the faculty to access all information and corporate departments, ensuring suitable functional and operative connections with such for the carrying out of its duties. The Remuneration Committee may use external consultants, at the expense of the Issuer post-merger and in any case within the limits of the budget approved by the Board of Directors, after verifying that such consultants are not in any situation that would concretely compromise their independence of judgement and, in particular, do not provide the HR

Department, directors or managers with strategic responsibilities services of significance that would concretely compromise the independent judgement of said consultants.

In accordance with the recommendations of implementing rule 6.C.6 of the Corporate Governance Code, no director shall participate in meetings of the remuneration committee in which proposals are submitted to the Board of Directors relating to his/her own remuneration.

The Company has appointed Anibal Diaz, who, starting 6 August 2018, has replaced Edoardo Subert as Manager appointed to prepare the company's accounting documents, in accordance with Art. 154-bis of the Consolidated Finance Act.

The Company has also appointed, in line with the recommendations pursuant to implementing criterion 9.C.1 of the Corporate Governance Code, Claudia Banfi as Investor Relater starting 6 August 2018, in lieu of Carlo Pagliani, who previously held said role.
On 18 December 2018, the Company also approved the new MAR (Market Abuse Regulation), which instituted the Register of Relevant Information, in addition to that of inside information; the MAR Code has also encompassed regulations relating to how to treat internal dealing transactions.

The RPT (Related Party Transactions) Procedure is currently in force, previously approved by Space4 S.p.A. pre-business combination; this procedure is being revised and a new procedure has been approved in March 2019.

Related party transactions

All transactions with related parties are defined contractually and take place at market conditions (fair value).

Transactions with the parent's Directors and key managers are listed in notes 35) "Related party transactions" to the consolidated financial statements.

Following the sale of pre-merger Guala Closures to Space4 S.p.A. and the simultaneous reorganization of the Luxembourg companies, which previously controlled pre-merger Guala Closures, the incorporated under the Luxembourg law company GCL Holdings S.C.A. has become wholly owned by Managers and by their relatives and controlled by law by Marco Giovannini.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had four members appointed by it on the Board of Directors of Guala Closures S.p.A., as well as two independent members with an appointment jointly held with Space Holding S.p.A.;
- starting from 10 September 2018 two permanent members and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of GCL Holdings S.C.A.;
- starting from 31 July 2018 GCL Holdings S.C.A. holds 14.24% of the share capital of Guala Closures S.p.A. and, as a result of the 4,322,438 B multi-voting shares, it holds 24.28% of the voting rights;
- the transactions with GCL Holdings S.C.A. were carried out under normal market conditions.

Also Space Holding S.r.l. can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had two members appointed by it on the Board of Directors of Guala Closures S.p.A. (of whom one independent) and two independent members with appointment exercised jointly to GCL Holdings S.C.A.;
- starting from 10 September 2018 one permanent member and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of Space Holding S.r.l.;
- starting from 31 July 2018, Space Holding holds 4.70% of the share capital of Guala Closures S.p.A. and, also due to the 805,675 C shares without voting rights, it holds 3.14% of the voting rights;
- the transactions with Space Holding S.r.l. were carried out under normal market conditions. Space Holding S.r.l. has provided consulting services for an amount of € 1,239 thousand for services provided from 1 January 2018 to 6 August 2018, as per the contract of 27 September 2017 subsequently amended on 16 November 2017, and from 7 August 2018 to 31 December 2018 as per contract dated December 18, 2018.

Peninsula Capital II sarl (as a general partner of Peninsula Investments II S.C.A. that controls PII G S.à r.l.) can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had a member appointed by it on the Board of Directors of Guala Closures S.p.A.;

- starting from 31 July 2018 Peninsula holds 9.84% of the share capital of Guala Closures S.p.A. holding voting rights of 8.92%;
- the transactions with Peninsula were carried out under normal market conditions.

TAN Advisory S.r.l. can be considered a related party as it is the management company of the TAN Group, 100% controlled by Tan Holdings S.r.l., which, in turn, is held by Filippo Giovannini for a direct investment of 11.49% and an indirect investment through Tan International S.r.l. of 5.24%; in addition to this Tan Advisory S.r.l. is a direct subsidiary for 5.83% of SWAN S.r.l., a company held entirely by the Giovannini family and in which Marco Giovannini exercises legal control, with 52% of the share capital.
Transactions with TAN Advisory S.r.l. took place on an arm's length basis. TAN Advisory S.r.l. during 2018 it provided consulting services for an amount of € 40 thousand in the context of the business combination.

Related parties also include a pension fund for employees of the former Metal Closures Ltd. (now Guala Closures UK Ltd.) managed by Metal Closures Group Trustees Ltd. Considering the performance of the pension fund, the English company was not required to transfer funds thereto. Employees have paid their contributions. Reference should be made to note 17) "Employee benefits" to the consolidated financial statements for additional information.

Guala Closures S.p.A. it also had relations with other Guala Closures Group companies. Please refer to the notes to the separate financial statements n. 5) Current and non-current financial assets, 6) Trade receivables, 11) Other current assets, 12) Investments, 18) Trade payables, 23) Other current liabilities, 26) Net revenues, 27) Other operating income, 29) Costs for raw materials, 30) Costs for services, 33) Financial income, 34) Financial expenses, 35) Dividends.

There are no significant transactions with other related parties in addition to those indicated in this report or in the notes to the financial statements.

Other information

There are no stock option plans or any share based payment arrangements in place at 31 December 2018. At 31 December 2018, there were no free allocations of shares to employees. Reference should be made to the note 35) "Related party transactions" to the consolidated financial statements for information on the roles and responsibilities of the parent's directors.
At 31 December 2018 there are no proxies for share capital increases pursuant to article 2443 of the Italian Civil Code, nor do the directors have the power to issue equity instruments or to authorize the repurchase of treasury shares.
On February 14, 2019 the shareholders ordinary meeting of Guala Closures S.p.A. authorized the purchase of ordinary shares of the Company with a maximum limit not exceeding 3% of the outstanding ordinary shares at the date of the shareholders' meeting (equal to approximately 1,861,500 ordinary shares) to be carried out, also on a split basis, within eighteen months of the shareholders authorization resolution.
Guala Closures, in compliance with the provisions of article 5, paragraph 3, letter b, of Legislative Decree 254/2016, prepared the Consolidated non-financial statement. The 2018 Consolidated non-financial statement, prepared "in accordance" with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) defined in 2016 by the Global Reporting Initiative (GRI) and subjected to a limited review by KPMG S.p.A., is included in this "Annual report and Consolidated non-financial statement" and is also available on the website www.gualaclosures.com.

Pro-forma results of operations, financial position and cash flows of Guala Closures Group

The consolidated figures of Guala Closures Group as at 2018 have been affected by the transaction which was completed on 31 July 2018 with the acquisition by Space4 S.p.A. of 67% of pre-merger Guala Closures and its subsequent merger into Space4 S.p.A. which became effective on 6 August 2018. This transaction, which resulted in Space4 S.p.A. adopting the corporate name of Guala Closures S.p.A., had an impact on the financial statements as at 2018 and their comparability with Guala Closures Group prior to the transaction. Consequently, for the benefit of readers, pro forma figures are provided in order to compare the performance of operations based on the scope of pre-merger Guala Closures Group prior to the transaction, including Space4's operations.

Results of operations

Calculation of the pro forma results of operations

The following table shows the pro forma figures for 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s IFRS financial statements, Guala Closures Group and BU Lux at 31 December 2017.

Consolidated income statement Guala Closures Group as at 31/12/2017	**Reported Income Statement**	**Guala Closures Group 12 months**	**LUX BU 12 months**	**Intercompany write-offs and reclassifications**	**Pro forma**
(€ thousands)	**i**	**ii**	**iii**	**iv**	**i+ii+iii+iv**
Net revenue		534,819	5,144	(5,132)	534,832
Change in inventories of semi-finished products and finished goods		6,850			6,850
Other operating income		4,326	178	(164)	4,340
Internal work capitalized		4,908	20		4,928
Cost for raw materials		(235,927)	(38)		(235,966)
Costs for services	(102)	(98,259)	(7,258)	5,296	(100,323)
Personnel expense	(2)	(96,825)	(3,764)		(100,591)
Other operating expense		(10,364)	(1,038)	459	(10,943)
Impairment losses		(2,368)			(2,368)
Gross operating profit (EBITDA)	**(104)**	**107,161**	**(6,757)**	**459**	**100,759**
Depreciation and amortization		(30,846)	(306)		(31,151)
Operating profit (EBIT)	**(104)**	**76,315**	**(7,063)**	**459**	**69,607**
Financial income	27	8,341	6,406	(11,165)	3,610
Financial expense	(6,500)	(49,106)	(4,878)	9,001	(51,482)
Net financial expense	**(6,473)**	**(40,764)**	**1,529**	**(2,164)**	**(47,872)**
Profit (loss) before taxation	**(6,577)**	**35,551**	**(5,534)**	**(1,705)**	**21,735**
Income taxes		(20,417)	(36)	(3,076)	(23,529)
Profit (loss) for the period	**(6,577)**	**15,133**	**(5,571)**	**(4,781)**	**(1,795)**
Profit (loss) attributable to the owners of the parent	(6,577)	1,684	(5,571)	(0)	(10,463)
Profit attributable to the owners of the participating financial instruments of the parent		4,781		(4,781)	-
Profit attributable to non-controlling interests		8,668			8,668
Adjusted gross operating profit (Adjusted EBITDA)	**-**	**111,281**	**(691)**	**0**	**110,590**

The "Reported income statement" column shows the separate income statement figures of the merging company Space4 S.p.A. from the incorporation date (19 September 2017) to the period ended 31 December 2017.

The "Guala Closures Group 12 months" column shows pre-merger consolidated Guala Closures Group's results from 1 January to 31 December 2017.
The "LUX BU 12 months" column shows the results of the BU Lux from 1 January to 31 December 2017.
The "Intercompany write-offs and reclass." column shows the intercompany write-offs between Guala Closures Group and BU Lux and the reclassification from equity to interest of the interest accrued on the SFP between 1 January and 31 December 2017 accounted for in Guala Closures Group pre-merger consolidated financial statements.
Finally, the Pro forma column shows the figures of pre-merger Guala Closures Group for the twelve months of 2017, inclusive of the results of the period of Space4 S.p.A. and the BU Lux, in order to compare them with the corresponding twelve months of 2018 at the same perimeter.

The table below covers 2018 and shows the related pro forma figures, which will be discussed later on, calculated based on the figures of the IFRS consolidated financial statements at 31 December 2018.

Consolidated income statement Guala Closures Group as at 31/12/2018	**Reported Income Statement**	**Guala Closures Group 7 months**	**7m LUX BU**	**Intercompany write-offs and reclassifications**	**Pro forma**
(€ thousands)	**i**	**ii**	**iii**	**iv**	**i+ii+iii+iv**
Net revenue	237,419	305,675	8	(1)	543,100
Change in inventories of semi-finished products and finished goods	(13,097)	10,422			(2,675)
Other operating income	5,833	1,920	3,600	(3,492)	7,861
Internal work capitalized	2,789	3,504	-		6,293
Cost for raw materials	(102,946)	(145,191)	(76)	1	(248,212)
Costs for services	(49,672)	(66,312)	723	3,492	(111,769)
Personnel expense	(41,229)	(56,855)	(2,160)		(100,244)
Other operating expense	(4,753)	(6,381)	(490)		(11,624)
Impairment losses	95	(308)			(213)
Gross operating profit (EBITDA)	**34,439**	**46,472**	**1,604**	**-**	**82,515**
Depreciation and amortization	(15,141)	(18,684)	(320)		(34,145)
Operating profit (EBIT)	**19,299**	**27,788**	**1,284**	**-**	**48,370**
Financial income	21,410	5,991	5,028	(7,767)	24,663
Financial expense	(26,629)	(29,656)	(2,790)	4,990	(54,085)
Net financial expense	**(5,219)**	**(23,665)**	**2,238**	**(2,777)**	**(29,422)**
Profit (loss) before taxation	**14,080**	**4,123**	**3,522**	**(2,777)**	**18,948**
Income taxes	(6,266)	(8,564)	(28)		(14,858)
Profit (loss) for the period	**7,813**	**(4,441)**	**3,494**	**(2,777)**	**4,090**
Profit (loss) attributable to the owners of the parent	4,898	(5,757)	3,494	(5,553)	(2,918)
Profit attributable to the owners of the participating financial instruments of the parent		(2,777)		2,777	-
Profit attributable to non-controlling interests	2,915	4,093			7,008
Adjusted gross operating profit (Adjusted EBITDA)	**49,785**	**54,653**	**82**	**-**	**104,520**

The "Reported income statement" column shows the income statement figures of the financial statements which, in accordance with IFRS, following the Space4-Guala Closures S.p.A. transaction, cover the twelve months of the operations of the company resulting from the merger. They comprise Space4 S.p.A.'s costs from 1 January to 31 December 2018 and the results of operations of Guala Closures Group post-merger from 1 August to 31 December 2018.
The "Guala Closures Group 7 months" shows pre-merger Guala Closures Group's results from 1 January to 31 July 2018, the date of the business combination with Space4 S.p.A..
The "BU LUX 7M" column shows the results of operations of the BU Lux from 1 January to 31 July 2018, the date of transfer from the parent GCL Holdings S.C.A. to pre-merger Guala Closures Group.

The "Intercompany write-offs and reclass." column shows the intercompany write-offs between Guala Closures Group and BU Lux and the reclassification from equity to interest of the interest accrued on the SFP between 1 January and 31 July 2018.
Finally, the Pro forma column shows the figures of post-merger Guala Closures Group for the twelve months of 2018 in order to compare them with the corresponding twelve months of 2017 at the same perimeter.

Analysis of the pro forma results of operations

The pro forma table below summarises the comparable results of operations of Guala Closures Group for the twelve months of 2017 and for the twelve months of 2018:

Consolidated income statements Guala Closures Group	**12 months 2017 "Pro Forma"**		**12 months 2018 "Pro Forma"**	
	€ thousands	***% on net revenue***	**€ thousands**	***% on net revenue***
Net revenue	**534,832**	***100.0%***	**543,100**	***100.0%***
Change in inventories of semi-finished products and finished goods	6,850	*1.3%*	(2,675)	*(0.5%)*
Other operating income	4,340	*0.8%*	7,861	*1.4%*
Internal work capitalized	4,928	*0.9%*	6,293	*1.2%*
Cost for raw materials	(235,966)	*(44.1%)*	(248,212)	*(45.7%)*
Costs for services	(100,323)	*(18.8%)*	(111,769)	*(20.6%)*
Personnel expense	(100,591)	*(18.8%)*	(100,244)	*(18.5%)*
Other operating expense	(10,943)	*(2.0%)*	(11,624)	*(2.1%)*
Impairment losses	(2,368)	*(0.4%)*	(213)	*(0.0%)*
Gross operating profit (EBITDA)	**100,759**	***18.8%***	**82,515**	***15.2%***
Depreciation and amortization	(31,151)	*(5.8%)*	(34,145)	*(6.3%)*
Operating profit (EBIT)	**69,607**	***13.0%***	**48,370**	***8.9%***
Financial income	3,610	*0.7%*	24,663	*4.5%*
Financial expense	(51,482)	*(9.6%)*	(54,085)	*(10.0%)*
Net financial expense	**(47,872)**	***(9.0%)***	**(29,422)**	***(5.4%)***
Profit before taxation	**21,735**	***4.1%***	**18,948**	***3.5%***
Income taxes	(23,529)	*(4.4%)*	(14,858)	*(2.7%)*
Profit (loss) for the period	**(1,795)**	***(0.3%)***	**4,090**	***0.8%***
Profit (loss) attributable to the owners of the parent	(10,463)	*(2.0%)*	(2,918)	*(0.5%)*
Profit attributable to non-controlling interests	8,668	*1.6%*	7,008	*1.3%*

Adjusted gross operating profit (Adjusted EBITDA)	**110,590**	***20.7%***	**104,520**	***19.2%***

Notes:

- *Adjusted EBITDA has been calculated based on the definition in the alternative performance indicators paragraph on page 34.*
- *The figures for the twelve months of 2018 include the effect of the following acquisitions:*
  - ICSA's activities in Chile (acquired in October 2017);
  - the Indian company Axiom Propack Pvt Ltd (acquired in October 2017).
  - the company United Closures and Plastics (UCP) starting 12 December 2018.

  The comparative analysis between the figures for the twelve months of 2017 and 2018 has been carried out considering the impact on Net revenue instead of on the absolute values.

Alternative performance indicators

In addition to the financial performance indicators required by IFRS, this Directors' report include some alternative performance indicators (the gross operating profit (EBITDA), the gross operating profit adjusted (Adjusted EBITDA), the operating profit adjusted (Adjusted EBIT), net financial indebtedness and amounts for the twelve months of 2018 at constant exchange rates) which are not required by IFRS, but are based on IFRS values.

Management has presented the performance measure EBITDA, Adjusted EBITDA and Adjusted EBIT, because it monitors these performance measures at a consolidated level and it believes that these measures are relevant to an understanding of the Group's economic performance and should not be considered as substitutes of IFRS indicators.

Gross operating profit (EBITDA) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense, amortization/depreciation.

The Adjusted gross operating profit (Adjusted EBITDA) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense, amortization/depreciation and other amounts like costs related to Space4, due diligence and other expense related to the business combination with Space 4 S.p.A. ("exit expense"), the effects of the Purchase Price Allocation and related effects on inventories Fair Value measurement, restructuring expenses, Merger and acquisition ("M&A") expenses, operating expenses related to discontinued plant, costs related to significant production accidents, tax contingent penalties and related consultancy fees, the profit deriving from the acquisition of UCP and impairment losses.

Adjusted operating profit (Adjusted EBIT) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense and other amounts like costs related to Space4, due diligence and other expense related to the business combination with Space 4 S.p.A. ("exit expense"), the effects of the Purchase Price Allocation and related effects on inventories Fair Value measurement, restructuring expenses, Merger and acquisition ("M&A") expenses, operating expenses related to discontinued plant, costs related to significant production accidents, tax contingent penalties and related consultancy fees, the profit deriving from the acquisition of UCP and impairment losses.

EBITDA, Adjusted EBITDA and Adjusted EBIT are not defined performance measures in the IFRS. The Group's definition of Adjusted EBITDA and Adjusted EBIT may not be comparable with similarly titled performance measures and disclosures by other entities.

Adjusted gross operating profit (Adjusted EBITDA)

Euro thousands	2017 Pro forma	2018 Pro forma
Profit (loss) for the period	(1,795)	4,090
Income taxes	23,529	14,858
Profit before taxation	**21,735**	**18,948**
Net finance costs	47,872	29,422
Depreciation and amortization	31,151	34,145
Gross operating profit (EBITDA)	**100,759**	**82,515**
Changes in:		
Costs related to Space4	104	6,721
Due diligence and other exit expense	5,206	8,929
Purchase price allocation – fair value inventory	-	7,424
Restructuring expense	28	921
Merger and acquisition ("M&A") expenses	1,165	1,160
Operating expenses related to discontinued plant	129	102
Costs related to significant production accidents	681	-
Tax contingent penalties and related consultancy fees	151	
Profit from the acquisition of UCP		(3,465)
Impairment losses	2,368	213
Adjusted gross operating profit (Adjusted EBITDA)	**110,590**	**104,520**

Adjusted operating profit (Adjusted EBIT)

Euro thousands	2017 Pro forma	2018 Pro forma
Profit (loss) for the period	(1,795)	4,090
Income taxes	23,529	14,858
Profit before taxation	**21,735**	**18,948**
Net finance costs	47,872	29,422
Operating profit (EBIT)	**69,607**	**48,370**
Changes in:		
Costs related to Space4	104	6,721
Due diligence and other exit expense	5,206	8,929
Purchase price allocation - fair value inventory	-	7,424
Restructuring expense	28	921
Merger and acquisition ("M&A") expenses	1,165	1,160
Operating expenses related to discontinued plant	129	102
Costs related to significant production accidents	681	-
Tax contingent penalties and related consultancy fees	151	-
Profit from the acquisition of UCP	-	(3,465)
Impairment losses	2,368	213
Adjusted operating profit (Adjusted EBIT)	**79,439**	**70,375**

Constant currency presentation ("constant exchange rates") is the method used by management to eliminate the effects of exchange rate fluctuations when calculating the financial performance of the Group's international operations. Such presentation, utilised in the following pages, replaces the amounts for the twelve months of 2018 (income and expense of foreign operations for the twelve months of 2018 are translated into Euros at the average exchange rates of the twelve months of 2018) with the 2018 currency amounts calculated at constant average exchange rates for the twelve months of 2017 (income and expense of foreign operations for the twelve months of 2018 are translated into Euros at the average exchange rates of the twelve months of 2017).

These indicators are shown in order to provide a better understanding of the Group's financial performance and should not be considered as substitutes of IFRS indicators.

Net financial indebtedness consists of financial liabilities minus cash and cash equivalents, as well as financial assets as reconciled in Annex A) to the Directors' report "Reconciliation between tables included in the Directors' report with the classification used in the consolidated financial statements".
This indicator is shown in order to provide a better understanding of the Group's statement of financial position and should not be considered as a substitute of IFRS indicators.

The following information should be read together, and is entirely related to, the consolidated financial statements and notes thereto included in these consolidated financial statements.

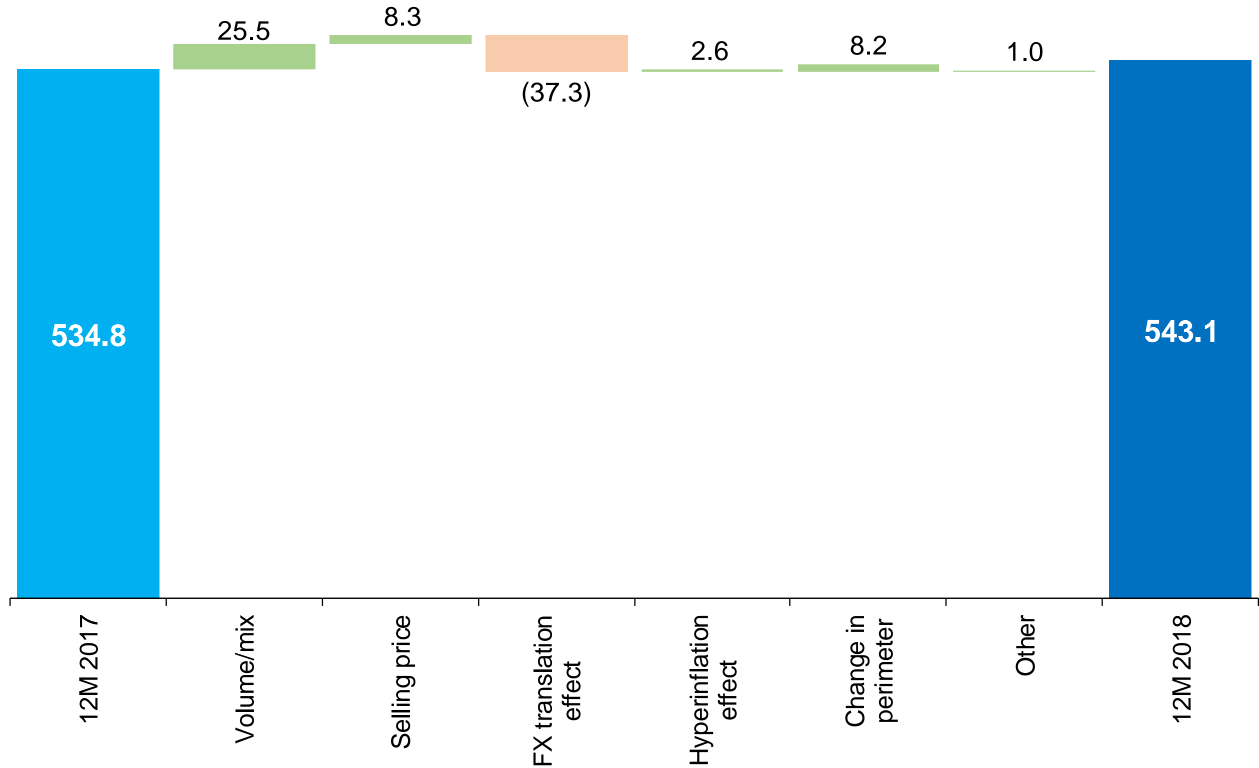
The data included in the Director's report differ from those reported in the consolidated financial statements as a result of the transaction completed on 31 July 2018 with the acquisition by Space4 S.p.A. of a 67% stake in the share capital of Guala Closures Pre-merger and the subsequent merger by incorporation of the same in Space4 S.p.A., in the consolidated financial statements the results of Guala Closures Group Pre-merger were included only for the five months following the business combination, while "pro-forma" data have been reported in the Directors' report which include twelve-month operations.

Net revenue

In the twelve months of 2018, consolidated net revenue was Euro 543.1 million, up Euro 8.3 million or 1.5% on the twelve months ended of 2017, despite the negative translation impact (Euro 37.3 million, 7.0%) following the Euro's appreciation against the main currencies in which the Group operates.
At constant exchange rates, net revenue was up Euro 45.5 million or 8.5% on the twelve months of 2017. The increase is mainly due (for Euro 25.5 million or 4.8%) to the larger volume/mix volumes in India, Argentina, the Ukraine, the United Kingdom, North America, Mexico and Italy, due to the further success of safety closures and to the changeover from cork to aluminium closures for wine bottles, for Euro 8.3 million (1.5%) to the increase in selling prices, for Euro 2.6 million (0.5%) to the effect of hyperinflation in Argentina and for Euro 8.2 million (1.5%) to the consolidation of the acquisitions of Axiom Propack Pvt Ltd in India and ICSA's activities in Chile in the second half of 2017 and the acquisition of UCP which took place on 12 December 2018.

The graph below shows the difference between the net revenue for the twelve months of 2017 and 2018:

Change in net revenue 2017 - 2018



Source: Management accounts

The "Volume/mix" effect includes the change in sales due to a change in the volume/mix of products sold and the currency transaction impact. It is calculated according to the following definitions:

- The volume/mix effect is related to the increase/decrease in revenue connected to higher/lower volumes sold and to the different sales mix in product families and customers from one year to another;

- The FX translation effect is generated by the sales in the twelve months of 2018 invoiced in a currency different from the local reporting currency recalculated based on the exchange rates for the twelve months of 2017.

The "Selling price" effect is calculated by each subsidiary, as the difference between the current average price and that of the previous year, applied to the unit volume of the current period.

The "FX translation" effect is generated at consolidation level following the translation into Euro of the sales in local currency reported by local subsidiaries.

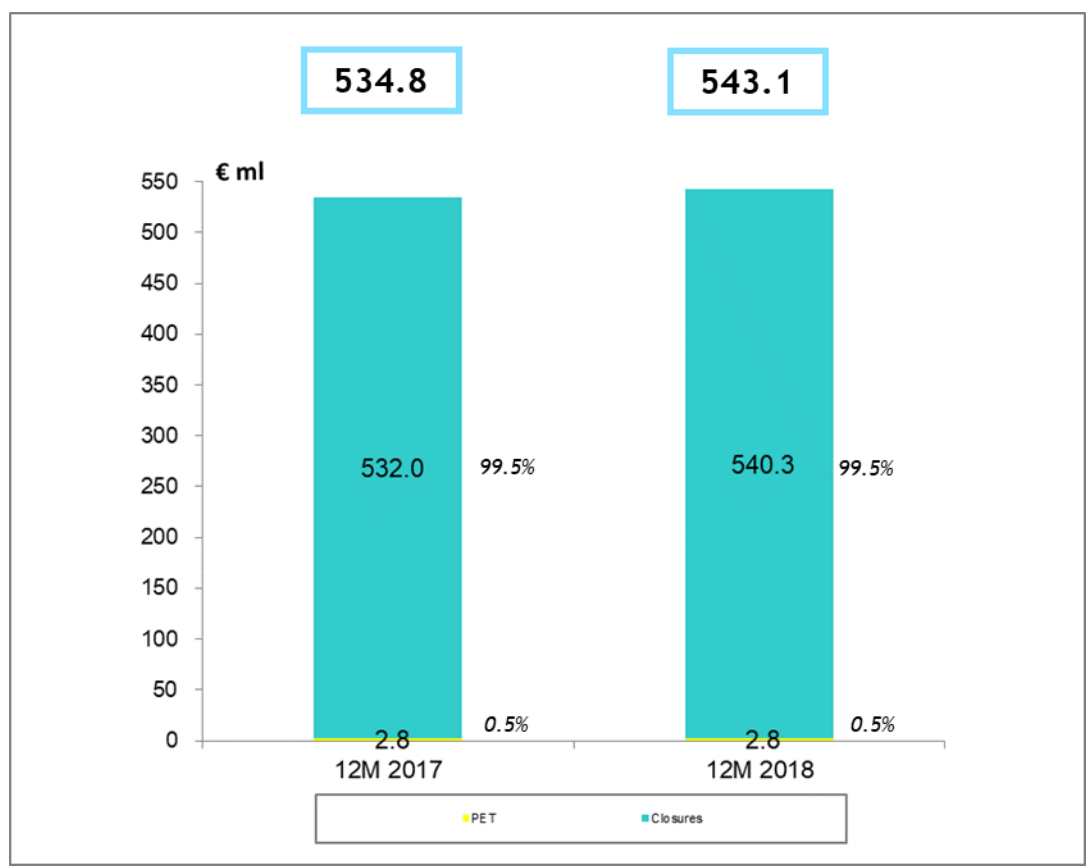
The "Hyperinflation effect" refers to the revaluation of the Argentine peso in accordance with IAS 29.

The "Change in perimeter" refers to the additional volumes generated by the acquisition of AXIOM Propack Pvt Ltd in India (occurred in October 2017) and UCP in the United Kingdom (occurred in December 2018), and ICSA's activities (occurred in October 2017) and is calculated as additional business made with third parties in comparison with previous year.

"Other" includes non-core sales (e.g., the sale of aluminium scrap) and residual amounts not specified in the above-mentioned categories.

Net revenue by division

The following graph gives a breakdown of revenue by division:



Source: Management accounts

The "Closures" division represents the Group's core business (99.5% of net revenue), specialized in the following product lines: safety closures, customized closures (luxury), wine closures (wine), roll on (standard) closures, pharma closures and other revenue.

The Closures division's revenue increased by Euro 8.3 million from Euro 532 million in the twelve months of 2017 to Euro 540.3 million in the twelve months of 2018.

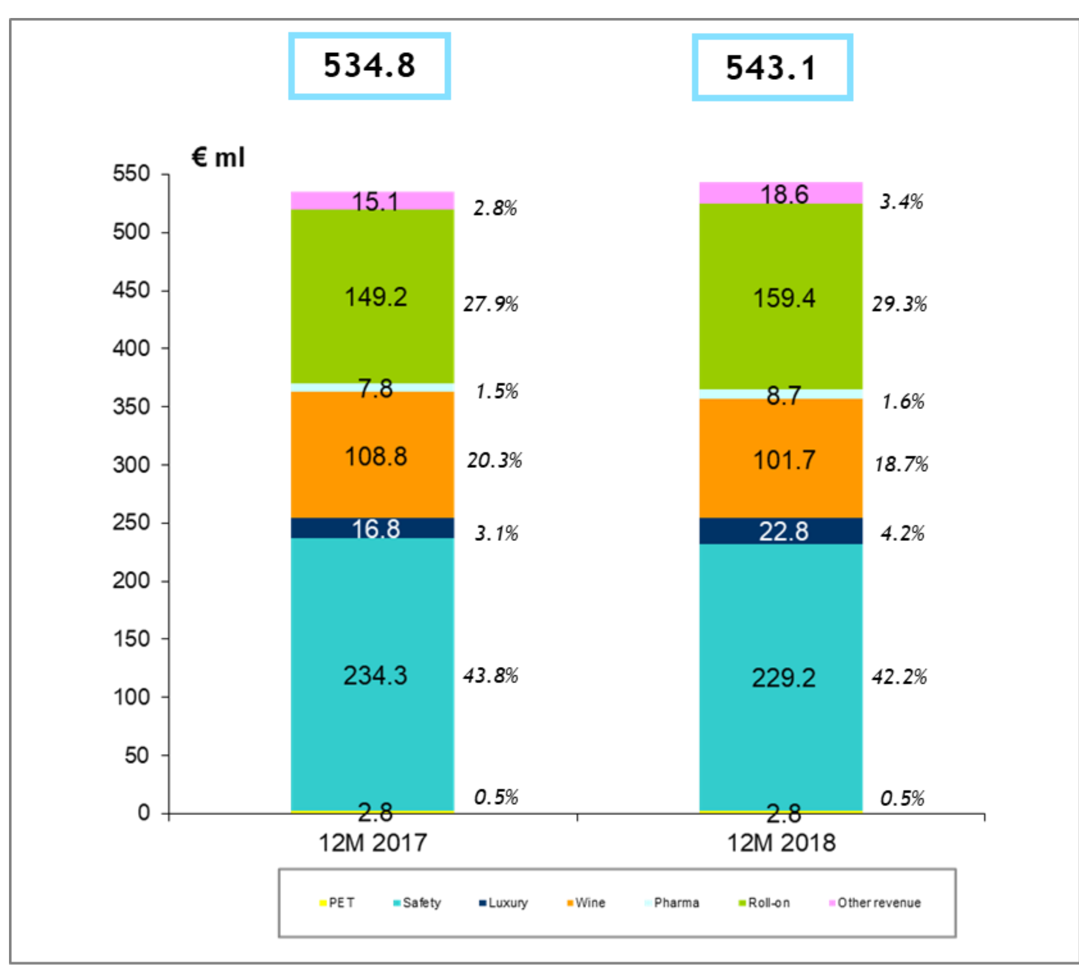
The "PET" division mainly produces standard and custom moulds and PET bottles and miniatures. This division is no longer considered a core business for the Group.

The net PET division's revenue was stable at Euro 2.8 million (representing 0.5% of net revenue). The PET division's revenue was generated by the PET operations in Spain.

As the PET division is not significant in size, it is not analysed in this Directors' report.

Net revenue by product

The following graph gives a breakdown of closures revenue by product:



Source: sales statistics

Safety closures revenue decreased from Euro 234.3 million in 2017, or 43.8% of net revenue, to Euro 229.2 million in 2018, or 42.2%, representing a reduction of Euro 5.1 million, due to the negative translation impact of Euro 18.5 million. At constant exchange rates, net revenue rose by Euro 13.4 million or 5.7% on 2017 mainly due to the growth in India which, in the first half of 2017, suffered from the impact of the "demonetization effect" and the banning of selling alcohol near motorways, and to the rise recorded by the Ukraine.

The increase in safety closures revenue is also due to the consolidation of Axiom Propack Pvt Ltd.

Luxury (decorative) closures revenue increased from Euro 16.8 million in 2017, or 3.1% of net revenue, to Euro 22.8 million in 2018 (or 4.2%), representing an increase of Euro 6.0 million, despite the negative translation impact (Euro 0.7 million). At constant exchange rates, net revenue in this segment was up Euro 6.7 million or 39.7% on 2017, mainly due to Mexico, as a result of recent investments made in order to support this segment.

Wine closures revenue decreased from Euro 108.8 million in 2017, or 20.3% of net revenue, to Euro 101.7 million in 2018 (or 18.7%), representing a decrease of Euro 7.1 million, entirely due to the negative translation impact (Euro 8.1 million). At constant exchange rates, net revenue was up Euro 1.0 million or 0.9% on 2017.

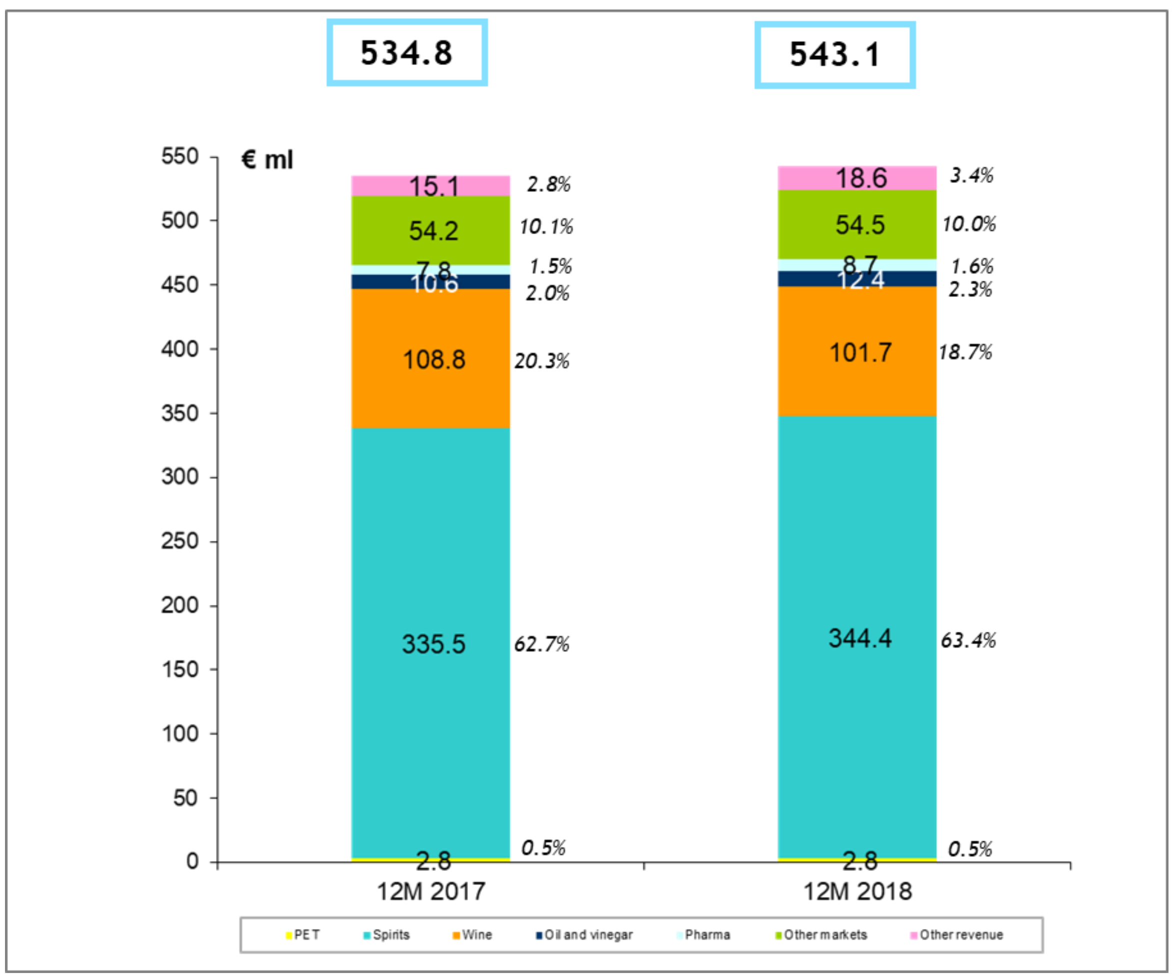
Pharma closures revenue increased from Euro 7.8 million in 2017, or 1.5% of net revenue, to Euro 8.7 million in 2018, or 1.6%, representing an increase of Euro 0.9 million.

Roll-on closures revenue increased from Euro 149.2 million in 2017, or 27.9% of net revenue, to Euro 159.4 million in 2018, or 29.3%, representing an increase of Euro 10.2 million, despite a negative translation impact of Euro 6.6 million. At constant exchange rates, net revenue was up Euro 16.8 million or 11.2% on 2017, mainly due to Mexico, North America, Italy and Poland.

Other revenues rose Euro 3.5 million, from Euro 15.1 million in 2017, or 2.8% of net revenue, to Euro 18.6 million in 2018, or 3.4% of net revenue, despite the negative translation impact (Euro 3.3 million). At constant exchange rates, net revenue was up Euro 6.8 million on 2017.

Net revenue by destination market

The following graph gives a breakdown of closures revenue by destination market:



Source: Management accounts

The most important destination market for the group sales continues to be the spirits market, which represents 63.4% of net revenue in 2018.

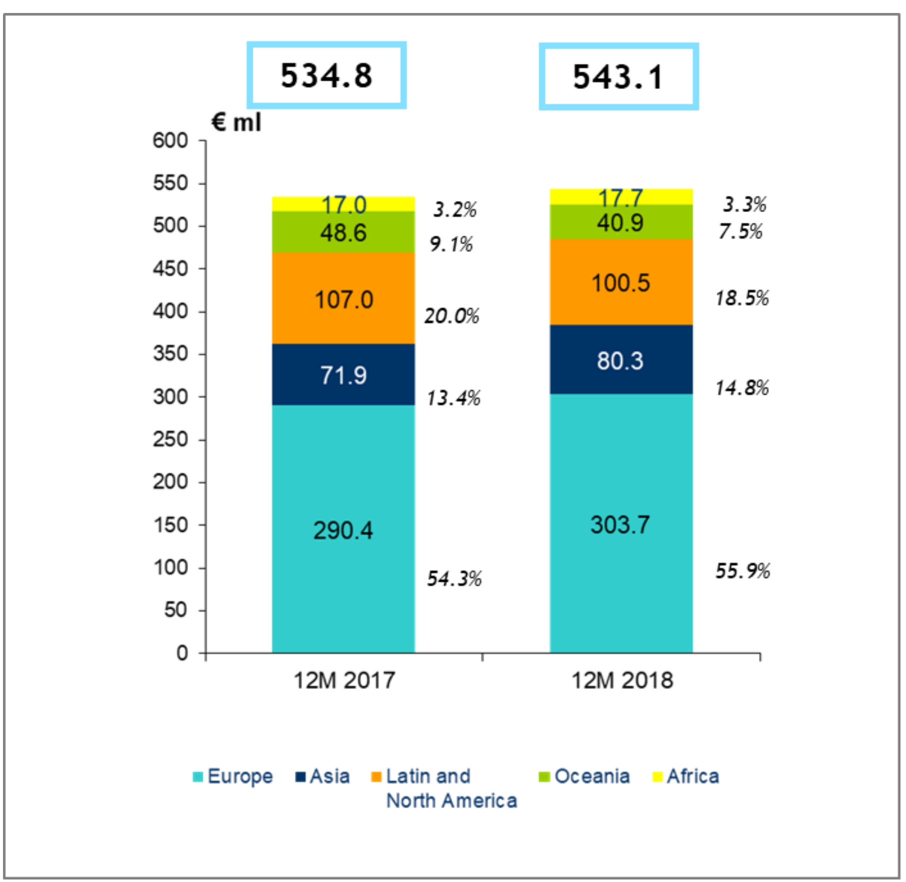
Net revenue related to the spirits market increased from Euro 335.5 million in 2017 to Euro 344.4 million in 2018, despite the negative translation impact for Euro 24.8 million. At constant exchange rates, the net revenue of this segment increased by Euro 33.7 million or 10.1% on 2017.

The increase in the spirits market is mainly due to the growth in India, the Ukraine, the United Kingdom, Argentina and North America and the consolidation of the India-based Axiom Propack Pvt Ltd, which was acquired in October 2017.

The second most important destination market is the wine market, which represents 18.7% of net revenue in 2018.
Net revenue for the wine market decreased from Euro 108.8 million in 2017, or 20.3% of net revenue, to Euro 101.7 million in 2018 (or 18.7%), representing a decrease of Euro 7.1 million, due to the negative translation impact (Euro 8.1 million). At constant exchange rates, net revenue was up Euro 1.0 million or 0.9% on 2017.

Net revenue by geographical segment

The graph below illustrates the geographical distribution of net revenue based on the geographical location from which the product is sold by the Group companies:



Source: pro-forma figures

Net revenue from operations in Europe increased by Euro 13.3 million from Euro 290.4 million in 2017, or 54.3% of net revenue, to Euro 303.7 million in 2018, or 55.9% of net revenue, despite the negative translation impact of Euro 4.2 million. At constant exchange rates, the net revenue of this area increased by Euro 17.5 million or 6.0% on 2017.

The increase in this area is mainly due to Guala Closures Ukraine, Guala Closures UK and Guala Closures S.p.A.. In 2018, net revenue in this area also benefited from the consolidation of the English company UCP, acquired on 12 December 2018 (Euro 1.3 million).

Net revenue from operations in Asia increased by Euro 8.4 million from Euro 71.9 million in 2017, or 13.4% of net revenue, to Euro 80.3 million in 2018, or 14.8%, mainly due to the impact in India of the effects of local government policies in 2017 (demonetization policy and change in local rules for the sale of alcohol). In 2018, the net revenue of this area benefited from the consolidation of the India-based Axiom Propack Pvt Ltd, which was acquired in October 2017 (Euro 5.6 million), but was affected by the negative translation impact (Euro 6.8 million). At constant exchange rates, the net revenue of this area increased by Euro 15.1 million or 21.1% on 2017.

<u>Net revenue from operations in Latin and North America</u> decreased by Euro 6.5 million from Euro 107.0 million in 2017, or 20.0% of net revenue, to Euro 100.5 million in 2018, or 18.5% of net revenue, due to the negative translation impact of Euro 22.6 million. At constant exchange rates, the net revenue of this area increased by Euro 13.5 million or 12.7% on 2017. Net revenues in this area also benefited from the effect of the revaluation due to the hyperinflation booked in Argentina, for Euro 2.6 million.
The change in this area is mainly due to the positive contribution of the general growth in the market in Argentina, North America and Mexico and to the acquisition of ICSA's activities Euro 1.3 million).

<u>Net revenue from operations in Oceania</u> decreased by Euro 7.7 million from Euro 48.6 million in 2017, or 9.1% of net revenue, to Euro 40.9 million in 2018 or 7.5% of net revenue, mainly due to reduced volumes. Net revenue of this area was also affected by the negative translation impact (Euro 3.0 million). At constant exchange rates, the net revenue of this area decreased by Euro 4.7 million or 9.8% on 2017.

<u>Net revenue from operations in Africa</u> increased from Euro 17.0 million in 2017, or 3.2% of net revenue, to Euro 17.7 million in 2018, or 3.3%, representing an increase of Euro 0.7 million, despite a negative translation impact of Euro 0.7 million. At constant exchange rates, the net revenue of this area increased by Euro 1.4 million or 8.4% on 2017.

The Group is not exposed to significant geographical risks other than normal business risks.

Other operating income

Other operating income is up by Euro 3.5 million, going from Euro 4.3 million in 2017 (0.8% of net revenue) to Euro 7.9 million in 2018 (1.4%), above all following the 2018 booking of profit deriving from the acquisition of UCP (Euro 3.5 million).

Internal work capitalized

The item rose from Euro 4.9 million in 2017, or 0.9% of net revenue, to Euro 6.3 million in 2018, or 1.2%, representing an increase of Euro 1.4 million.
This income comprises capitalized development expenditure and extraordinary maintenance on property, plant and equipment.

Cost for raw materials

These costs rose by Euro 12.2 million, going from Euro 236.0 million in 2017 (44.1% of net revenue) to Euro 248.2 million in 2018 (45.7%) mainly due to the rise in the cost of raw materials in 2018.

Costs for services

Costs for services rose by Euro 11.5 million, from Euro 100.3 million in 2017, or 18.8% of net revenue, to Euro 111.8 million in 2018 (20.6%), mainly due to greater non-recurring costs of approximately Euro 9.3 million accounted in 2018 with respect to those recorded in 2017.
As at 31 December 2018, this item also includes Euro 1,239 thousand relative to the consultant service provided by Space Holdings S.r.l. for the period from 1 January 2018 to 6 August 2018, as per the contract dated 27 September 2017 as amended on 16 November 2017 and from 7 August 2018 to 31 December 2018, as per the contract dated 18 December 2018 and Euro 40 thousand relative to the consultant service provided by TAN Advisory S.r.l., the management company of the TAN Group, 100% controlled by Tan Holdings S.r.l., which, in turn, is held by Filippo Giovannini for a direct investment of 11.49% and an indirect investment through Tan International S.r.l. of 5.24%; in addition to this Tan Advisory S.r.l. is a direct subsidiary for 5.83% of SWAN S.r.l., a company held entirely by the Giovannini family and in which Marco Giovannini exercises legal control, with 52% of the share capital.

Personnel expense

Personnel expense decreased from Euro 100.6 million in 2017, or 18.8% of net revenue, to Euro 100.2 million in 2018, or 18.5%, representing a decrease of Euro 0.4 million.

Other operating expense

Other operating expense increased from Euro 10.9 million in 2017, or 2.0% of net revenue, to Euro 11.6 million in 2018, or 2.1%, representing an increase of Euro 0.7 million, mainly due to the booking of greater non-recurring costs in 2018 than in 2017. Excluding the impact of non-recurring costs, other operating expenses were basically unchanged.
Non-recurring costs for 2018 mainly include the provision made for company restructuring operations relative to Guala Closures UK.

Impairment losses

Impairment losses are down Euro 2.2 million, going from Euro 2.4 million in 2017 (0.4% of net revenue) to Euro 0.2 million in 2018 (0.0%), mainly following the 2017 booking of impairment of the Torre d'Isola plant, which was sold in 2018 at market conditions and written down in 2017 for an amount of Euro 1.8 million, calculated as the difference between the book value of the land and buildings and plant and machinery and the price of sale agreed.

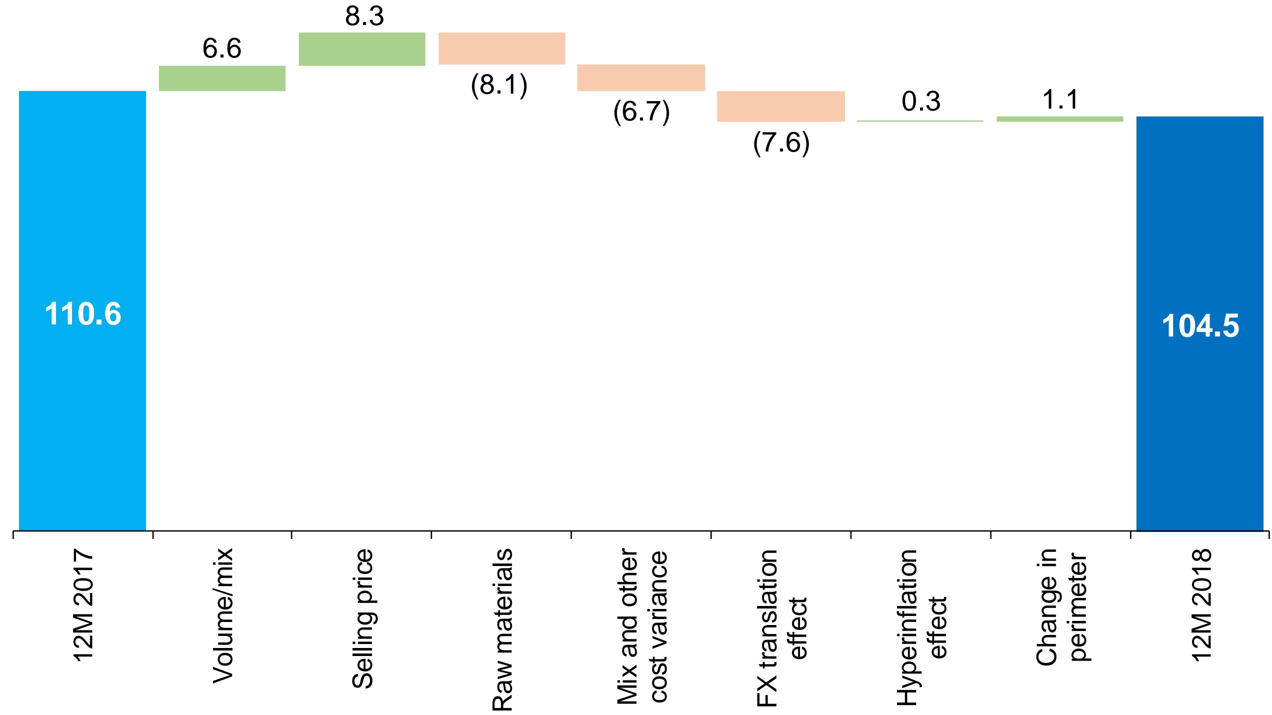
Gross operating profit (EBITDA)

The Group's gross operating profit (EBITDA) for 2018 came to Euro 82.5 million, or 15.2% of net revenue, showing a Euro 18.2 million (18.1%) decrease on 2017, mainly due to greater non-recurring costs incurred in 2018 and the negative translation impact (Euro 7.6 million) following the appreciation of the Euro against the main currencies in which the Group operates.
In 2018, the Group's EBITDA benefited from Euro 1.1 million due to the change in perimeter and Euro 0.3 million deriving from the hyperinflation in Argentina.

The adjusted EBITDA for 2018 amounts to Euro 104.5 million. The Euro 6.1 million decrease on 2017 is mainly due to the negative translation impact caused by the appreciation of the Euro against the main currencies in which the Group operates (Euro 7.6 million).
At constant exchange rates, the adjusted gross operating result (Adjusted EBITDA) increased by € 1.6 million (1.4%) compared to the twelve months of 2017.

It is equal to 19.2% of net revenue (20.7% in 2017).

The graph below shows the difference between 2017 and 2018 adjusted EBITDA:



Source: Management accounts

The "Volume/mix" effect includes the change in adjusted EBITDA due to the change in the volume/mix of products sold and produced and due to the currency transaction impact. It is calculated according to the following definitions:

- The volume/mix effect includes the volume/mix effect on sales plus/minus the volume/mix effect on costs, calculated applying the previous year incidence (%) of production costs on current year net sales plus change in inventories of finished goods and semi-finished products;
- Currency transaction effect is generated by 2018 sales booked in a currency different from the local reporting currency recalculated based on 2017 exchange rates.

The "Selling price" effect is generated by the price effect calculated on sales.

The "Raw materials" effect is calculated by each subsidiary as the difference in the average purchase price of the current year versus the previous year, applied to the production volumes of the current year.

At Group level, only the core business materials (plastic, aluminium and aluminium components) have been considered in the raw materials effect. The effect of other raw materials costs is included in "Mix & other cost variance".

The "Other cost variance" includes the effect of efficiency/inefficiency and the impact of the change in purchase price of raw materials that are not considered core business materials.

The "FX translation" effect is generated at consolidation level following the translation into Euro of the adjusted EBITDA in local currency reported by local subsidiaries.

The "Hyperinflation Effect" refers to the revaluation of the Argentine peso in accordance with IAS 29.

"Change in perimeter" is the additional EBITDA coming from the acquisition of AXIOM Propack Pvt Ltd and UCP and ICSA's activities.

Depreciation and amortization

Amortization and depreciation increased from Euro 31.2 million in 2017, or 5.8% of net revenue, to Euro 34.1 million in 2018, or 6.3%.

Financial income and expense

Net financial expense is down from Euro 47.9 million in 2017 to Euro 29.4 million in 2018. This reduction of Euro 18.5 million is mainly due to the fair value gains on the market warrants (Euro 24.0 million), the reduction in net interest expense (Euro 4.2 million) and other net financial expense (Euro 1.3 million), offset by the negative effects of a) the non-recurring costs related to the anticipated payment of the Floating Rate Senior Secured Note with maturity date 2021 (Euro 8.0 million), b) the fair value losses on the liability due to non-controlling interests (Euro 1.5 million) and c) the net exchange losses (Euro 1.6 million).

The following table breaks down financial income and expense by nature for the two periods:

Euro thousands	12 months 2017 Pro forma	12 months 2018 Pro forma
Net exchange losses	(9,121)	(10,696)
Fair value gain (loss) on Market Warrants	(6,500)	17,529
Fair value losses on liability due to non-controlling interests	(900)	(2,377)
Net interest expense	(30,084)	(25,929)
Other net financial expense	(1,268)	46
Net interest expense for refinancing	-	(7,995)
Net financial expense	**(47,872)**	**(29,422)**

Source: Pro forma

The net fair value gain (loss) on the Market Warrants refer to the change in Borsa Italiana S.p.A.'s official price of the Market Warrants existing at 31 December 2017 between 31 December 2017 and 31 December 2018 and the change in Borsa Italiana S.p.A.'s official price of the new Market Warrants issued on 6 August 2018 between 6 August 2018 and 31 December 2018.

The net fair value losses on liability due to non-controlling interests relate to the liability due to the non-controlling interests, which rose by Euro 1.5 million in 2018.

Net interest expense to third parties in 2018 is Euro 4.2 million below the previous year, mainly due to the following factors: (a) reduction of Euro 4.4 million caused by the group refinancing, i.e. the repayment on 1 August 2018 of the bonds and revolving credit facility existing as at 31 December 2017, replaced by new bonds and a new revolving credit facility at better rates and used for a lower amount than the previous financial debt; (b) reduction of Euro 0.4 million due to interest income accrued on liquid funds held at Space4 S.p.A. in the period from 31 December 2017 to the closing date of the sale of Guala Closures Group, i.e. 31 July 2018; (c) increase of Euro 0.6 million due to the higher debt of subsidiaries.

The non-recurring costs related to the debt refinancing amount to Euro 8.0 million in 2018 and refer to the write-off of the unamortised transaction costs due to Guala Closures Group's refinancing occurred on 1 August 2018 (early redemption of the existing Floating Rate Senior Secured Notes due in 2021 and of the previous Senior Revolving Facility due in 2021).

Income taxes

Income tax expense decreased by Euro 8.7 million from Euro 23.5 million in 2017, or 4.4% of net revenue, to Euro 14.9 million in 2018 (2.7%), mainly as a consequence of the reduction in profit before taxation and the recognition in 2017 of Euro 3.1 million relating to a provision made with reference to taxes for the 2012-2016 period.

Profit (loss) for the period

The profit for the period is up by Euro 5.9 million, going from a loss of Euro 1.8 million in 2017 to a profit of Euro 4.1 million in 2018, mainly following lower net financial expenses (including income and expenses related to business combination and refinancing) and lower tax, partially offset by the reduction in the gross operating profit (EBITDA) due to non-recurring costs and exchange rate effect.

Pro-forma reclassified statement of financial position

Calculation of the pro forma financial position

The following table shows the pro forma financial position as at 31 December 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s IFRS financial statements at 31 December 2017:

	Space4			Space4 Total	Guala Closures Group Pre-merger	LUX BU	Intercompany write-offs and reclassifications	Guala Closures Group Pro-forma	Pro forma
	31 December 2017	Acquisition	Merger	31 December 2017	31 December 2017			31 December 2017	31 December 2017
(€ thousands)	i	ii	iii	iv=i+ii+iii	v	vi	vii	viii=v+vi+vii	ix
Intangible assets	-	-	424,194	424,194	377,504	119	-	377,623	801,817
Property, plant and equipment	-	-	-	-	189,271	1,417	-	190,688	190,688
Contract costs	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	2,130	-	-	2,130	2,130
Net working capital	(4,490)	-	-	(4,490)	115,068	(1,534)	0	113,534	109,044
Investments	-	354,040	(354,040)	-	-	-	-	-	-
Contract assets	-	-	-	-	-	-	-	-	-
Net financial derivative liabilities	-	-	-	-	(220)	-	-	(220)	(220)
Employee benefits	-	-	-	-	(6,376)	-	-	(6,376)	(6,376)
Other assets (liabilities)	31	-	-	31	(29,231)	(3,882)	22	(33,091)	(33,060)
Net invested capital	**(4,460)**	**354,040**	**70,154**	**419,734**	**648,146**	**(3,880)**	**22**	**644,288**	**1,064,023**
Financed by:									
Net financial liabilities – third parties	-	-	-	-	511,650	(491)	65,173	576,331	576,331
Financial liabilities to non-controlling investors	-	-	-	-	16,800	-	-	16,800	16,800
Market warrants	12,500	-	-	12,500	-	-	-	-	12,500
Cash and cash equivalents	(512,206)	354,040	-	(158,166)	(40,164)	(453)	-	(40,618)	(198,783)
Net financial indebtedness	**(499,706)**	**354,040**	**-**	**(145,666)**	**488,286**	**(945)**	**65,173**	**552,513**	**406,848**
Equity	**495,246**	**-**	**70,154**	**565,400**	**159,861**	**(2,935)**	**(65,151)**	**91,775**	**657,175**
Sources of financing	**(4,460)**	**354,040**	**70,154**	**419,734**	**648,146**	**(3,880)**	**22**	**644,289**	**1,064,023**

The Space4 columns show the statement of financial position balances of Space4 S.p.A. as at 31 December 2017, the effect of Space4 S.p.A.'s acquisition of 67% of pre-merger Guala Closures on 31 July 2018 and the impact of the merger of pre-merger Guala Closures on 6 August 2018, respectively.
The Guala Closures Group column shows the consolidated statement of financial position balances of Guala Closures Group as at 31 December 2017.
The BU LUX column shows the statement of financial position balances of the GCL business unit, which was transferred by the parent GCL Holdings S.C.A. to Guala Closures Group on 31 July 2018.
The Intercompany write-offs and reclass. column shows the intercompany write-offs between Guala Closures Group and BU LUX.

Finally, the 31/12/2017 pro forma column brings forward the effects of the merger between Space4 S.p.A. and pre-merger Guala Closures, applying at 31 December 2017 the goodwill that emerged at the date of acquisition on 31 July 2018 (which therefore takes into account the loss of the first seven months of the acquired Group and the fair value adjustments deriving from the preliminary PPA), to enable comparison with the statement of financial position figures as at 31 December 2018.

Analysis of the pro forma financial position

The pro forma table summarises the financial position which reflects the statement of financial position balances of Guala Closures Group as at 31 December 2018 after the merger between Space4 S.p.A. and pre-merger Guala Closures compared with the corresponding pro forma figures which bring forward the effects of the merger between Space4 S.p.A. and pre-merger Guala Closures to 31 December 2017, to enable comparison with the statement of financial position figures as at 31 December 2018.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Intangible assets	801,817	806,104
Property, plant and equipment	190,688	205,984
Contract costs	-	29
Non-current assets classified as held for sale	2,130	-
Net working capital	109,044	124,732
Contract assets	-	25
Financial derivative assets (liabilities)	(220)	88
Employee benefits	(6,376)	(6,461)
Other liabilities	(33,060)	(34,131)
Net invested capital	**1,064,023**	**1,096,370**
Financed by:		
Net financial liabilities – third parties	576,331	478,319
Financial liabilities due to non-controlling interests	16,800	18,500
Market warrants	12,500	4,338
Cash and cash equivalents	(198,783)	(47,795)
Net financial indebtedness	**406,848**	**453,362**
Equity	**657,175**	**643,008**
Sources of financing	**1,064,023**	**1,096,370**

Property, plant and equipment

Property, plant and equipment increased from Euro 190.7 million at the end of 2017 to Euro 206.0 million at the end of 2018, and therefore by Euro 15.3 million.
This rise in 2018 is due to investments made during the period (Euro 34.1 million, above all in Italy, the Ukraine, Poland, Mexico and India), to business combinations following the acquisition of UCP (Euro 13.3 million) and the booking of the effects of hyper-inflation in Argentina (Euro 2.5 million), partially offset by the exchange gains/(losses) (Euro 4.5 million) and depreciation and impairment (Euro 30.1 million).

Net working capital

The table below provides a breakdown of net working capital.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Inventories	82,742	93,258
Trade receivables	102,445	102,805
Trade payables	(76,143)	(71,331)
Net working capital (*)	**109,044**	**124,732**

(*) The amounts set forth herein do not match the amounts used to calculate the change in working capital in the consolidated statement of cash flows for the applicable years/periods as those amounts have been adjusted to reflect changes in foreign currency exchange rates on the opening balance and changes in the number of consolidated companies.

Note:
The above net working capital includes certain reclassifications compared to the consolidated financial statements format. A reconciliation schedule is attached as Annex A) to the Directors' report.

The table below analyses net working capital days, calculated on the last quarter revenue.

	Pro forma	
Days	**31 December 2017**	**31 December 2018**
Inventories	51	57
Trade receivables	63	63
Trade payables	(47)	(44)
Net working capital days	**67**	**77**

Net working capital has gone from Euro 109.0 million as at 31 December 2017 to Euro 124.7 million as at 31 December 2018, recording a rise in the number of days of turnover from 67 to 77 days, mainly due to the payment of trade payables in place on the financial statements of Space4 S.p.A. as at 31 December 2017 (Euro 4.5 million, 3 days) and the consolidation of the company UCP, acquired in December 2018 (Euro 5.2 million, 3 days).

Net financial indebtedness

The table below gives a breakdown of net financial indebtedness.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Net financial liabilities – third parties	576,331	478,319
Financial liabilities to non-controlling interests	16,800	18,500
Market warrants	12,500	4,338
Cash and cash equivalents	(198,783)	(47,795)
Net financial indebtedness	**406,848**	**453,362**

Note:
The above net financial indebtedness includes certain reclassifications compared to the consolidated financial statements format. A reconciliation schedule is attached as Annex A) to the Directors' report.

Net financial indebtedness decreased by Euro 99.1 million in 2018, from Euro 552.5 million at 31 December 2017 to Euro 453.4 million at 31 December 2018 as a result of the initial net capital injection from Space4 S.p.A. (Euro 145.7 million) and the cash flow of the period (Euro -46.5 million).
This increase is mainly due to the fact that the Euro 48.4 million cash flow generated by operating activities has been absorbed by about Euro 52.5 million cash flow used for investments and by Euro 42.4 million used for net interest and other financial items.
The operating and financing cash flows have been strongly impacted by the extraordinary activities occurred in FY 2018, related to the business combination between Space4 S.p.A. and pre-merger Guala Closures, to the relevant listing on the Milan Stock Exchange and to the refinancing.

The details of the above are provided in the reclassified consolidated statement of changes in net financial indebtedness.

Equity

The table below shows a breakdown of equity:

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Equity attributable to the owners of the parent	632,690	617,840
Equity attributable to non-controlling interests	24,486	25,168
Equity	**657,175**	**643,008**

Pro-forma reclassified statement of changes in net financial indebtedness

Calculation of the pro forma reclassified statement of changes in net financial indebtedness

The following table shows the pro forma figures for the twelve months of 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s accounting figures at 31 December 2017, prepared pro forma with the effect of the acquisition of Guala Closures Group:

	Reported statement of cash flows	Acquisition	Space4 statement of cash flows "Pro Forma"	Guala Closures Group 12 months	LUX BU 12 months	Intercompany write-offs	12 m 2017 Guala Closures Group "Pro forma"	31/12/2017 Guala Closures Group Pro-forma
(€ thousands)	i	ii	iii	iv	v	vi	vii=iv+v+vi	iii+vii
A) Opening net financial debt	**-**	**-**	**-**	**(457,223)**	**2,816**	**(60,392)**	**(514,799)**	**(514,799)**
Gross operating profit (EBITDA)	(104)		(104)	107,161	(6,757)	459	100,863	100,759
Change in NWC	4,460		4,460	(28,563)	964		(27,599)	(23,139)
Other operating items	(4,677)		(4,677)	(629)	3,689		3,060	(1,618)
Taxes				(22,710)	41	(1,683)	(24,352)	(24,352)
B) Net cash from operating activities	**(322)**	**-**	**(322)**	**55,258**	**(2,063)**	**(1,224)**	**51,972**	**51,650**
Net capex				(28,787)	(1,402)		(30,189)	(30,189)
Change in payables for capex				1,500	38		1,538	1,538
Acquisition of Guala Closures Group		(354,040)	(354,040)				-	(354,040)
Acquisition of Limat (Mexico)				(1,226)			(1,226)	(1,226)
Acquisition of Axiom Propack Pvt Ltd (India)				(5,365)			(5,365)	(5,365)
Acquisition of ICSA's activities (Chile)				(4,509)			(4,509)	(4,509)
C) Cash flow used in investing activities	**-**	**(354,040)**	**(354,040)**	**(38,386)**	**(1,364)**	**-**	**(39,750)**	**(393,790)**
Acquisition of non-controlling interests in Guala Closures Tools (Bulgaria)				(1,050)	-		(1,050)	(1,050)
Acquisition of initial Axiom Propack Pvt Ltd indebtedness				(5,441)			(5,441)	(5,441)
Net interest expense	27	-	27	(29,380)	1,559	(3,557)	(31,378)	(31,351)
Financial expense due to transaction costs on revolving facility and previous bond				(3,768)			(3,768)	(3,768)
Initial impact of market warrants	(6,000)	-	(6,000)				-	(6,000)
Change in fair value of market warrants	(6,500)	-	(6,500)				-	(6,500)
Derivatives and other financial items				(561)	(5)		(566)	(566)
Share capital increases	512,500	-	512,500	824			824	513,324
Dividends paid				(6,819)			(6,819)	(6,819)
Effect of changes in exchange rates				(1,740)	2		(1,738)	(1,738)
D) Change in net financial indebtedness due to financing activities	**500,027**	**-**	**500,027**	**(47,935)**	**1,555**	**(3,557)**	**(49,936)**	**450,091**
E) Total change in net financial indebtedness (B+C+D)	**499,706**	**(354,040)**	**145,666**	**(31,063)**	**(1,871)**	**(4,781)**	**(37,715)**	**107,951**
F) Closing net financial indebtedness (A+E)	**499,706**	**(354,040)**	**145,666**	**(488,286)**	**945**	**(65,173)**	**(552,514)**	**(406,848)**

Source: pro forma

The "Reported statement of cash flow" column shows the balances of the statement of cash flows of the merging company from the incorporation date (19 September 2017) to 31 December 2017.
The "Space4 pro forma statement of cash flows" column includes the effect of the acquisition by Space4 S.p.A. of 67% of the share capital of Guala Closures S.p.A. pre-merger, on 31 July 2018.
The "Guala Closures Group 12 months" column shows the balances of the statement of cash flows of Guala Closures Group from 1 January to 31 December 2017.
The "BU LUX 12 months" column shows the balances of the statement of cash flows of the GCL business unit from 1 January to 31 December 2017.
The "Intercompany write-offs" column shows the intercompany write-offs between Guala Closures Group and BU LUX.

Finally, the "31/12/2017 Guala Closures Group Pro forma" column shows the balances of the statement of cash flows of Guala Closures Group for the twelve months of 2017, inclusive of the cash flows for the period of Space4 S.p.A. and the GCL business unit, in order to compare them with the corresponding twelve months of 2018.

The table below covers the twelve months of 2018 and shows the related pro forma figures, which will be discussed later on, calculated based on the figures of the IAS/IFRS consolidated financial statements at 31 December 2018.

	Reported statement of cash flows	Guala Closures Group 7 months	LUX BU 7 months	Intercompany write-offs	7 m 2018 Guala Closures Group "Pro forma"	Acquisition	31/12/2018 Guala Closures Group Pro-forma
(€ thousands)	**i**	**ii**	**iii**	**iv**	**v=ii+iii+iv**	**vi**	**i+v+vi**
Opening net financial debt		**(488,286)**	**945**	**(65,173)**	**(552,513)**		**(552,513)**
Opening net cash	**499,706**				**-**	**(354,040)**	**145,666**
A) Opening net financial debt	**499,706**	**(488,286)**	**945**	**(65,173)**	**(552,513)**	**(354,040)**	**(406,848)**
Gross operating profit (EBITDA)	34,439	46,472	1,604		48,076		82,515
Profit from the acquisition of UCP	(3,465)				-		(3,465)
Purchase price allocation - fair value inventory	7,424				-		7,424
Change in NWC	18,154	(28,334)	1,076		(27,259)		(9,105)
Other operating items	(4,679)	3,911	(5,735)		(1,824)		(6,504)
Taxes	(12,550)	(9,809)	(105)		(9,914)		(22,463)
B) Net cash from operating activities	**39,323**	**12,239**	**(3,160)**	**-**	**9,079**	**-**	**48,403**
Net capex	(15,615)	(20,020)	(348)		(20,368)		(35,983)
Change in payables for capex	503	(513)			(513)		(10)
Proceeds from sale of assets held for sale		2,130			2,130		2,130
Acquisition of UCP (net of cash acquired)	(18,616)				-		(18,616)
Acquisition of Guala Closures Group	(354,040)				-	354,040	-
Cash acquired	47,666				-	(47,666)	-
C) Cash flow used in investing activities	**(340,102)**	**(18,403)**	**(348)**	**-**	**(18,751)**	**306,374**	**(52,479)**
Acquisition of non-controlling interests in Guala Closures Argentina		(114)			(114)		(114)
Withdrawal	(31,323)				-		(31,323)
Assumption of opening financial assets (liabilities) of the Guala Closures Group	(606,186)	(677)			(677)	606,863	-
Net interest expense	(7,756)	(17,586)	2,238	(2,777)	(18,124)		(25,880)
Financial expense due to transaction costs on revolving facility and previous bond	(7,995)				-		(7,995)
Initial impact of market warrants	(9,367)				-		(9,367)
Change in fair value of market warrants	17,529				-		17,529
Derivatives and other financial items	(6,208)	460	325		784		(5,424)
Closure of the participating financial instrument		(67,949)		67,949	-		-
Share capital increases		25,000			25,000		25,000
Dividends paid	(1,134)	(4,474)			(4,474)		(5,609)
Effect of changes in exchange rates	152	593			593		745
D) Change in net financial indebtedness due to financing activities	**(652,290)**	**(64,747)**	**2,563**	**65,173**	**2,989**	**606,863**	**(42,438)**
E) Total change in net financial indebtedness (B+C+D)	**(953,068)**	**(70,911)**	**(945)**	**65,173**	**(6,683)**	**913,237**	**(46,515)**
F) Closing net financial indebtedness (A+E)	**(453,363)**	**(559,197)**	**0**	**(0)**	**(559,196)**	**559,197**	**(453,362)**

Analysis of the pro forma reclassified statement of changes in net financial indebtedness

The pro forma table below summarises the trend of the comparable reclassified statement of changes in net financial indebtedness of Guala Closures Group for the twelve months of 2017 and for the same period of 2018:

(€ thousands)	31/12/2017 Guala Closures Group Pro-forma	31/12/2018 Guala Closures Group Pro-forma
Opening net financial debt	**(514,799)**	**(552,513)**
Opening net cash	**-**	**145,666**
A) Opening net financial debt pro forma	**(514,799)**	**(406,848)**
Gross operating profit (EBITDA)	100,759	82,515
Profit from the acquisition of UCP	-	(3,465)
Purchase price allocation - fair value inventory	-	7,424
Change in NWC	(23,139)	(9,105)
Other operating items	(1,618)	(6,504)
Taxes	(24,352)	(22,463)
B) Net cash from operating activities	**51,650**	**48,403**
Net capex	(30,189)	(35,983)
Change in payables for capex	1,538	(10)
Proceeds from sale of assets held for sale	-	2,130
Acquisition of Guala Closures Group	(354,040)	
Acquisition of Limat (Mexico)	(1,226)	-
Acquisition of Axiom Propack Pvt Ltd (India)	(5,365)	-
Acquisition of ICSA activities (Chile)	(4,509)	
Acquisition of UCP (net of cash acquired)	-	(18,616)
C) Cash flow used in investing activities	**(393,790)**	**(52,479)**
Acquisition of non-controlling interests in Guala Closures Tools (Bulgaria)	(1,050)	-
Acquisition of initial Axiom Propack Pvt Ltd net indebtedness	(5,441)	
Acquisition of non-controlling interests in Guala Closures Argentina	-	(114)
Withdrawal	-	(31,323)
Net interest expense	(31,351)	(25,880)
Financial expense due to transaction costs on revolving facility and previous bond	(3,768)	(7,995)
Initial impact of market warrants	(6,000)	(9,367)
Change in fair value of market warrants	(6,500)	17,529
Derivatives and other financial items	(566)	(5,424)
Share capital increases	513,324	25,000
Dividends paid	(6,819)	(5,609)
Effect of changes in exchange rates	(1,738)	745
D) Change in net financial indebtedness due to financing activities	**450,091**	**(42,438)**
E) Total change in net financial indebtedness (B+C+D)	**107,951**	**(46,515)**
F) Closing net financial indebtedness (A+E)	**(406,848)**	**(453,362)**

Reference should be made to Annex A) Reconciliation between change in Net financial indebtedness and change in cash and cash equivalent for the reconciliation between the above Reclassified consolidated statement of changes in net financial indebtedness and the Consolidated statement of cash flows included in these separate financial statements

Opening net financial indebtedness has been adjusted to include the effect of net cash contributed by Space4 S.p.A. as a result of the merger (Euro 145.7 million).

Net cash from operating activities

The net cash flows generated by operating activities decreased from Euro 51.7 million in 2017, to Euro 48.4 million in 2018.
The reduction of Euro 3.3 million is mainly due to the lower gross operating profit (Euro 14.3 million net of the profit deriving from the acquisition of UCP and adjustment of the purchase price allocation), very much influenced by costs incurred for the extraordinary transactions that took place in 2018 (merger with the company Space4 S.p.A., listing on the Italian stock exchange) and the higher monetary outflows for other operating items Euro 4.9 million), mainly connected with the payment of costs incurred for extraordinary activities, partially offset by an improvement in the change to net working capital (Euro 14.0 million) and a lower disbursement for taxes (Euro 1.9 million, of which higher non-recurring taxes paid in 2017 compared to 2018 of approximately Euro 0.8 million).

Cash flows used in investing activities

Cash flow used for investments is down Euro 341.3 million, going from Euro 393.8 million in 2017 to Euro 52.5 million in 2018: these amounts include net investments paid, which are up Euro 7.3 million in 2018, partially offset by income recorded from the sale of the Torre d'Isola plant in Italy (Euro 2.1 million) and the amounts paid for the acquisitions. In 2017, the pro forma impact was included of the acquisition of Guala Closures Group for Euro 354 million, i.e. the amount paid by Space4 S.p.A. to purchase a 67% stake in the share capital of pre-merger Guala Closures.

Change in net financial indebtedness due to financing activities

The change in net financial indebtedness due to financing activities has gone from Euro 450.1 million in 2017, to Euro -42.4 million in 2018. This reduction is due to a series of factors, many of which are extraordinary in nature due to the transactions that took place in 2017 (capital increase of Euro 513.3 million) and in 2018 (merger of the companies Space4 S.p.A. and Guala Closures S.p.A., listing on the Italian stock exchange, refinancing of existing debt).
The most significant factors were: a) lower income deriving from share capital increases (equal to 513.3 million in 2017 and Euro 25.0 million in 2018); b) withdrawal of Space4 S.p.A.'s former shareholders (Euro 31.3 million); c) off-set of the transaction costs related to the previous debt (Euro 8.0 million), fully repaid in August 2018 (bond issue due in 2021 and Revolving Credit Facility due in 2021); d) other financial items (Euro 4.9 million).
These negative effects were offset by the following factors: a) the Euro 20.7 million positive impact of financial items related to the Market Warrants; b) the decrease in net interest expense (Euro 5.5 million); c) smaller dividends paid to third parties (Euro 1.2 million); d) the positive translation impact (Euro 2.5 million); e) lower costs for company acquisitions (Euro 6.4 million).

Total change in Net financial indebtedness

The net financial indebtedness decreased from Euro 552.5 million at 31 December 2017 to Euro 453.4 million at 31 December 2018 (down Euro 99.1 million) as a result of the initial net capital injection from Space4 (Euro 145.7 million) and the cash flow of the period (Euro -46.5 million) which is impacted by the business seasonality.

Key financial and other indicators

Financial indicators

	Pro forma	
	2017	**2018**
Adjusted gross operating profit (Adjusted EBITDA) (Euro mln)	110.6	104.5
EBITDA margin (Adjusted EBITDA/Net revenue)	20.7%	19.2%
ROS (Adjusted operating profit/Net revenue)	14.9%	13.0%
ROE (Net result/Equity)	(0.3)%	0.6%
ROI (Adjusted operating profit/Net invested capital)	7.5%	6.4%
Gearing ratio (Net financial indebtedness/Equity)	0.62	0.71
NWC days (Net working capital/Turnover of last quarter)	67	77

Source: pro forma consolidated financial statements figures – internal data

Notes:
In relation to the Adjusted EBITDA and Adjusted operating profit, reference should be made to the section "Alternative performance indicators" in this Directors' report on page 34.
In relation to the Net invested capital and Net working capital, reference should be made to the Reclassified consolidated statement of financial position in this Directors' report on page 49.

Other indicators

Group personnel by gender and category in the following table.

Breakdown

Number			31 December 2018		
			Men	**Women**	**TOTAL**
Managers			201	38	239
White collars			722	301	1,023
Blue collars			2,754	731	3,485
Total			**3,677**	**1,070**	**4,747**

In addition, the Group also employed approximately 780 agency workers.

Reconciliation between Parent and consolidated equity and profit for the year

	31 December 2018	2018
(Euro thousands)	**Equity**	**Net result**
Financial statements of the parent company	644,704	
Net result	(12,852)	12,852
Shareholders' equity and profit/(loss) on consolidated equity investments	382,839	51,003
- Elimination of the carrying value of investments and other consolidation adjustments	(322,280)	(14,079)
- Reversal of the effect of capital gains and infra-group margins (including the effect of deferred tax)	(15,443)	(191)
- Reversal of infra-group dividends	(41,773)	(41,773)
- Total net result	7,813	
Consolidated Financial Statements	**643,008**	**7,813**
- Equity and net result attributable to non-controlling interests	(25,168)	(2,915)
Equity attributable to the owners of the parent	**617,840**	**4,898**

Source: financial statements figures

Pro-forma results of operations, financial position and cash flows of Guala Closures S.p.A.

Operating offices

Guala Closures S.p.A. currently operates in Italy out of the following production sites:

- Alessandria, Via Rana 12 Frazione Spinetta Marengo: the company's registered and operating offices and a site for the production of plastic safety closures and aluminium closures;

- Termoli (Campobasso), località Pantano Basso Zona Industriale: a site producing plastic safety closures and aluminium closures;

- Termoli (Campobasso), località Pantano Basso Zona Industriale: a warehouse.

- Basaluzzo (Alessandria), Via Novi 46: a warehouse;

- Basaluzzo (Alessandria), Via Novi 44: a warehouse and samples production;

- Magenta (Milan), Strada per Cascina Peralza 20: a site for printing and cutting aluminium.

The Company's 2018 data was influenced by the transaction completed on 31 July 2018 with the acquisition by Space4 S.p.A. of 67% of pre-merger Guala Closures and its subsequent merger into Space4 S.p.A. which became effective on 6 August 2018. This transaction, which resulted in Space4 S.p.A. adopting the corporate name of Guala Closures S.p.A., had an impact on the financial statements as at 2018 and their comparability with Guala Closures Group prior to the transaction. Consequently, for the benefit of readers, pro forma figures are provided in order to compare the performance of operations based on pre-merger Guala Closures Group prior to the transaction, including Space4's operations.

Results of operations

<u>**Calculation of the pro forma results of operations**</u>

The following table shows the pro forma figures for 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s IFRS financial statements at 31 December 2017.

Income statement **Guala Closures S.p.A. as at 31/12/2017**	**Reported Income Statement**	**Guala Closures S.p.A. 12 months**	**Pro forma**
(€ thousands)	**i**	**ii**	**i+ii**
Net revenue		118,797	118,797
Change in inventories semi-finished products and finished goods		2,222	2,222
Other operating income		17,167	17,167
Internal work capitalized		2,407	2,407
Cost for raw materials		(70,414)	(70,414)
Costs for services	(102)	(31,784)	(31,886)
Personnel expense	(2)	(26,970)	(26,972)
Other operating expense		(2,833)	(2,833)
Impairment losses		(1,897)	(1,897)
Gross operating profit (EBITDA)	**(104)**	**6,696**	**6,592**
Depreciation and amortization		(8,173)	(8,173)
Operating profit (EBIT)	**(104)**	**(1,477)**	**(1,581)**
Financial income	27	14,121	14,148
Financial expense	(6,500)	(32,647)	(39,147)
Dividends		12,700	12,700
Net financial expense	**(6,473)**	**(5,826)**	**(12,298)**
Profit (loss) before taxation	**(6,577)**	**(7,303)**	**(13,879)**
Income tax		(1,975)	(1,975)
Loss for the period	**(6,577)**	**(9,278)**	**(15,854)**
Adjusted gross operating profit (Adjusted EBITDA)	**-**	**10,013**	**10,013**

The "Reported income statement" column shows the income statement figures of the merging company Space4 S.p.A. from the incorporation date (19 September 2017) to the period ended 31 December 2017.
The column "Guala Closures S.p.A. 12 months" shows pre-merger Guala Closures Group's results from 1 January to 31 December 2017.
Finally, the Pro forma column shows the figures of pre-merger Guala Closures Group for the twelve months of 2017, inclusive of the results of the period of Space4 S.p.A., in order to compare them with the corresponding twelve months of 2018 at the same perimeter.

The table below covers 2018 and shows the related pro forma figures, which will be discussed later on, calculated based on the figures of the IFRS consolidated financial statements at 31 December 2018.

Income statement **Guala Closures S.p.A. as at 31/12/2018**	**Reported Income Statement**	**Guala Closures S.p.A. until 05/08/2018**	**Pro forma**
(€ thousands)	**i**	**ii**	**i+ii**
Net revenue	47,399	74,515	121,914
Change in inventories semi-finished products and finished goods	(4,637)	2,326	(2,312)
Other operating income	8,673	11,459	20,133
Internal work capitalized	1,270	1,692	2,962
Cost for raw materials	(24,276)	(44,595)	(68,871)
Costs for services	(22,777)	(27,068)	(49,845)
Personnel expense	(10,448)	(17,127)	(27,575)
Other operating expense	(785)	(1,134)	(1,919)
Impairment losses	(33)	(155)	(188)
Gross operating profit (EBITDA)	**(5,614)**	**(86)**	**(5,700)**
Depreciation and amortization	(3,428)	(4,703)	(8,131)
Operating profit (EBIT)	**(9,042)**	**(4,789)**	**(13,831)**
Financial income	22,920	8,419	31,339
Financial expense	(7,903)	(27,550)	(35,453)
Dividends	7,000	6,600	13,600
Net financial expense	**22,017**	**(12,531)**	**9,487**
Profit (loss) before taxation	**12,975**	**(17,319)**	**(4,344)**
Income tax	(123)	(247)	(370)
Profit (loss) for the period	**12,852**	**(17,566)**	**(4,714)**
Adjusted gross operating profit (Adjusted EBITDA)	**5,519**	**6,779**	**12,298**

The "Reported income statement" column shows the income statement figures of the financial statements which, in accordance with IFRS, following the Space4-Guala Closures S.p.A. transaction, cover the twelve months of the operations of the company resulting from the merger. They comprise Space4 S.p.A.'s costs from 1 January and the results of operations of Guala Closures post-merger from 6 August to 31 December 2018.

The "Guala Closures S.p.A. until 05/08/2018" column shows pre-merger Guala Closures's results from 1 January to 5 August 2018, the date of the business combination with Space4 S.p.A.

Finally, the Pro forma column shows the figures of Guala Closures post-merger for the twelve months of 2018 in order to compare them with the corresponding twelve months of 2017 at the same perimeter.

Analysis of the pro forma results of operations

The pro forma table below summarises the comparable results of operations of Guala Closures S.p.A. for the twelve months of 2017 and for the same period of 2018:

Income statement Guala Closures S.p.A.	**12 months 2017 "Pro Forma"**		**12 months 2018 "Pro Forma"**	
	€ thousands	***% on net revenue***	**€ thousands**	***% on net revenue***
Net revenue	**118,797**	***100.0%***	**121,914**	***100.0%***
Change in inventories semi-finished products and finished goo	2,222	*1.9%*	(2,312)	*(1.9%)*
Other operating income	17,167	*14.5%*	20,133	*16.5%*
Internal work capitalized	2,407	*2.0%*	2,962	*2.4%*
Cost for raw materials	(70,414)	*(59.3%)*	(68,871)	*(56.5%)*
Costs for services	(31,886)	*(26.8%)*	(49,845)	*(40.9%)*
Personnel expense	(26,972)	*(22.7%)*	(27,575)	*(22.6%)*
Other operating expense	(2,833)	*(2.4%)*	(1,919)	*(1.6%)*
Impairment losses	(1,897)	*(1.6%)*	(188)	*(0.2%)*
Gross operating profit (EBITDA)	**6,592**	***5.5%***	**(5,700)**	***(4.7%)***
Depreciation and amortization	(8,173)	*(6.9%)*	(8,131)	*(6.7%)*
Operating profit (EBIT)	**(1,581)**	***(1.3%)***	**(13,831)**	***(11.3%)***
Financial income	14,148	*11.9%*	31,339	*25.7%*
Financial expense	(39,147)	*(33.0%)*	(35,453)	*(29.1%)*
Dividends	12,700	*10.7%*	13,600	*11.2%*
Net financial expense	**(12,298)**	***(10.4%)***	**9,487**	***7.8%***
Loss before taxation	**(13,879)**	***(11.7%)***	**(4,344)**	***(3.6%)***
Income tax	(1,975)	*(1.7%)*	(370)	*(0.3%)*
Loss for the period	**(15,854)**	***(13.3%)***	**(4,714)**	***(3.9%)***

Adjusted gross operating profit (Adjusted EBITDA)	**10,013**	***8.4%***	**12,298**	***10.1%***

Alternative performance indicators

In addition to the financial performance indicators required by IFRS, this Directors' report includes some alternative performance indicators (gross operating profit (EBITDA), adjusted gross operating profit (Adjusted EBITDA) adjusted operating profit (Adjusted EBIT), and net financial indebtedness) which are not required by IFRS, but are based on IFRS values.

Management has presented the performance measure EBITDA, Adjusted EBITDA and Adjusted EBIT because it monitors these performance measures and it believes that these measures are relevant to an understanding of the financial performance of Guala Closures S.p.A. (the Company) and should not be considered as substitutes of IFRS indicators.

Gross operating profit (EBITDA) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense, amortization/depreciation.

The Adjusted gross operating profit (Adjusted EBITDA) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense, amortization/depreciation and other amounts like costs related to Space4, due diligence and other expense related to the business combination with Space 4 S.p.A. ("exit expense"), the effects of the Purchase Price Allocation and related effects on inventories Fair Value measurement, operating expenses related to discontinued plant, costs related to significant production accidents, tax contingent penalties and related consultancy fees and impairment losses.

Adjusted operating profit (Adjusted EBIT) is calculated by adjusting the profit for the period to exclude the impact of taxation, net financial expense and other amounts like costs related to Space4, due diligence and other expense related to the business combination with Space 4 S.p.A. ("exit expense"), the effects of the Purchase Price Allocation and related effects on inventories Fair Value measurement, restructuring expenses, operating expenses related to discontinued plant, costs related to significant production accidents, tax contingent penalties and related consultancy fees and impairment losses.

EBITDA, Adjusted EBITDA and Adjusted EBIT are not defined performance measures in the IFRS. The Company's definition of Adjusted EBITDA and Adjusted EBIT may not be comparable with similarly titled performance measures and disclosures by other entities.

Adjusted gross operating profit (Adjusted EBITDA)

Euro thousands	2017 Pro forma	2018 Pro forma
Loss for the period	(15,854)	(4,714)
Income taxes	1,975	370
Loss before taxation	**(13,879)**	**(4,344)**
Net finance costs	12,298	(9,487)
Depreciation and amortization	8,173	8,131
Gross operating profit (EBITDA)	**6,592**	**(5,700)**
Changes in:		
Costs related to Space4	104	6,721
Due diligence and other exit expense		9,995
Purchase price allocation – fair value inventory		990
Merger and acquisition ("M&A") expenses		2
Operating expenses related to discontinued plant	129	102
Costs related to significant production accidents	681	-
Tax contingent penalties and related consultancy fees	610	-
Impairment losses	1,897	188
Adjusted operating profit (Adjusted EBITDA)	**10,013**	**12,298**

Adjusted operating profit (Adjusted EBIT)

Euro thousands	2017 Pro forma	2018 Pro forma
Loss for the period	(15,854)	4,767
Income taxes	1,975	370
Loss before taxation	**(13,879)**	**(4,344)**
Net finance costs	12,298	(9,487)
Operating profit (EBIT)	**(1,581)**	**(13,831)**
Changes in:		
Costs related to Space4	104	6,721
Due diligence and other exit expense	-	9,995
Purchase price allocation - fair value inventory		990
Merger and acquisition ("M&A") expenses	-	2
Operating expenses related to discontinued plant	129	102
Costs related to significant production accidents	681	-
Tax contingent penalties and related consultancy fees	610	-
Impairment losses	1,897	188
Adjusted operating profit (Adjusted EBIT)	**1,840**	**4,167**

Net financial indebtedness consists of financial liabilities minus cash and cash equivalents, as well as financial assets as reconciled in Annex B) to the Directors' report "Reconciliation between tables included in the Directors' report with the classification used in the separate financial statements".
This indicator is shown in order to provide a better understanding of the Company's statement of financial position and should not be considered as a substitute of IFRS indicators.

The following information should be read together, and is entirely related to, the separate financial statements and notes thereto included in these separate financial statements.

The data included in the Director’s report differ from those reported in the separate financial statements as a result of the transaction completed on 31 July 2018 with the acquisition by Space4 S.p.A. of a 67% stake in the share capital of Guala Closures Pre-merger and the subsequent merger by incorporation of the same in Space4 S.p.A., in the separate financial statements the results of Guala Closures Pre-merger were included only for the five months following the business combination, while “pro-forma” data have been reported in the Director’s report which include twelve-month operations.

Net revenue

In twelve months 2018, the Company recorded net revenue of Euro 121.9 million, up Euro 3.1 million on 2017, thanks above all to growth in the closures sector for bottles of water and oil.

Export sales represented around 71% of turnover. The most significant countries for exports were: Great Britain, Spain, Mexico, Finland, France, Australia, the United States of America and South Africa.

Other operating income

Other operating income increased from Euro 17.2 million in 2017, or 14.5% of net revenue, to Euro 20.1 million in 2018, or 16.5%, representing a decrease of Euro 3.0 million.
Other operating income mainly comprises:

a) the service agreement for the recharge to subsidiaries of costs incurred by Guala Closures S.p.A. on behalf of other group companies for accounting, financial, treasury, purchasing, personnel management and data management services and the recharge of insurance and other costs incurred by Guala Closures S.p.A. on behalf of other group companies (Euro 10.6 million);
b) royalties charged to other group companies for the utilization of the trademark (Euro 5.5 million);
c) recharge of personnel expense (Euro 0.5 million);
d) charge for transport costs (Euro 0.3 million);
e) charge for insurance costs (Euro 0.5 million).

Internal work capitalized

Internal work capitalised increased from Euro 2.4 million in 2017, or 2.0% of net revenue, to Euro 3.0 million in 2018, or 2.4%.
This income comprises capitalized development expenditure and extraordinary maintenance.

Cost for raw materials

These costs decreased from Euro 70.4 million in 2017, or 59.3% of net revenue, to Euro 68.9 million in 2018, or 56.5%. This reduction is due to a slight decline in purchase prices of aluminium.

Costs for services

Costs for services rose by Euro 31.9 million in 2017 (26.8% of net revenues), to Euro 49.8 million in 2018 (40.9%), mainly due to higher non-recurring costs of Euro 16 million recorded in 2018 as incurred by the Company for expenses relating to due diligence and other costs connected with the business combination (exit expenses).

Personnel expense

Personnel expense increased from Euro 27.0 million in 2017, to Euro 27.6 million in 2018, but the percentage of net revenue remained basically stable at 22.6%.
The average number of employees in 2017 was 434 (439 in 2016), including 15 managers, 142 white collars and 277 blue collars.

Other operating expense

Other operating expense decreased from Euro 2.8 million in 2017, or 2.4% of net revenue, to Euro 1.9 million in 2018, or 1.6%, mainly due to the accrual of Euro 0.5 million as costs recognized in relation to tax and related matters dating to the period 2012-2016, recorded in 2017.

Impairment losses

Impairment losses decreased from Euro 1.9 million in 2017 (1.6% of net revenues) to Euro 0.2 million in 2018 (0.2%) following the recognition in 2017 of impairment loss of the Torre d'Isola plant , sold in 2018 at market value and impaired in 2017 for an amount of € 1.8 million, calculated as the difference between the book value of land and buildings and plant and machinery and the sale price.

Gross operating profit (EBITDA)

EBITDA totalled Euro -5.7 million in 2018 (Euro 6.6 million in 2017).

In 2018, EBITDA was impacted by: Euro 16.8 million in non-recurring costs incurred by the Company for expenses relating to due diligence and other costs connected with the business combination (exit expenses) and Euro 0.2 million for the impairment of tangible assets.

In 2017, EBITDA was impacted by: Euro 1.9 million for impairment linked to losses of value recorded on the Torre d'Isola plant, Euro 0.7 million mainly due to a production accident that took place in January 2017 at the plant of Magenta (MI) which resulted in the death of an employee during maintenance and set-up of a decoration line, by Euro 0.6 million for costs accounted in relation to contingent tax penalties and related consultancy fees dating to the period 2012-2016 and Euro 0.1 million of other costs.

Excluding the above mentioned costs, the Company's gross operating profit (adjusted EBITDA) would have been Euro 12.3 million in 2018 (Euro 10.0 million in 2017).

Depreciation and amortization

Amortization and depreciation decreased from Euro 8.2 million in 2017, or 6.9% of net revenue, to Euro 8.1 million in 2018, or 6.7%.

Financial income and expense

Net financial expense changed from Euro -12.3 million in 2017, to Euro 9.5 million in 2017.

This improvement of Euro 21.8 million is mainly due to the positive effect of the change in fair value of market warrants (Euro 24.0 million), the reduction in net interest expense to third parties (Euro 6.1 million) and the increase in dividends received from the subsidiary Guala Closures International B.V. (Euro 0.9 million), partially offset by the negative effects of the extraordinary expense due to the refinancing (Euro 8.0 million) and the reduction of net interest income - related parties (Euro 1.2 million).

The following table breaks down financial income and expense by nature for the two years:

Euro thousands	12 months 2017 Pro forma	12 months 2018 Pro forma
Net exchange losses	(270)	(311)
Dividends	12,700	13,600
Fair value gain (loss) of market warrants	(6,500)	17,529
Net interest expense - third parties	(32,180)	(26,100)
Financial expense for debt refinancing	-	(7,995)
Net interest income - related parties	13,951	12,764
Net financial income (expense)	**(12,298)**	**9,487**

Source: Pro forma

Net interest expense to third parties in 2018 is Euro 6.1 million below the previous year, mainly due to the following factors: (a) reduction of Euro 4.4 million caused by the group refinancing, i.e. the repayment on 01 August 2018 of the bonds and revolving credit facility existing as at 31 December 2017, replaced by new bonds and a new revolving credit facility at better rates and used for a lower amount than the previous financial debt; (b) reduction of Euro 0.7 million due to interest income accrued on liquid funds held at Space4 S.p.A. in the period from 31 December 2017 to the closing date of the sale of Guala Closures Group, i.e. 31 July 2018.
Net interest income from related parties for 2018 is down Euro 1.2 million on the previous year, above all due to the financial netting that took place as at the closing date of the sale of Guala Closures Group, i.e. 31 July 2018.

Specifically: (a) the reduction of Euro 2.0 million in interest income due to the full repayment of the infra-group loan granted by Guala Closures S.p.A. to GCL Holdings S.C.A.; (b) increase of Euro 0.7 million due to the new intercompany loan granted by Guala Closures S.p.A. to Guala Closures International B.V. (previously granted by GCL Holdings S.C.A.).

The net fair value gains on the Market Warrants refer to the change in Borsa Italiana S.p.A.'s official price of the Market Warrants existing at 31 December 2017 between 31 December 2017 and 31 December 2018 and the change in Borsa Italiana S.p.A.'s official price of the new Market Warrants issued on 6 August 2018 between 6 August 2018 and 31 December 2018.

The non-recurring costs related to the debt refinancing amount to Euro 8.0 million in 2018 and refer to the write-off of the unamortised transaction costs due to Guala Closures Group's refinancing occurred on 1 August 2018 (early redemption of the existing Floating Rate Senior Secured Notes due in 2021 and of the previous Senior Revolving Facility due in 2021).

Income taxes

Income taxes decreased from Euro 2.0 million, or 1.7% of net revenue in 2017, to Euro 0.4 million, or 0.3% in 2018, mainly due to the decrease of the deferred tax assets vs 2017, due to the derecognition of trade receivables and the lower current tax due to higher non-recurring costs incurred during the year for the business combination.

The Regional Office of the Piedmont Tax Authorities has recognised the continuation of the tax consolidation scheme pursuant to Articles 117 to 128 of Italian Presidential Decree no. 917 of 22 December 1986, in place by the acquired company with its subsidiary GCL Pharma S.r.l.

Please also note that there has been no tax re-alignment of the differences between the tax data and statutory data as a consequence of the transfer to the international accounting standards, as envisaged by Article 15, paragraphs 7 and 8 of Italian Decree Law 185 of 29 November 2008, converted into Italian Law no. 2 of 28 January 2009, insofar as previous tax losses that can be carried forward and those realised in the previous year, meant it was not convenient to continue allocating these differences by paying substitute tax.

Loss for the period

The loss for the period improved from Euro 15.9 million in 2017, or -13.3% of net revenue, to Euro 4.7 million, or -3.9% in 2018, mainly due to an improvement in financial expense (including income and expenses related to the business combination and the refinancing) that offset the decrease of the gross operating profit (EBITDA) following a higher incidence of non-recurring expenses in 2018.

Pro-forma reclassified separate statement of financial position

The following table shows the pro forma financial position as at 31 December 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s IFRS financial statements at 31 December 2017:

	Space4			Space4 Total	Guala Closures S.p.A. Pre-merger	Pro forma
	31 December 2017	Acquisition	Merger	31 December 2017	31 December 2017	31 December 2017
(€ thousands)	**i**	**ii**	**iii**	**iv=i+ii+iii**	**v**	**iv+v**
Intangible assets	-	-	456,480	456,480	270,864	727,344
Property, plant and equipment	-	-	-	-	45,228	45,228
Non-current assets classified as held for sale	-	-	-	-	2,130	2,130
Net working capital	(4,490)	-	-	(4,490)	30,802	26,312
Investments	-	354,040	(354,040)	-	84,807	84,807
Net financial derivative liabilities	-	-	-	-	(213)	(213)
Employee benefits	-	-	-	-	(4,172)	(4,172)
Other assets (liabilities)	31	-	-	31	(9,899)	(9,868)
Net invested capital	**(4,460)**	**354,040**	**102,440**	**452,020**	**419,548**	**871,568**
Financed by:						
Net financial liabilities – third parties		-	-	-	561,429	561,429
Market warrants	12,500	-	-	12,500	-	12,500
Financial assets - related parties				-	(265,750)	(265,750)
Cash and cash equivalents	(512,206)	354,040	-	(158,166)	(10,318)	(168,484)
Net financial indebtedness	**(499,706)**	**354,040**	**-**	**(145,666)**	**285,360**	**139,694**
Equity	**495,246**	**-**	**102,440**	**597,686**	**134,187**	**731,874**
Sources of financing	**(4,460)**	**354,040**	**102,440**	**452,020**	**419,548**	**871,568**

Source: reclassified pro-forma figures

Note:
The above reclassified statement of financial position includes certain reclassifications compared to the separate financial statements format. A reconciliation schedule is attached as Annex B) to the Directors' report.

The Space4 columns show the statement of financial position balances of Space4 S.p.A. as at 31 December 2017, the effect of Space4 S.p.A.'s acquisition of 67% of pre-merger Guala Closures on 31 July 2018 and the impact of the merger of pre-merger Guala Closures on 6 August 2018, respectively.
The pre-merger Guala Closures column shows the statement of financial position balances of pre-merger Guala Closures as at that date.
Finally, the 31/12/2017 pro forma column brings forward the effects of the merger between Space4 S.p.A. and pre-merger Guala Closures, applying at 31 December 2017 the goodwill that emerged at the date of acquisition on 31 July 2018 (which therefore takes into account the loss of the first seven months of the acquired company), to enable comparison with the statement of financial position figures as at 31 December 2018.

Analysis of the pro forma financial position

The pro forma table summarises the financial position which reflects the statement of financial position balances of Guala Closures as at 31 December 2018 after the merger between Space4 S.p.A. and pre-merger Guala Closures compared with the corresponding pro forma figures which bring forward the effects of the merger between Space4 S.p.A. and pre-merger Guala Closures to 31 December 2017, to enable comparison with the statement of financial position figures as at 31 December 2018.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Intangible assets	727,344	726,133
Property, plant and equipment	45,228	45,891
Non-current assets classified as held for sale	2,130	
Net working capital	26,312	33,182
Investments	84,807	84,841
Net financial derivative assets (liabilities)	(213)	88
Employee benefits	(4,172)	(3,958)
Other liabilities	(9,868)	(11,445)
Net invested capital	**871,568**	**874,733**
Financed by:		
Net financial liabilities – third parties	561,429	461,368
Market warrants	12,500	4,338
Financial assets - related parties	(265,750)	(219,570)
Cash and cash equivalents	(168,484)	(16,108)
Net financial indebtedness	**139,694**	**230,029**
Equity	**731,874**	**644,704**
Sources of financing	**871,568**	**874,733**

Property, plant and equipment

Property, plant and equipment increased from Euro 45.2 million at 31 December 2017 to Euro 45.9 million at 31 December 2018, i.e. by Euro 0.7 million.
This increase is due to period increases net of disposals (Euro 6.7 million), partially offset by amortisation, depreciation and impairment (Euro 6.0 million).

Net working capital

The table below provides a breakdown of net working capital.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Inventories	16,938	14,238
Trade receivables - third parties	13,697	12,765
Trade receivables – related parties	24,093	28,094
Trade payables - third parties	(26,509)	(20,699)
Trade payables - related parties	(1,906)	(1,215)
Net working capital (*)	**26,312**	**33,182**

Note:
The above net working capital includes certain reclassifications compared to the separate financial statements format. A reconciliation schedule is attached as Annex B) to the Directors' report.

The table below analyses net working capital days, calculated on the fourth quarter revenue of the year.

	Pro forma	
Days	**31 December 2017**	**31 December 2018**
Inventories	54	44
Trade receivables - third parties	43	39
Trade receivables – related parties	76	86
Trade payables - third parties	(84)	(63)
Trade payables - related parties	(6)	(4)
Net working capital days	**83**	**102**

Net working capital increased from Euro 26.3 million at 31 December 2017 to Euro 33.2 million at 31 December 2018, representing an increase in net working capital days from 83 to 102 days, mainly due to the reduction in trade payables to third parties, which in 2017 included Euro 4.5 million of Space4 for non-recurring transactions. Excluding this amount in 2017, net working capital in days would have been 98, compared to 102 in 2018.

Net financial indebtedness

The table below gives a breakdown of net financial indebtedness.

	Pro forma	
(Euro thousands)	**31 December 2017**	**31 December 2018**
Net financial liabilities – third parties	561,429	461,368
Market warrants	12,500	4,338
Financial assets - related parties	(265,750)	(219,570)
Cash and cash equivalents	(168,484)	(16,108)
Net financial indebtedness	**139,694**	**230,029**

Note:
The above net financial indebtedness includes certain reclassifications compared to the separate financial statements format. A reconciliation schedule is attached as Annex B) to the Directors' report.

Net financial indebtedness rose from Euro 139.7 million at 31 December 2017 to Euro 230.0 million at 31 December 2018, representing an increase of Euro 90.3 million.

The details of the above are provided in the reclassified separate statement of changes in net financial indebtedness – Guala Closures S.p.A..

Pro-forma reclassified separate statement of changes in net financial indebtedness – Guala Closures S.p.A.

Calculation of the pro forma reclassified statement of changes in net financial indebtedness

The following table shows the pro forma figures for the twelve months of 2017, which will be discussed later on, calculated based on the figures of Space4 S.p.A.'s accounting figures at 31 December 2017, prepared pro forma with the effect of the acquisition of pre-merger Guala Closures:

	Reported statement of cash flows	Acquisition	Space4 statement of cash flows "Pro Forma"	Guala Closures Pre-merger 12 months	31/12/2017 Guala Closures "Pro forma"
(€ thousands)	i	ii	iii	iv	iii+iv
A) Opening net financial debt	**-**	**-**	**-**	**(269,882)**	**(269,882)**
Gross operating profit/(loss) (EBITDA)	(104)		(104)	8,593	8,489
Change in NWC	4,460		4,460	(9,294)	(4,834)
Other operating items	(4,677)		(4,677)	(135)	(4,812)
Taxes			-	(2,879)	(2,879)
B) Net cash used in operating activities	**(322)**	**-**	**(322)**	**(3,715)**	**(4,036)**
Net capex			-	(4,733)	(4,733)
Change in payables for capex			-	481	481
Acquisition of Guala Closures Group		(354,040)	(354,040)		(354,040)
C) Cash flow used in investing activities	**-**	**(354,040)**	**(354,040)**	**(4,252)**	**(358,292)**
Net interest expense	27		27	(16,863)	(16,836)
Financial expense due to transaction costs on revolving facility and previous bond			-	(3,768)	(3,768)
Initial impact of market warrants	(6,000)		(6,000)		(6,000)
Change in fair value of market warrants	(6,500)		(6,500)		(6,500)
Derivatives and other financial items			-	420	420
Share capital increases	512,500		512,500		512,500
Dividends collected from Guala Closures International B.V.			-	12,700	12,700
D) Change in net financial indebtedness due to financing activities	**500,027**	**-**	**500,027**	**(7,511)**	**492,516**
E) Total change in net financial indebtedness (B+C+D)	**499,706**	**(354,040)**	**145,666**	**(15,478)**	**130,188**
F) Closing net financial indebtedness (A+E)	**499,706**	**(354,040)**	**145,666**	**(285,360)**	**(139,694)**

The "Reported statement of cash flow" column shows the balances of the statement of cash flows of the merging company from the incorporation date (19 September 2017) to 31 December 2017.
The "Space4 pro forma statement of cash flows" column includes the effect of the acquisition by Space4 S.p.A. of 67% of the share capital of Guala Closures S.p.A. pre-merger, on 31 July 2018.
The "pre-merger Guala Closures 12 months" column shows the balances of the statement of cash flows of pre-merger Guala Closures from 1 January to 31 December 2017.

Finally, the "31/12/2017 Guala Closures Pro forma" column shows the balances of the statement of cash flows of Guala Closures for the twelve months of 2017, inclusive of the cash flows for the period of Space4 S.p.A., in order to compare them with the corresponding twelve months of 2018.

The table below covers the twelve months of 2018 and shows the related pro forma figures, which will be discussed later on, calculated based on the figures of the IAS/IFRS separate financial statements at 31 December 2018.

	Reported statement of cash flows	**Guala Closures Pre-merger until 05/08/2018**	**Acquisition**	**31/12/2018 Guala Closures S.p.A. Pro forma**
(€ thousands)	**i**	**ii**	**iii**	**i+ii+iii**
Opening net financial debt		**(285,360)**		**(285,360)**
Opening net cash	**499,706**		**(354,040)**	**145,666**
A) Opening net financial debt	**499,706**	**(285,360)**	**(354,040)**	**(139,694)**
Gross operating profit/(loss) (EBITDA)	(4,624)	(86)		(4,710)
Purchase price allocation - fair value inventory	(990)			(990)
Change in NWC	4,003	(11,207)		(7,204)
Other operating items	(2,058)	5,296		3,238
Taxes	(1,886)	1,070		(815)
B) Net cash used in operating activities	**(5,555)**	**(4,926)**	**-**	**(10,482)**
Net capex	(4,305)	(3,466)		(7,771)
Change in payables for capex	1,190	(1,759)		(569)
Proceeds from the sale of assets held for sale		2,130		2,130
Acquisition of the Guala Closures Group	(354,040)		354,040	-
Cash acquired	12,408		(12,408)	-
C) Cash flow used in investing activities	**(344,747)**	**(3,095)**	**341,632**	**(6,210)**
Withdrawal	(31,323)			(31,323)
Acquisition of opening financial assets (liabilities) of the Guala Closures Group	(360,993)		360,993	-
Net interest expense	(2,385)	(10,951)		(13,336)
Financial expense due to transaction costs on revolving facility and previous bond	-	(7,995)		(7,995)
Initial impact of market warrants	(9,367)			(9,367)
Change in fair value of market warrants	17,529			17,529
Derivatives and other financial items	142	92		233
Closure of the participating financial instrument		(67,949)		(67,949)
Share capital increases		25,000		25,000
Dividends collected from Guala Closures International B.V.	7,000	6,600		13,600
Effect of changes in exchange rates	(34)			(34)
D) Change in net financial indebtedness due to financing activities	**(379,432)**	**(55,204)**	**360,993**	**(73,643)**
E) Total change in net financial indebtedness (B+C+D)	**(729,735)**	**(63,226)**	**702,626**	**(90,334)**
F) Closing net financial indebtedness (A+E)	**(230,029)**	**(348,586)**	**348,586**	**(230,029)**

Source: reclassified financial statements figures – internal data

Reference should be made to Annex B) Reconciliation between change in Net financial indebtedness and change in cash and cash equivalent for the reconciliation between the above Reclassified separate statement of changes in net financial indebtedness and the Separate statement of cash flows included in these separate financial statements

Analysis of the pro forma reclassified statement of changes in net financial indebtedness

The pro forma table below summarises the trend of the comparable reclassified statement of changes in net financial indebtedness of Guala Closures S.p.A. for the twelve months of 2017 and for the same period of 2018:

(€ thousands)	31/12/2017 Guala Closures S.p.A. Pro forma	31/12/2018 Guala Closures S.p.A. Pro forma
Opening net financial debt	**-**	**(285,360)**
Opening net cash	**-**	**145,666**
A) Opening net financial debt	**(269,882)**	**(139,694)**
Gross operating profit/(loss) (EBITDA)	8,489	(4,710)
Purchase price allocation - fair value inventory	-	(990)
Change in NWC	(4,834)	(7,204)
Other operating items	(4,812)	3,238
Taxes	(2,879)	(815)
B) Net cash used in operating activities	**(4,036)**	**(10,482)**
Net capex	(4,733)	(7,771)
Change in payables for capex	481	(569)
Proceeds from the sale of assets held for sale		2,130
Acquisition of Guala Closures Group	(354,040)	-
C) Cash flow used in investing activities	**(358,292)**	**(6,210)**
Withdrawal		(31,323)
Net interest expense	(16,836)	(13,336)
Financial expense due to transaction costs on revolving facility and previous bond	(3,768)	(7,995)
Initial impact of market warrants	(6,000)	(9,367)
Change in fair value of market warrants	(6,500)	17,529
Derivatives and other financial items	420	233
Closure of the participating financial instrument		(67,949)
Share capital increases	512,500	25,000
Dividends collected from Guala Closures International B.V.	12,700	13,600
Effect of changes in exchange rates		(34)
D) Change in net financial indebtedness due to financing activities	**492,516**	**(73,643)**
E) Total change in net financial indebtedness (B+C+D)	**130,188**	**(90,334)**
F) Closing net financial indebtedness (A+E)	**(139,694)**	**(230,029)**

Opening net financial indebtedness has been adjusted to include the effect of net cash contributed by Space4 S.p.A. as a result of the merger (Euro 145.7 million).

Key financial and other indicators

Financial indicators

	Pro forma	
	2017	**2018**
Adjusted gross operating profit (Adjusted EBITDA) (Euro mln)	10.0	12.3
EBITDA margin (Adjusted EBITDA/Net revenue)	8.4%	10.1%
ROS (Adjusted operating profit/Net revenue)	1.55%	3.4%
ROE (Net result/Equity)	(2.2%)	(0.7%)
ROI (Adjusted operating profit/Net invested capital)	0.2%	0.5%
Gearing ratio (Net financial indebtedness/Equity)	0.19	0.36
NWC days (Net working capital/Turnover of last quarter)	83	102

Source: pro forma separate financial statements figures

Notes:
In relation to the Adjusted EBITDA and Adjusted operating profit, reference should be made to the section "Alternative performance indicators" in this Director's report on page 63.
In relation to the Net invested capital and Net working capital, reference should be made to the Reclassified separate statement of financial position – Guala Closures S.p.A. in this Directors' report on page 71.

Other indicators

Group personnel by gender and category in the following table.

Breakdown

			31 December 2018		
			Men	**Women**	**TOTAL**
Managers			15	1	16
White collars			107	36	143
Blue collars			266	29	295
Total			**388**	**66**	**454**

With reference to the legislative requirements related to the protection of personal data (European Regulation 2016/679), the Company updated its Privacy Manual in 2018. This contains the minimum security measures for the protection and safeguarding of personal data in compliance with the rights of the interested party.
There were no fatalities or serious accidents at work during the year that caused serious or very serious injuries to personnel on the Company's payroll.
No charges for occupational diseases contracted by employees or former employees or mobbing lawsuits were brought against the Company.

Outlook

2018 was a year filled with challenges for our Group. We listed on the Milan stock exchange, refinanced the Group's debt with great success, achieving a significant reduction of the spread paid on interest.
We launched a new plant in Chile, for the wine market, and began development of a new production plant in Kenya, to serve the growth of spirit consumptions in Africa.
We launched new products on the "luxury" sector, including a revolutionary closure for the Macallan brand which is enjoying considerable success, that open us the single malt scotch market.
Finally, we made the acquisition of UCP in Scotland concrete, confirming our vocation as developers of the most important world brands market.
All this has yielded excellent results in the last quarter of 2018.
Despite the great volatility both of certain raw materials and utilities, the international trade tensions and the slowing down world economic cycle, we trust that in 2019 we will continue with important growth rates, thanks to the launch of an additional, revolutionary product in America and the full benefit of previous investments in production capacity.
We also confirm both our focus on reducing costs with certain interventions in the second half of the year and the reduction of debt, going on in monitoring any interesting M&A opportunities as may arise.

On behalf of the Board of Directors
Chairman and CEO
Marco Giovannini
(signed on the original)

19 March 2019

Annexes to the Directors' report

Annex A)
Reconciliation between tables included in the Director's report with the classification used in the consolidated financial statements

Annex B)
Reconciliation between tables included in the Director's report with the classification used in the separate financial statements

ANNEX A)

Reconciliation of financial income and expense included in the Director's report with the classification used in the notes to the consolidated financial statements - Euro thousands

Classification in the reclassified financial income and expense	2017 (*)	2018 (*)	Classification in the notes to the consolidated financial statements
Net exchange losses	-	2,049	Exchange gains
Net exchange losses	-	(7,569)	Exchange losses
Fair value gain (loss) on Market Warrants	(6,500)	17,529	Fair value of market warrants
Fair value losses on liability due to non-controlling interests	-	(1,476)	Financial expense on liability due to non-controlling interests
Net interest expense	27	828	Interest income
Other net financial expense	-	1,004	Other financial income
Net interest expense	-	(8,624)	Interest expense
Other net financial expense	-	(965)	Other financial expense
Net interest expense for refinancing	-	(7,995)	Non-recurring financial expense related to the refinancing
Total net financial expense	**(6,473)**	**(5,219)**	

(*) as per consolidated statement of profit or loss and other comprehensive income

ANNEX A)

Reconciliation of the reclassified statement of financial position included in the Report on Operations with the classification used in the statement of financial position - Euro thousands

Classification in the reclassified statement of financial position	31 December 2018	Financial statements classification
Net working capital	102,805	Trade receivables
Net working capital	93,258	Inventories
Net working capital	(71,331)	Trade payables
Total net working capital	**124,732**	
Financial derivative assets (liabilities)	146	Financial derivative assets
Financial derivative assets (liabilities)	(58)	Financial derivative liabilities
Total financial derivative assets/liabilities	**88**	
Other current assets/liabilities	4,044	Current direct tax assets
Other current assets/liabilities	8,100	Current indirect tax assets
Other current assets/liabilities	6,670	Other current assets
Other current assets/liabilities	5,807	Deferred Tax Assets
Other current assets/liabilities	486	Other non-current assets
Other current assets/liabilities	(3,364)	Current direct tax liabilities
Other current assets/liabilities	(7,035)	Current indirect tax liabilities
Other current assets/liabilities	(1,521)	Current provisions
Other current assets/liabilities	(34,779)	Other current liabilities
Other current assets/liabilities	(11,718)	Deferred tax liabilities
Other current assets/liabilities	(252)	Non-current provisions
Other current assets/liabilities	(570)	Other non-current liabilities
Total other current assets/liabilities	**(34,131)**	

ANNEX A)

Reconciliation of the reclassified statement of financial position included in the Directors' report with the classification used in the statement of financial position - Euro thousands

Classification in the reclassified statement of financial position	31 December 2018	Financial statements classification
Net financial liabilities – third parties	(653)	Current financial assets
Net financial liabilities – third parties	(273)	Non-current financial assets
Net financial liabilities – third parties	20,946	Current financial liabilities
Market warrants	4,338	Current financial liabilities
Net financial liabilities – third parties	458,299	Non-current financial liabilities
Financial liabilities due to non-controlling interests	18,500	Non-current financial liabilities
Cash and cash equivalents	(47,795)	Cash and cash equivalents
Total net financial indebtedness	**453,362**	

ANNEX A)

Reconciliation of the reclassified statement of financial position included in the Directors' report with the classification used in the statement of financial position - Euro thousands

(Euro thousands)	31 December 2017	31 December 2018
Total change in net financial indebtedness	**499,706**	**(953,068)**
Proceeds from new borrowings and bonds	-	916,985
Repayment of borrowings and bonds	-	(1,019,028)
Repayment of finance leases	-	(1,000)
Exchange effect on assets and liabilities denominated in foreign currencies	-	(581)
Fair value losses on liability due to non-controlling interests	-	1,477
Impact of initial debt acquired by Guala Closures Group	-	606,186
Change in payables for financial charges	12,500	(1,011)
Transaction costs paid in connection with the Bridge Facility Agreement, new Bonds and the Senior Revolving Facility	-	(14,633)
Change in financial assets	-	261
Total change in financial assets and liabilities	**12,500**	**488,657**
Total change in cash and cash equivalents	**512,206**	**(464,411)**

ANNEX B)

Reconciliation of financial income and expense included in the Directors' report with the classification used in the notes to the separate financial statements - Euro thousands

Classification in the reclassified financial income and expense	2017 (*)	2018 (*)	Classification in the notes to the separate financial statements (notes 33-34)
Net exchange losses	-	149	Exchange gains
Net exchange losses	-	(195)	Exchange losses
Dividends	-	7,000	Dividends
Net interest expenses - third parties	27	701	Interest income
Fair value gain (loss) of market warrants	(6,500)	17,529	Fair value of market warrants
Net interest expense - third parties	-	(7,457)	Interest expense
Net interest expense - third parties	-	(170)	Other financial expense
Net interest income - related parties	-	4,541	Financial income – related parties
Net interest income - related parties	-	(81)	Financial expense - related parties
Total net financial expense	**(6,473)**	**22,017**	

(*) as per separate statement of profit or loss and other comprehensive income

ANNEX B)

Reconciliation of the reclassified statement of financial position included in the Directors' report with the classification used in the separate statement of financial position - Euro thousands

Classification in the reclassified statement of financial position	31 December 2018	Financial statements classification
Net working capital	12,765	Trade receivables - third parties
Net working capital	28,094	Trade receivables – related parties
Net working capital	14,238	Inventories
Net working capital	(20,699)	Trade payables - third parties
Net working capital	(1,215)	Trade payables - related parties
Total net working capital	**33,182**	
Financial derivative assets (liabilities)	146	Financial derivative assets
Financial derivative assets (liabilities)	(58)	Financial derivative liabilities
Total financial derivative assets/liabilities	**88**	
Other assets/liabilities	461	Current direct tax assets
Other assets/liabilities	1,534	Current indirect tax assets
Other assets/liabilities	182	Other current assets - third parties
Other assets/liabilities	3,966	Other current assets - related parties
Other assets/liabilities	885	Deferred tax assets
Other assets/liabilities	18	Other non-current assets
Other assets/liabilities	(123)	Current direct tax liabilities
Other assets/liabilities	(955)	Current indirect tax liabilities
Other assets/liabilities	(1,119)	Current portion of provisions
Other assets/liabilities	(12,923)	Other current liabilities - third parties
Other assets/liabilities	(529)	Other current liabilities - related parties
Other assets/liabilities	(2,617)	Deferred tax liabilities
Other assets/liabilities	(226)	Non-current portion of provisions
Total other assets/liabilities	**(11,445)**	
Net financial liabilities – third parties	(38)	Non-current financial assets - third parties
Net financial liabilities – third parties	6,494	Current financial liabilities
Market Warrants	4,338	Current financial liabilities
Net financial liabilities – third parties	454,912	Non-current financial liabilities
Financial assets - related parties	(989)	Current financial assets - related parties
Financial assets - related parties	(218,581)	Non-current financial assets - related parties
Cash and cash equivalents	(16,108)	Cash and cash equivalents
Total net financial indebtedness	**230,029**	

ANNEX B)

Reconciliation of the reclassified statement of financial position included in the Directors' report with the classification used in the separate statement of financial position - Euro thousands

(Euro thousand)	31 December 2017	31 December 2018
Total change in net financial indebtedness	**499,706**	**(729,735)**
Proceeds from new borrowings and bonds	-	916,224
Repayment of borrowings and bonds	-	(1,002,396)
Repayment of finance leases	-	(965)
Exchange effect on assets and liabilities denominated in foreign currencies	-	(45)
Impact of initial debt acquired by Guala Closures S.p.A.	-	360,993
Change in payables for financial charges	12,500	(3,301)
Transaction costs paid in connection with the Bridge Facility Agreement, new Bonds and the Senior Revolving Facility	-	(14,633)
Change in financial assets	-	(22,241)
Total change in financial assets and liabilities	**12,500**	**233,637**
Total change in cash and cash equivalents	**512,206**	**(496,098)**

GUALA CLOSURES GROUP

CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended December 31, 2018

Consolidated statement of financial position
Guala Closures Group - ASSETS as at December 31, 2018

(Euro thousands)	**December 31 2017**	*of which:* Related-parties	**December 31 2018**	*of which:* Related-parties	**Notes**
ASSETS					
Current assets					
Cash and cash equivalents	512,206		47,795		5
Current financial assets			653		
Trade receivables			102,805		6
Contract assets			25		
Inventories			93,258		7
Current direct tax assets			4,044		
Current indirect tax assets			8,100		
Financial derivative assets			146		8
Other current assets	84		6,670		
Total current assets	**512,290**	-	**263,495**	-	
Non-current assets					
Non-current financial assets			273		
Property, plant and equipment			205,984		9
Intangible assets			806,104		10
Contract costs			29		
Deferred Tax Assets			5,807		11
Other non-current assets			486		
Total non-current assets	**-**	-	**1,018,684**	-	
TOTAL ASSETS	**512,290**	-	**1,282,179**	-	

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position
Guala Closures Group - LIABILITIES AND EQUITY as at December 31, 2018

(Euro thousands)	**December 31 2017**	of which: Related parties (*)	**December 31 2018**	of which: Related parties	**Notes**
LIABILITIES AND EQUITY					
Current liabilities					
Current financial liabilities	12,500		25,284		12
Trade payables	4,490	62	71,331	-	13
Current direct tax liabilities			3,364		
Current indirect tax liabilities			7,035		
Current provisions			1,521		14
Financial derivative liabilities			58		15
Other current liabilities	53		34,779		16
Total current liabilities	**17,043**	62	**143,372**	-	
Non-current liabilities					
Non-current financial liabilities			476,799		12
Employee benefits			6,461		17
Deferred tax liabilities			11,718		
Non-current provisions			252		
Other non-current liabilities			570		
Total non-current liabilities	**-**	-	**495,799**	-	
Total liabilities	**17,043**	62	**639,171**	-	
Share capital and reserves attributable to non-controlling interests			22,253		
Profit for the year attributable to non-controlling interests			2,915		
Non-controlling interests	**-**	-	**25,168**	-	19
Equity attributable to the owners of the parent company					
Share capital	51,340		68,907		
Share premium reserve	455,160		423,837		
Translation reserve			(1,161)		
Hedging reserve			43		
Losses carried forward and other reserves	(4,677)		121,316		
Profit/(loss) for the year	(6,577)		4,898		
Equity attributable to the owners of the parent company	**495,246**	-	**617,840**	-	18
Total equity	**495,246**		**643,008**		
TOTAL LIABILITIES AND EQUITY	**512,290**	62	**1,282,179**	-	

The accompanying notes are an integral part of the consolidated financial statements.

(*) Trade payables to related-parties account for 1.4% of trade payables as at 31 December 2017

Consolidated statement of profit or loss and other comprehensive income
Guala Closures Group

(Euro thousands)	**31 December 2017**	*of which:* Related parties (*)	*of which:* Non-recurring expenses	**31 December 2018 [1]**	*of which:* Related parties (*)	*of which:* Non-recurring expenses	**Notes**
Net revenue	**-**			**237,419**		**-**	20
Change in inventories of semi-finished products and finished goods	-			(13,097)		(7,424)	
Other operating income	-			5,833		3,479	21
Internal work capitalized	-			2,789		-	22
Cost for raw materials	-			(102,946)		-	23
Costs for services	(102)	(62)	(102)	(49,672)	(1,279)	(11,108)	24
Personnel expense	(2)		(2)	(41,229)		(115)	25
Other operating expense	-			(4,753)		(273)	26
Reversal of impairment loss				95		-	9-10
Depreciation and amortization	-			(15,141)		-	9-10
Operating profit (loss)	**(104)**	**(62)**	**(104)**	**19,299**	**(1,279)**	**(15,441)**	
Financial income	27			21,410		-	27
Financial expense	(6,500)			(26,629)		(7,995)	28
Net financial expense	**(6,473)**	**-**	**-**	**(5,219)**	**-**	**(7,995)**	
Profit (loss) before taxation	**(6,577)**	**(62)**	**(104)**	**14,080**	**(1,279)**	**(23,436)**	
Income tax	-			(6,266)			30
Profit (loss) of the period	**(6,577)**	**(62)**	**(104)**	**7,813**	**(1,279)**	**(23,436)**	
Other comprehensive income							
Items that will never be reclassified to profit or loss:							
Remeasurements of defined benefit liability (asset)				(160)			
	-			*(160)*			
Items that are or may be reclassified subsequently to profit or loss:							
Foreign currency translation differences for foreign operations				(1,161)			
Cash flow hedges – effective portion of changes in fair value				2			
Cash flow hedges – reclassified to profit or loss				55			
Related Tax				(14)			
	-			**(1,118)**			
Other comprehensive expense for the period, net of tax	**-**			**(1,278)**			
Comprehensive income (loss) for the period	**(6,577)**			**6,536**			
Profit (loss) attributable to:							
owners of the parent	(6,577)			4,898			
non-controlling interests				2,915			
Profit (loss) for the period	**(6,577)**			**7,813**			
Comprehensive income (loss) attributable to:							
owners of the parent	(6,577)			3,621			
non-controlling interests				2,915			
Comprehensive income (loss) for the period	**(6,577)**			**6,536**			
Basic earnings (loss) per share (Euro)	**(1.24)**			**0.09**			
Diluted earnings (loss) per share (Euro)	**(1.19)**			**0.08**			

The accompanying notes are an integral part of the consolidated financial statements.

Note (1): these figures include the operations of Guala Closures Group for five months. For an exhaustive analysis, reference should be made to the Directors' report

(*) Costs for services – related parties account for 60.8% of costs for services in 2017 and 2.6% in 2018

Consolidated statement of cash flows
Guala Closures Group

(Euro thousands)	2017	2018 [1]	Notes
Opening cash and cash equivalents	**-**	**512,206**	**5**
A) Cash flows from operating activities			
Profit (loss) before taxation	(6,577)	14,080	
Adjustment for:			
Depreciation and amortization		15,141	9-10
Net finance costs	6,473	5,219	27-28
Income from UCP acquisition		(3,465)	21
Changes in:			
Receivables, payables and inventories	4,460	25,578	6-7-13
Other operating items	(4,677)	(4,247)	
VAT and indirect tax assets/liabilities		(1,070)	
Income taxes paid		(11,480)	
Net cash from (used in) operating activities	**(322)**	**39,755**	
B) Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(15,608)	9-10
Proceeds from sale of property, plant and equipment and intangible assets		492	9-10
Acquisition of Guala Closures Group, net of cash and cash equivalents acquired		(306,374)	4
Acquisition of U.C.P. (United Closures and Plastics Ltd, UK), net of cash and cash equivalents acquired		(18,616)	4
Net cash used in investing activities	**-**	**(340,105)**	
C) Cash flows from financing activities			
Withdrawal of Space4 former shareholders		(31,323)	
Interest received	27	1,832	
Interest paid		(10,135)	
Transaction costs paid in connection with the Bridge Facility Agreement, new Bonds and the Senior Revolving Facility		(14,633)	
Other financial items		(5,457)	
Dividends paid		(1,134)	
Share capital increases	512,500		
Proceeds from new borrowings and bonds		916,985	12
Repayment of borrowings and bonds		(1,019,028)	12
Repayment of finance leases		(1,000)	
Change in financial assets		261	
Net cash from (used in) financing activities	**512,527**	**(163,632)**	
Net cash of the period	512,206	(463,983)	
Effect of exchange fluctuation on cash held		(428)	
Closing cash and cash equivalents	**512,206**	**47,795**	**4**

The accompanying notes are an integral part of the consolidated financial statements.

Note (1): these figures include the operations of Guala Closures Group for five months. For an exhaustive analysis, reference should be made to the Directors' report

Consolidated statement of changes in equity - Guala Closures Group

	Attributable to the owners of the Company							*Non-controlling interests*			
(€ thousands)	*Share Capital*	*Share premium reserve*	*Conversion reserve*	*Hedging reserve*	*Losses carried forward and other reserves*	*Profit (loss)*	*Total*	*Share capital and reserves*	*Profit*	*Total*	*Total equity*
Company incorporated on 19 September 2017: Share capital increase by Space Holding Srl, in view of 10,000 ordinary shares, converted into special shares on 21 December 2017	**100**						**100**			**-**	**100**
Share capital increase from listing on 21 December 2017, in view of 50,000,000 ordinary shares	**50,000**	**444,000**									
Share capital increase of Space Holding S.r.l. on 21 December 2017, in view of 1,240,000 special shares	**1,240**	**11,160**									
Loss of the period						(6,577)	(6,577)			-	(6,577)
Costs related to share capital increase					(4,677)		(4,677)			-	(4,677)
Comprehensive expense for the period	***51,240***	***455,160***	***-***	***-***	***(4,677)***	***(6,577)***	***495,146***	***-***	***-***	***-***	***495,146***
Balance at 31 December 2017	**51,340**	**455,160**	**-**	**-**	**(4,677)**	**(6,577)**	**495,246**	**-**	**-**	**-**	**495,246**
Balance at 1 January 2018	**51,340**	**455,160**	**-**	**-**	**(4,677)**	**(6,577)**	**495,246**	**-**	**-**	**-**	**495,246**
Allocation of 2017 loss					(6,577)	6,577	-	-	-	-	-
Loss for the year/period						4,898	4,898		2,915	2,915	7,813
Other comprehensive income			(1,161)	43	(160)		(1,278)			-	(1,278)
Comprehensive expense for the period	***-***	***-***	***(1,161)***	***43***	***(6,737)***	***11,475***	***3,621***	***-***	***2,915***	***2,915***	***6,536***
Guala Closures business combination and share capital increase for merger	17,567				142,097		159,664	23,309		23,309	182,973
Issue of market warrants					(9,367)		(9,367)			-	(9,367)
Dividends to non-controlling interests							-	(1,056)		(1,056)	(1,056)
Withdrawal		(31,323)					(31,323)			-	(31,323)
Total contributions and distributions to/from shareholders and other movements	***17,567***	***(31,323)***	***-***	***-***	***132,730***	***-***	***118,974***	***22,253***	***-***	***22,253***	***141,226***
Balance at 31 December 2018	**68,907**	**423,837**	**(1,161)**	**43**	**121,316**	**4,898**	**617,840**	**22,253**	**2,915**	**25,168**	**643,008**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements as at December 31, 2018

GENERAL INFORMATION

(1) General information

Guala Closures S.p.A. (the “company” or the “parent”) (formerly Space4 S.p.A.) was incorporated by Space Holding S.r.l. on 19 September 2017 with the name of Space4 S.p.A. It is a special purpose acquisition company (SPAC), set up under Italian law as a SIV (Special Investment Vehicle) pursuant to the Italian stock exchange regulation. Trading began on 21 December 2017.

On 31 July 2018, SPAC Space4 S.p.A. acquired Guala Closures S.p.A., the parent of Guala Closures Group (respectively “pre-merger Guala Closures” or the “pre-merger Guala Closures Group”) and on 6 August 2018 proceeded to merge Guala Closures S.p.A. Furthermore, the latter company and its group changed their name to Guala Closures S.p.A. and Guala Closures Group, respectively.

Guala Closures S.p.A. is a company limited by shares set up under Italian law and registered with the Alessandria company register. Its registered office is in via Rana 12, industrial estate D6, Spinetta Marengo (Alessandria).

These financial statements, following the acquisition of the pre-merger Guala Closures Group completed on 31 July 2018 by Space4 S.p.A., are the first yearly consolidated financial statements prepared after the transaction: therefore, the Consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows considered herein begin on 1 January 2018 and include the pre-merger Guala Closures Group beginning on 1 August 2018. The comparative figures as at 31 December 2017 includes the period running from 19 September 2017, when Space4 S.p.A. was established, through to 31 December 2017, of Space4 S.p.A. only.
For a complete analysis of the "pro-forma" data for the twelve months, see the Director’s Report.

Guala Closures Group’s main activities involve the design and manufacturing of closures for spirits, wine and non-alcoholic drinks such as water, olive oil and vinegar, as well as pharma products to be sold on the domestic and international markets.
The Group is also active in the production of PET plastic preforms and bottles.

The Group’s activities are separated into two divisions:

- the Closures division, representing the Group’s core business, specialized in the production of anti-adulteration closures (safety product line), customized closures (luxury product line), aluminium closures for wines (wine product line), standard closures (roll-on product line), closures for the pharmaceutical sector and others;

- the PET division, active in the production of bottles, bottles and miniatures in PET. This division is no longer considered as a core business.

Currently, the Group is the European and international leader in the production of safety closures for spirits bottles, with over 60 years' experience in the sector.
It is also the leading European producer of aluminium closures for spirits bottles.

In 2018, the following events took place:

Business combinations

(A) On 16 April 2018, the Boards of Directors of Space4 S.p.A., GCL Holdings S.C.A., Peninsula Capital II S.a.r.l. and Guala Closures S.p.A. approved the business combination, by means of a Framework Agreement, to be implemented through (i) the acquisition of an equity investment equal to approximately 80% of the share capital of Guala Closures S.p.A. pre-merger by Space4 and Peninsula Capital II S.à.r.l.; (ii) the merger of pre-merger Guala Closures into Space4 S.p.A., and (iii) the admission to listing of the ordinary shares resulting from the merger of pre-merger Guala Closures into Space4 S.p.A., on the STAR segment of the Italian Stock Exchange organized and managed by Borsa Italiana S.p.A. (the "**Business Combination**").

Guala Closures' financial indebtedness

(B) On 28 June 2018, pre-merger Guala Closures, in agreement with Space4, started two distinct consent solicitation procedures with the purpose of obtaining a waiver by (i) the bondholders under the bonds issued by pre-merger Guala Closures in 2016 (the "**Guala Closures Bonds**") and (ii) the revolving credit facility lenders under the 2016 revolving credit facility agreement (the "**RCF**") in relation to their right to exercise the change of control clauses provided under Guala Closures Bonds and the RCF which would have been triggered upon completion of the Business Combination. As part of these procedures, the bondholders under Guala Closures Bonds and the RCF lenders were also requested to release certain security interests created to secure their obligations under the relevant agreements. On 20 July 2018 and on 19 July 2018, the bondholders under Guala Closures Bonds and the RCF lenders respectively, agreed to grant the above-mentioned waivers and carried out the necessary activities to release the relevant security interests.

(C) Following the consent solicitation procedures described under letter (B), on 01 August 2018, pre-merger Guala Closures, by agreement with Space4, fully repaid the Guala Closures Bond and RCF for an amount of 100% of such totals, plus any interest accrued as at the date of repayment, using the proceeds from the intercompany loan of Euro 552,475,767 granted by Space4 on 20 July 2018 Part of such intercompany loan was made available to Space4 on the same date further to the signing by the latter of a bridge facility agreement (the "**Bridge Facility Agreement**") with UniCredit Bank AG, Milan Branch, acting as agent, and the original bridge lenders (Credit Suisse AG, Milan Branch, Banca IMI S.p.A., Banco BPM S.p.A., Barclays Bank PLC and UniCredit S.p.A.) for an amount equal to Euro 450 million, which was repaid during the year.

(D) Furthermore, on 20 July 2018, Space4 entered into a new revolving credit facility agreement governed by the law in England and Wales, for a maximum amount of Euro 80 million (the "**New RCF**") with UniCredit Bank AG, Milan Branch, as the agent, and the original lenders (Credit Suisse International, Banco BPM S.p.A., Barclays Bank PLC, Intesa Sanpaolo S.p.A. and Unicredit S.p.A.). The New RCF will expire five years and six months after the first utilization of the bridge financing described under letter (C) above.

(E) Following the Merger (as defined below), the post-merger Guala Closures will be liable for all the obligations arising under the Bridge Facility Agreement and the New RCF.

(F) On 03 October 2018, Guala Closures S.p.A. fully repaid the Euro 450 million bridge loan, using the proceeds from a floating-rate bond issue due in 2024 of Euro 455 million (the "**Bonds**") (Euribor 3 months +3.5% - zero floor) under an indenture contract governed by the laws of the State of New York. The contract was signed, inter alia, by Guala Closures S.p.A., as the issuer, The Law Debenture Trust Corporation p.l.c., as the senior secured notes trustee and Bondholders' representatives pursuant to articles 2417 and 2418 of the Italian Civil Code, Deutsche Bank AG, London branch, as the paying agent, and Deutsche Bank Luxembourg S.A., as the transfer agent and the registrar (the "**Indenture**").

(G) On 11 October 2018, under some agreements to participate in the new RCF and a supplement to the indenture, Guala Closures International B.V., Guala Closures U.K. Limited, Guala Closures Australia Holdings Pty Ltd, Guala Closures Australia Pty Ltd, Guala Closures New Zealand Limited, Guala Closures do Brasil LTDA and Guala Closures Iberica S.A. granted first-level collateral to guarantee the facility made available by the new RCF and the Bonds.

(H) In addition to the above and in order to guarantee the facility made available by the new RCF and the Bonds, the following companies granted the following guarantees:
(i) Pledge over Guala Closures International B.V. shares held by Guala Closures S.p.A.;
(ii) Pledge over Guala Closures International B.V.'s receivables arising from some intercompany loans agreements;
(iii) Specific security deed on Guala Closures Australia Holdings Pty Ltd shares held by Guala Closures International B.V.;
(iv) Specific security deed on Guala Closures Australia Holdings Pty shares held by Guala Closures Australia Holdings Pty Ltd;
(v) Pledge over the FPI and shares of Guala Closures Ukraine LLC held by Guala Closures International B.V.;
(vi) Specific security deed on Guala Closures New Zealand Limited shares held by Guala Closures International B.V.;
(vii) Charge on Guala Closures U.K. Limited shares held by Guala Closures International B.V.;
(viii) Pledge over Guala Closures DGS Poland S.A. shares held by Guala Closures International B.V.;

Closing of the Business Combination and admission to listing

(I) On the closing date of the Business Combination (i.e., on 31 July 2018) the acquisition of the 61,200,000 ordinary shares of pre-merger Guala Closures (equal to 78.13% of its share capital) was completed with the transfer by GCL of (i) 52,316,125 ordinary shares of pre-merger Guala Closures to Space4, (ii) 7,403,229 ordinary shares of pre-merger Guala Closures to PII G S.à r.l.,[4] and (iii) 1,480,646 ordinary shares of pre-merger Guala Closures to Quaestio Capital SGR S.p.A., against the payment of the agreed consideration. Furthermore, on the same date pre-merger Guala Closures and Space4 signed the merger deed, the effects of which have passed from 6 August 2018 following the approval of the prospectus by Consob (the Italian commission for listed companies and the stock exchange) and listing of Space4 S.p.A. The company resulting from the Merger adopted the corporate name of "Guala Closures S.p.A." and its ordinary shares and market warrants have been traded on the Italian Stock Exchange (Mercato Telematico Azionario), within the Star Segment since 6 August 2018.

[4] By means of the designation by Peninsula of its related company PII G S.à.r.l. as purchaser of the shares of Guala Closures pursuant to the master agreement referred to under letter (A) above.

Incorporation of a newco

On 30 October 2018, the board of directors of the subsidiary GCL International S.à r.l. approved the incorporation of a new company in Kenya, named Guala Closures East Africa which will initially have the function of marketing products made by other group companies and, subsequently, to have, itself, a production unit. The company was effectively established on 08 November 2018.

Merger between group companies

Guala Closures (India) Pvt Limited and its subsidiary (acquired in 2017) Axiom Propack (Pvt) Limited undertook a merger process, after which Axiom Propoack Pvt Limited will be merged into Guala Closures (India) Pvt.
As part of this process, on 11 September 2018 the companies jointly requested the Mumbai National Company Law Tribunal to approve the merger. Pending approval by the competent authorities, the merger is expected to be finalized by 30 June 2019.

Acquisition of United Closures and Plastics (UCP)

On 12 December 2018, through the Luxembourgian subsidiary GCL International S.à r.l., the Group completed the purchase of the important Scottish company, called United Closures and Plastics (“UCP”), with registered office in Bridge of Allan. The company boasts a long-standing presence on the Scottish market and supplies some historic brands of scotch whisky with which it has consolidated relations.

Refer to note 4) Acquisition of subsidiaries, business units and non-controlling interests for data relating to the contribution to the consolidated financial statements deriving from this acquisition.

This transaction allows Guala Closures Group to expand its presence on the Scottish market, extending its commercial activities and innovation and production processes.
The Group will in fact be able to consolidate its collaboration with the spirits multinationals operating in Scotland and, in particular, with those of whisky, one of the most important segments in the spirits sector. The transaction will also speed up the reorganisation of industrial structures launched by the Group in 2018, in order to achieve higher production efficiency.

(2) Accounting policies

The consolidated financial statements of Guala Closures S.p.A. and its subsidiaries at 31 December 2018, prepared as a result of the acquisition of Guala Closures Group by Space4 S.p.A. and completed on 31 July 2018, are the first set of consolidated yearly financial statements drawn up after the transaction.
The comparative figures for the period ended 31 December 2017 comprise those of Space4 S.p.A. for the period from 19 September 2017 (the company's incorporation date) and 31 December 2017.

The consolidated financial statements have been prepared in compliance with accounting standard IFRS.

The consolidated financial statements have been prepared in Euro, rounding the amounts to the nearest thousand. Any discrepancies between financial statements balances and those of the tables of the notes to the consolidated financial statements are due exclusively to rounding and do not alter their reliability or substance.
Figures are shown in thousands of Euro, unless otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives, market warrants and the potential considerations deriving from the business combinations (including put options to minority shareholders and the assets and liabilities arising from a business combination) which are measured at fair value, and on a going concern basis. There are no business risks and/or any identified uncertainties which may cast doubts on the Group's ability to continue as a going concern.

These consolidated financial statements consist of the following formats:

- consolidated statement of financial position which is prepared by classifying the values according to the current / non-current assets / liabilities format;
- consolidated statement of profit or loss and other comprehensive income ("OCI") captions are classified by nature;
- consolidated statement of cash flows has been prepared using the indirect method;
- consolidated statement of changes in equity has been prepared in accordance with the structure of changes in equity.

For each assets and liabilities caption including amounts due within and after one year, the amount which is expected to be received or paid after one year is shown.
Finally, please note that pursuant to the requirements of the Consob Resolution no. 15519 of 27 July 2006 on the statements, significant transactions with related parties and non-recurring items have been highlighted separately in the financial statements.

(a) Basis of consolidation

Accounting for business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill as at the date of acquisition, as follows:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss in the other income caption.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for in equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.
If the Group is required to replace incentives held by employees of the acquiree (acquiree incentives) relative to past provisions with its own incentives recognised on share-based payments of the acquirer (replacement incentives), such replacement incentives of the acquiring party or part thereof must be included in the measurement of the price paid in the business combination, determining the amounts on the basis of market valuation of the replacement incentives with respect to the market valuation of the incentives of the acquiree and the extent to which the replacement incentives refer to past and/or future service.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non- controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Consolidation procedures
The financial statements of the subsidiary companies are drawn up for each accounting year by adopting the same accounting standards as the parent company. Any consolidation adjustments are made to ensure homogeneity of items that are affected by the application of different accounting standards. All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealized losses, other than impairment losses, are eliminated. The related tax effects are measured on all consolidation adjustments.

List of investments in subsidiaries at 31 December 2018						
Company name	**Registered office**	**Currency**	**Share/quota capital**	**Investment percentage**	**Type of investment**	**Method of consolidation**
EUROPE						
Guala Closures International B.V.	The Netherlands	EUR	92,000	100%	Direct	Line-by-line
GCL Pharma S.r.l.	Italy	EUR	100,000	100%	Direct	Line-by-line
GCL International Sarl	Luxembourg	EUR	12,000	100%	Indirect (*)	Line-by-line
Guala Closures UK Ltd.	UK	GBP	134,000	100%	Indirect (*)	Line-by-line
United Closures and Plastics Ltd.	UK	GBP	3,509,000	100%	Indirect (*)	Line-by-line
Guala Closures Iberica, S.A.	Spain	EUR	4,979,964	100%	Indirect (*)	Line-by-line
Guala Closures France SAS	France	EUR	2,748,000	70%	Indirect (*)	Line-by-line
Guala Closures Ukraine LLC	Brazil	UAH	90,000,000	70%	Indirect (*)	Line-by-line
Guala Closures Bulgaria AD	Bulgaria	BGN	10,420,200	70%	Indirect (*)	Line-by-line
Guala Closures DGS Poland S.A.	Poland	PLN	595,000	70%	Indirect (*)	Line-by-line
ASIA						
Guala Closures India Pvt Ltd.	India	INR	170,000,000	95.0%	Indirect (*)	Line-by-line
Axiom Propack Pvt Ltd.	India	INR	188,658,000	95.0%	Indirect (*)	Line-by-line
Beijing Guala Closures Co. Ltd.	China	CNY	20,278,800	100%	Indirect (*)	Line-by-line
Guala Closures Japan KK	Japan	JPY	65,962,000	100%	Indirect (*)	Line-by-line
LATIN AND NORTH AMERICA						
Guala Closures Mexico, S.A. de C.V.	Mexico	MXN	94,630,010	100%	Indirect (*)	Line-by-line
Guala Closures Servicios Mexico, S.A. de C.V.	Mexico	MXN	50,000	100%	Indirect (*)	Line-by-line
Guala Closures Argentina S.A.	Argentina	ARS	208,633,770	100%	Indirect (*)	Line-by-line
Guala Closures do Brasil LTDA	Brazil	BRL	10,736,287	100%	Indirect (*)	Line-by-line
Guala Closures de Colombia Ltda	Colombia	COP	8,691,219,554	93.20%	Indirect (*)	Line-by-line
Guala Closures Chile S.p.A.	Chile	CLP	1,861,730,369	100%	Indirect (*)	Line-by-line
Guala Closures North America, Inc.	United States	USD	60,000	100%	Indirect (*)	Line-by-line
OCEANIA						
Guala Closures New Zealand Ltd.	New Zealand	NZD	5,700,000	100%	Indirect (*)	Line-by-line
Guala Closures Australia Holdings Pty Ltd.	Australia	AUD	34,450,501	100%	Indirect (*)	Line-by-line
Guala Closures Australia Pty Ltd.	Australia	AUD	810	100%	Indirect (*)	Line-by-line
AFRICA						
Guala Closures East Africa Pty Ltd.	Kenya	KES	30,300,000	100%	Indirect (*)	Line-by-line
Guala Closures South Africa Pty Ltd.	South Africa	ZAR	60,000,000	100%	Indirect (*)	Line-by-line

Note:
(*) Reference should be made to the chart illustrating the group structure for further details on the indirect investments.
The table does not include the figures for Metal Closures Group Trustee Ltd. (the company that manages the Metal Closures pension schemes – see note 17) "Employee benefits") as they are not consolidated due to their immaterial size.

(b) Use of estimates and judgements

Management has to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, costs and revenue. Estimates and the related assumptions are based on past experience and other factors considered to be reasonable in the circumstances. They are adopted to estimate the carrying amount of assets and liabilities that cannot easily be assumed from other sources. However, as they are estimates, the actual figure may not match the result of the estimate. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment during the following year is included in the following notes: allowances for impairment (note (p) estimated expected credit loss) and inventory obsolescence (note 7 estimated recovery of inventories), amortization and depreciation and impairment of non-current assets (notes (i) (k) estimated useful life of assets), employee benefits (note 17 estimated actuarial hypotheses), taxes (note 30 estimated future taxable income), provisions (note 14), measurement of financial derivatives (note 15 estimated interest rates) and assessment of the effects of business combinations (note 4 estimated fair value of assets and liabilities acquired), market warrants (note 12 estimated fair value of market warrants), financial liabilities for minority shareholders (note 12 fair value put option).

Such estimates and assumptions are reviewed regularly. Any changes arising therefrom are recognized in the year in which the review takes place if this only affects that year. If the review relates to both current and future years, the change is recognized in the year in which the review takes place and in the related future year.

(c) Changes in accounting standards

The following new standards and amendments applicable from 1 January 2018 were adopted by the Group:

- IFRS 15 Revenue from contracts with customers. This standard was issued by the IASB in May 2014 and amended in April 2016. It introduces a general framework to establish the nature, amount and timing of revenue recognition. It replaced IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes.
  Specifically, IFRS 15 introduces a five-step model framework for revenue recognition:
  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;
  - recognise revenue when (or as) the entity satisfies a performance obligation.

  Upon first-time adoption of this standard, the Group opted for the cumulative effect method to recognise prior year impacts.
  The adoption of IFRS 15 had no impact. Consequently, it was not necessary to adjust retained earnings or losses carried forward and, therefore equity.
  Starting FY 2018, revenues are therefore measured considering the price specified in the contract with the customer. The Group, which generally operates as principal, books revenues when it transfers control over goods or services (point in time). The control of the safety closures and standard products is transferred to customers when goods are delivered to their sites or when goods are accepted by the carrier chosen by the client if earlier, and, accordingly, the Group recognises the related revenues at that point. As a rule, no additional contractual performance obligations apply to the Group.

No significant discounts are envisaged for end customers and no contracts envisaged that allow customers to return products with new goods or through cash reimbursements.
As a rule, no costs are generally incurred to obtain or execute a contract with a client.

IFRS 15 has not had any significant impact on the Group's measurement criteria in connection with other income flows.

- IFRS 9 Financial instruments. The IASB issued the final version of IFRS 9 Financial instruments in July 2014, replacing IAS 39 Financial instruments: recognition and measurement. Recognition and measurement of all previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the project for financial instrument accounting: classification and valuation, impairment and hedge accounting. Except for hedge accounting, this standard is to be applied retrospectively. However, the provision of comparative figures is not mandatory.

  IFRS 9 introduces new provisions about the classification and measurement of financial assets which reflect the business model to manage the financial assets and the characteristics of their cash flows. IFRS 9 classifies financial assets into three main categories: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The categories established in IAS 39 (held until maturity, loans and receivables and available for sale) are eliminated.

  Consequently, following the adoption of IFRS 9 on a prospective basis, the corresponding figures for 2017 will be presented under IAS 39 categories, while those for 2018 will be in line with IFRS 9 categories.

  IFRS 9 replaces the incurred loss model under IAS 39 with the expected credit loss (ECL) model. This model envisages a significant level of measurement of the impact of the changes in economic factors on the ECL which will be weighted based on probability.

  IFRS 9 substantially confirms the provisions of IAS 39 about the classification of financial liabilities.

  However, while under IAS 39 all changes in the fair value of the liabilities designated at FVTPL shall be recognised in the profit or loss for the year, under IFRS 9, these changes shall be presented as follows:

  - the fair value changes attributable to the changes in the credit risk of the liability shall be presented under other comprehensive income; and
  - the residual amount of the fair value changes shall be recognised in the profit or loss for the year.

  With respect to hedge accounting strategies, under IFRS 9, the Group shall ensure that these relationships are in line with targets and its risk management strategy and that a more qualitative and forward-looking approach is applied when evaluating the effectiveness of the hedge. Furthermore, IFRS 9 introduces new provisions which rebalance hedging relationships and prevent the voluntary discontinuation of hedge accounting. Under the new model, more risk management strategies, specifically those that also hedge a risk component (other than the currency risk) of a non-financial element, may be eligible for hedge accounting. At present, the Group does not hedge these risk components.

The Group enters into interest rate swaps (IRS) to hedge the changes in the cash flows arising from the floating-rate finance leases related to the Spinetta Marengo plant against interest rates fluctuations.
In accordance with the assessment carried out by the Group, the hedge accounting relationships previously designated under IAS 39 meet IFRS 9 requirements. Indeed, the Group completed the changes required for monitoring processes and internal documentation. Given the limited number of transactions which fall under the scope of IFRS 9, there are no effects. Specifically, the adoption of the ECL approach, instead of the incurred loss approach, does not cause any significant change in the allowance for impairment of trade receivables. Indeed, the current group policy already envisages the assessment of the credit risk associated with customers, similarly to the notion of expected credit losses under IFRS 9.

The table below and related explanatory notes show the original measurement categories envisaged by IAS 39 and those introduced by IFRS 9 for each type of financial asset and liability of the Group as at 1 January 2018.
The effect of the application of IFRS 9 on the book values of financial asset as at 1 January 2018 only refers to the new classifications of financial assets and liabilities.

Financial assets	Note	Original classification in compliance with IAS 39	New classification in compliance with IFRS 9	IAS 39 carrying amount at 31 December 2017	IFRS 9 carrying amount at 31 December 2017
Cash and cash equivalents	5	Loans and receivables	Amortised cost	512,206	512,206

Financial liabilities	Note	Original classification in compliance with IAS 39	New classification in compliance with IFRS 9	IAS 39 carrying amount at 31 December 2017	IFRS 9 carrying amount at 31 December 2017
Other current financial liabilities	12	Other financial liabilities	Other financial liabilities	12,500	12,500
Trade payables	13	Other financial liabilities	Other financial liabilities	4,490	4,490

- Hyperinflationary economy. Consensus has been recently reached among operators since all necessary conditions (cumulative inflation rate and consumer prices exceeding 100% over three years during the first half of 2018) have been met to consider Argentina as an hyperinflationary economy as defined by IFRS, specifically IAS 29. Consequently, following Argentina's inclusion in the list of hyperinflationary economies, as of 01 July 2018 and effective from 1 January 2018, Guala Closures Group has applied IAS 29: Financial Reporting in Hyperinflationary Economies. By adopting IAS 29 in a country with a hyperinflationary economy, non-monetary assets and liabilities and the related effects in the statement of comprehensive income have been restated to reflect the changes in the general price index of the local currency, thereby generating gains or losses on the net positions in local currency which had an impact on the profit or loss for the period. Furthermore, the local financial statements were translated into Euros using the closing rate of the period both for the statement of financial position and statement of profit and loss and other comprehensive income.
  At 31 December 2018, the Group's operations in Argentina represented approximately 3% of its revenues, 4% of its EBITDA and 1% of its net assets.

(d) Foreign currency

Functional currency and presentation currency
The figures stated in the financial statements of each Group company are measured using their functional currency, being the currency of the primary economic environment in which the company operates. The consolidated financial statements are drawn up in Euro, the parent's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions during the year are translated into the functional currency of the Group companies using the rates of exchange prevailing at the date of the transaction.
Monetary items in foreign currency existing at the reporting date are translated into the functional currency using the exchange rate at that same date. Non-monetary items measured at fair value in foreign currency are translated into the functional currency using the exchange rates ruling on the date their fair value was determined. Non-monetary items measured at their historical cost in foreign currency are translated using the exchange rate ruling on the transaction date. Exchange rate differences deriving from the conversion are generally noted in the profit or loss for the period amongst financial expense.

However, exchange rate differences deriving from the conversion of the following elements are noted amongst other items of the Statement of Comprehensive Income:
- capital securities designated at FVOCI (2017: capital securities available for sale (excluding impairment losses if exchange differences noted amongst other items of the Statement of Comprehensive Income should be reclassified to profit/(loss) for the period);
- financial liabilities designated to hedge the net investment in foreign operations to the extent to which the hedge is effective; and
- cash flow hedges to the extent to which the hedge is effective.

Financial statements of the foreign companies
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the closing rates. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into Euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is re-attributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The following exchange rates are applied to translate those financial statements presented in currencies that are not legal tender in Italy:

Statement of financial position

1 Euro = x foreign currency	31 July 2018	31 December 2018
Pound sterling	0.8922	0.8945
US dollar	1.1736	1.1450
Indian rupee	80.4445	79.7298
Mexican peso	21.7820	22.4921
Columbian peso	3,372.0800	3,721.8100
Brazilian real	4.3818	4.4440
Chinese renminbi	8.0178	7.8751
Argentinian peso	31.9989	43.1593
Polish zloty	4.2770	4.3014
New Zealand dollar	1.7213	1.7056
Australian dollar	1.5804	1.6220
Ukrainian hryvnia	31.4677	31.7362
Bulgarian lev	1.9558	1.9558
South African rand	15.3676	16.4594
Japanese yen	130.8400	125.8500
Chilean peso	749.2500	794.3700
Kenyan shilling	n.a.	116.6284

Statement of profit or loss and other comprehensive income

1 Euro = x foreign currency	31 December 2018
Pound sterling	0.88475
US dollar	1.18149
Indian rupee	80.72773
Mexican peso	22.71603
Columbian peso	3,488.42250
Brazilian real	4.30874
Chinese renminbi	7.80736
Argentinian peso	43.15930
Polish zloty	4.26058
New Zealand dollar	1.70585
Australian dollar	1.57992
Ukrainian hryvnia	32.11569
Bulgarian lev	1.95580
South African rand	15.6134
Japanese yen	130.4096
Chilean peso	756.9625
Kenyan shilling	116.4073

(e) Cash and cash equivalents
Cash and cash equivalents include cash balances and on-demand deposits as well as all highly-liquid investments with an original expiry date equal to or of less than three months.

Cash and cash equivalents are calculated in the same way for both the statement of financial position and statement of cash flows.

(f) Inventories
Inventories are measured at the lower of purchase or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

The production cost of finished goods includes the portions of the costs of raw materials and external materials and processing, as well as all other direct and indirect production costs reasonably attributable to the products, excluding financial expense.

Purchase or production cost is calculated on a weighted average cost basis.

Obsolete and/or slow-moving inventories are written down on the basis of their estimated possibility of use or future realizable value, through an accrual to the specific allowance adjusting the value of inventories. The amount is reinstated if, in subsequent years, the reasons for the write-down no longer exist.

(g) Assets held for sale and disposal group
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held- for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.
Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(h) Discontinued operations
A discontinued operation is an item of the Group whose transactions and cash flows can be clearly distinguished from the rest of the Group, which:
- is a separate major business unit or geographical area of operations;
- is part of a single coordinated programme for the disposal of an important autonomous BU or geographical area of operations; or
- is a subsidiary acquired exclusively in order to be sold on.

An operation is classified as discontinued when it is sold or when conditions are met for it to be classified as "held for sale" if earlier.

When an operation is classified as discontinued, the comparative statement of comprehensive income is redetermined, as though the operation had ceased at the start of the comparative year.

(i) Property, plant and equipment

Property, plant and equipment are recognized at historical cost, including directly related ancillary costs necessary for the use of the asset. Borrowing costs related to loans taken out specifically for investments in property, plant and equipment are considered part of the carrying amount of the related assets and, as such, capitalized.
Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Group. This expenditure is amortized over the related asset's residual useful life. All other expenditures are expensed in the year in which are incurred.

Property, plant and equipment are shown net of accumulated depreciation and any impairment losses determined as set out later on.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.
Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The depreciation periods are as follows:

	Depreciation period (years)
Buildings	30 - 35
Light constructions	8 - 10
Specific plant, machinery, presses and moulds	4 - 12
Generic plant	10 - 13
Laboratory equipment	2 - 3
Canteen equipment, office furniture and equipment and fittings for exhibitions and trade fairs	8 - 10
Vehicles, canteen facilities	4 - 6
Internal means of transport, electronic equipment and mobile phones	5 - 8

Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Group. This expenditure is amortized over the related asset's residual useful life. All other expenditures are expensed in the year in which are incurred.

At the time of disposal or when there are no expected future economic benefits from an asset's use, the caption is derecognised. Any gain or loss (calculated as the difference between the sales amount and carrying amount) is taken to profit or loss in the year of derecognition.

(j) Leasing

Finance leases

Leases for property, plant and equipment where the Group substantially takes on all risks and rewards incidental to ownership are classified as finance leases. Plant and machinery acquired under finance leases are recognized at the lower of fair value and the present value of the minimum lease payments due at the inception of the lease, net of accumulated depreciation and any impairment losses. The related assets, liabilities, revenue and expense deriving from the lease are recognized under the financial method at the inception of the lease, i.e., when the lessee is authorized to exercise its right to use the leased asset.

Property, plant and equipment acquired under finance leases are depreciated over the related asset's useful life.
Interest expense on finance lease payments is recognized in profit or loss using the effective interest method.

Operating leases
Those leases where the Group does not substantially take on all risks and rewards incidental to ownership are recognized as operating leases. Operating lease payments are taken to profit or loss on a straight-line basis over the lease term.

(k) Intangible assets
Goodwill
Goodwill arising from the acquisition of subsidiaries is initially recognized at cost. After initial recognition, goodwill is adjusted for any accumulated impairment losses, determined using the criteria described in the paragraph (p) "Impairment losses".

Research expenditure
Expenditure on research undertaken to gain scientific and technical knowledge and information is recognized as an expense when incurred.

Development expenditure
Development expenditure, which also relates to the application of research findings to a plan or design for the production of new or substantially improved products or processes, is capitalized when the product or process is feasible in technical and commercial terms and the Group has adequate resources to complete the development stage and the Group has concluded that it will have the ability to use it.
Capitalized development expenditure is measured at cost, net of accumulated amortization and impairment losses.

Other intangible assets
These assets are measured at cost, determined in the same way as described for property, plant and equipment.

Other intangible assets, which all have a finite useful life, are subsequently shown net of accumulated amortization and any impairment losses, determined in the same way as described for property, plant and equipment.

Useful life is checked annually and, where necessary, any changes are reflected on a prospective basis.

The amortization periods for intangible assets are as follows:

	Amortization period (years)
Development expenditure	5
Patents and trademarks	5 - 10
Software	5
Licenses	5
Other capitalized expenditure	5 or in line with the contract term

Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Group. This expenditure is amortized over the related asset's residual useful life. All other expenditure is expensed in the year in which it is incurred.

The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds and carrying amount. It is recognized in profit or loss at the time of disposal.

(I) Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in the consolidated statement of equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax also includes any tax arising from dividends and any interest and penalties imposed by the tax authorities following their review of the tax position of previous years which found a difference in tax due.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The

measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The income tax consequences of dividends are recognized when the dividend is approved.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Therefore, new information may become available in the future, such as to cause the Group to change its opinion on the adequacy of existing tax liabilities. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(m) Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are noted at the time they are originated. All other financial assets and liabilities are noted initially as at the trading date, i.e. when the Group becomes a contractual party to the financial 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.

Classification and subsequent measurement

Financial assets - Policy applicable starting 1 January 2018

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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 (see paragraph (m)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable starting 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable starting 1 January 2018

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: subsequent measurement and gains and losses - Policy applicable starting 1 January 2018

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see paragraph (m) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets 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.
Debt investment measured at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments measured at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets - Policy applicable before 1 January 2018

The Group classified its financial assets in the following categories:
- loans and receivables;
- investments held to maturity;
- financial assets available for sale; and
- financial assets at FVTPL and, within this category:
    - held for trading;
    - derivative hedging instruments; or
    - designated at FVTPL.

Financial assets: subsequent measurement and gains and losses - Policy applicable before 1 January 2018

Financial assets measured at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, for derivatives designated as hedging instruments, see paragraph (n).
Investments held to maturity	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

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.

See paragraph (n) for financial liabilities designated as hedging instruments,.

Derecognition

Financial assets - third parties
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(n) Derivatives, including hedge accounting

Derivatives, including hedge accounting - Policy applicable starting 1 January 2018
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.
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.
The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation
At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a resent value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.
The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.
When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.
For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.
If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.
If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Derivatives, including hedge accounting - Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

(o) Share capital and equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Buy-back and re-issue of ordinary shares (own shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Business combinations

When as a result of a takeover/acquisition of control not involving the entire stake in the acquiree, the Group has the potential obligation to acquire the residual investment in the acquiree should the non-controlling interests exercise a put option and the non-controlling interests still have present access to the economic benefit associated with the underlying ownership interests, it recognizes a liability calculated by discounting the estimated value at the exercise date using the present access method whereby a liability is recognized decreasing the equity caption “Losses carried forward” in the first year, with subsequent remeasurement recognized in profit or loss as financial expense.

Warrants

The Group books Warrants according to the conditions included in the respective regulations that determine their function.

Warrants with fixed conversion hypothesis

Some warrants (sponsor warrants and management warrants) envisages share subscription prices and exercise ratios that are fixed and predetermined as at the date of their issue, under the scope of pre-defined time frames. In these cases, the Warrant Regulation envisages the number of shares to be issued and the price (if applicable) that the owner must pay to the company as at the date of exercise of the warrants. These instruments are accounted for by the Group as equity instruments or instruments representing capital.

Warrants with variable conversion hypothesis

Some warrants (market warrants) have a variable conversion ratio over time and according to the variability of the market price of the underlying share and other parameters envisaged by the issue regulation. Despite the variability of the conversion ratio, the warrant maturity date is anticipated to the achievement of certain thresholds of listing prices of the underlying share (which therefore represents a cap to its appreciation), with the faculty of settling the instrument by delivering shares or liquid funds held by the owner of the rights, or the issuer. These instruments are accounted for by the Group as financial liabilities.

(p) Impairment losses

Non-derivative financial instruments - Policy applicable starting 1 January 2018

Financial instruments and contract assets

The Group records provisions for expected impairment losses relating to:
- financial assets measured at amortised cost;
- contract assets.

The Group measures the provisions for impairment at an amount equal to the expected losses throughout the life of the credit, with the exception of that specified below, for the next twelve months:
- debt securities with a low credit risk as at the reporting date; and
- other bank current accounts and debt securities whose credit risk (i.e. the risk of default seen throughout the expected life of the financial instrument) has not increased significantly after first booking.

The provision for doubtful debt and contract assets are always measured at an amount equal to the expected losses throughout the life time of the receivable.

To establish if a credit risk relating to a financial asset has increased significantly since initial recognition, in order to estimate the expected credit loss, the Group considers reasonable, demonstrable information that is relevant and available without excessive costs or efforts. Quantitative and qualitative information are included, along with analyses, based on the Group's past experience, of the assessment of credit, not only on forward-looking information.

For the Group, the credit risk of a financial asset increases significantly when the contractual payments are past due by more than 90 days.

For the Group, default relating to a financial asset takes place when:
- it is unlikely that a debtor will repay the full obligation toward the Group, without it taking action to do such as, for example, enforcing a guarantee (where given).

Expected losses on long-term receivables are expected credit losses deriving from all possible defaults throughout the expected life of a financial instrument.
Expected credit loss at 12 months are expected credit losses deriving from possible defaults within twelve months of the year end (or within a shorter time if the expected life of the financial instrument is less than 12 months).

The maximum period to be taken into account in measuring expected credit losses is the maximum contract terms during which the Group is exposed to the credit risk.

Expected credit loss (ECL) is an estimate of the losses on receivables, weighted according to probability. Losses on receivables are the current value of all failures to collect (i.e. the difference between cash flows due to the entity in compliance with the contract and cash flows that the Group expects to receive).

Impaired financial assets
At each year end date, the Group decides if the financial assets measured at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Provisions for impairment of financial assets measured at amortised cost are deducted from the gross book value of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The gross book value of a financial asset is written down (partly or entirely) to the extent to which there is no real prospect of recovery. For customers, the Group assesses the timing and amount of impairment individually, on the basis of the real prospects of recovery. The Group does not normally envisage any significant recovery of the amount written down. However, financial assets that have been written down may be enforced in accordance with the Group's debt collection procedures.

Non-derivative financial assets - Policy applicable before 1 January 2018
Financial assets not accounted for at FVTPL were measured at each year end date to determine whether or not there was objective evidence of impairment.

Objective evidence that a financial asset may have reduced in value included:
- insolvency or non-payment by the debtor;
- restructuring of the debt towards the Group, at conditions that the Group would not otherwise have considered;
- indications of debtor or issuer bankruptcy;
- unfavourable changes in payment status of debtors or issuers;
- the disappearance of an active market for that security because of financial difficulties; or
- the presence of observed data indicating a quantifiable reduction in cash flow expected from a group of financial assets.

Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(q) Employee benefits

The Group's net obligation in respect of defined benefit plans refers to plans for benefits upon conclusion of employment for which the Group companies have made fixed contributions to a legally separate entity on an obligatory, contractual or voluntary basis, in the absence of which legal or implied obligations exist to make additional payments where the entity does not have sufficient assets to pay all of the pension benefits matured concerning employment services provided in the present and previous years. The contributions to be paid are recognised to the income statement on an accruals basis to personnel expenses.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

IFRIC 14 clarifies the provisions of IAS 19 - Employee benefits with respect to the measurement of defined benefit plan assets when there is a minimum funding requirement. A defined benefit plan is in surplus when the fair value of the plan assets exceeds the present value of the defined benefit obligation. IFRIC 14/IAS 19 only permit the recognition of this surplus at the present value of the financial benefits available through refunds or reductions in future contributions. Moreover, disclosure is required when the plan requires a minimum contribution that could give rise to a liability.

In Italy starting from 1 January 2007, the Finance Act (Law no. 296 of 27 December 2006, the "2007 Finance Act") and the relevant implementation decrees introduced important changes in the rules governing post- employment benefits (“TFR”), including the need for employees to decide on the allocation of their future benefits. In particular, this reform established that employees had to transfer the new amounts of their benefits to established pension funds or leave them with the Company; in the latter case, the Company would pay these amounts to a specific INPS (Italian social security institution) treasury account. Therefore, the post-employment benefits stated in the separate financial statements at the end of the year refers to the amount due to employees, not yet paid but vested up to 31 December 2006.

(r) Provisions

Provisions include certain or probable costs and charges, the amount or due date of which is unknown at year end. A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow from the Group of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The provisions are stated as the best estimate of the expenditure required to settle the obligation at the reporting date or to transfer it to a third party at that date. If the impact of discounting the time value of money is significant, the provision is determined by discounting the estimated expected disbursement using a pre-tax discount rate that reflects the current market assessment of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

(s) Revenues

The Group adopted IFRS 15 starting 1 January 2018. For information on the measurement criteria applied to contracts with customers, see paragraph (c).

(t) Government grants

Grants relating to assets and income are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants related to assets are recognized as deferred revenue under Other liabilities in the statement of financial position and are taken to profit or loss on a systematic basis to offset them against the depreciation of the relevant assets. Grants relating to income are recognized under Other operating income.

(u) Financial income and expense

The Group's financial income and expense comprise:

- interest income;
- interest expense;
- dividends received;
- dividends on preference shares classified amongst liabilities;
- net profits or losses deriving from the sale of debt securities measured at FVOCI;
- net profits or losses from financial assets at FVTPL;
- exchange gains or losses on financial assets and liabilities;
- losses (restoration of losses) for impairment of debt securities accounted for at amortised cost or FVOCI;
- income deriving from a business combination for revaluation at fair of any investment already held in the acquiree;
- reductions in the fair value of the potential price classified as financial liabilities;
- ineffectiveness of the hedge noted in Profit or loss; and
- reclassifications of net profit or loss previously accounted for to other comprehensive income on cash flow hedges connected with the interest rate risk or exchange rate risk for financial liabilities.

Interest income and expense are recognized in Profit or loss on an accruals basis using the effective interest method. Proceeds for dividends are accounted for when the right of the Group to receive payment is established.

The "effective interest rate" corresponds to the rate that exactly discounts estimated future payments or collections throughout the life of the financial asset:

- at the gross book value of the financial asset; or
- at the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(v) Determination of fair value

Fair value is the price that would be received as at the date of valuation for the sale of an asset or which would be paid for the transfer of a liability in a regular transaction between market operators on the main market (or most advantageous) to which the Group has access at that time. The fair value of a liability reflects the effect of a risk of default.

Several standards and disclosure requirements require the determination of fair value of financial and non-financial assets and liabilities.

Where available, the Group measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with a frequency and volumes that suffice to provide useful information in determining the price on a continuous basis.
For lack of a price listed on an active market, the Group uses measurement techniques, maximising the use of input data that can be observed and minimising use of input data that cannot be observed. The chosen measurement technique includes all factors that market operators would consider in the estimate of the price of the transaction.
If an asset or liability measured at fair value has a cash price or bid price, the Group measures the active positions and long positions at the cash price and liabilities and short positions at the bid price.
The best evidence of the fair value of a financial instrument at the time it is first accounted for, is usually the price of the transaction (i.e. the fair value of the price given or received). If the Group notes a difference between the fair value at the time of initial booking and the transaction price and fair value is not determined neither by using a price listed on an active market for identical assets or liabilities nor by means of a measurement technique for which input data is not observed and is considered insignificant, the financial instrument is initially measured at fair value, rectified to differentiate between the fair value at the time of initial booking and the transaction price. Subsequently, this difference is noted in the Profit or loss throughout the duration of the instrument using a suitable method, but not beyond the time when the valuation is entirely supported by market data that can be observed or the transaction is completed.

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 market 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 are categorized into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.
The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(w) Standards, amendments and interpretations not yet applicable

Below are the new standards applicable for the years beginning after 1 January 2018, for which early application is allowed. However, the Group has decided not to adopt them early for preparation of these consolidated financial statements.
Of the standards that are not yet applicable, it is expected that IFRS 16 shall have a significant effect on the Group's financial statements in the period of first application.

IFRS 16 Leasing

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

— the Group has not finalised the testing and assessment of controls over its new IT systems; and

— the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases where the Group is the lessee

The Group will note new assets and liabilities for operating leases relative to rented lands, structures hosting warehouses and plants, the hire of production lines, vehicles used in plants and IT hardware. The nature of the costs relating to such leases will change insofar as the Group will be amortising the assets for the right of use and financial expenses on the leasing liabilities. Previously, the Group accounted for the costs for operating leases on a straight line basis throughout the duration of the lease and noted the assets and liabilities only where there were temporary differences between when the lease charges were paid and the costs recorded.
No significant impact is expected for the Group's financial leases.
On the basis of the information available at present, the Group expects to record additional liabilities for leases for Euro 16 million as at 1 January 2019.

The Group does not expect the adoption of IFRS 16 to influence its contractual restrictions as envisaged in the loan contracts.

ii. Leases where the Group is the lessor

The Group will re-assess the classification of sub-leasing in which it acts as lessor. On the basis of the information available at present, no significant impacts are expected in this case.

iii. First application

The Group intends to apply IFRS 16 from the date of first application (i.e. 1 January 2019), using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 will be noted as a rectification of the opening balances of profit carried forward as at 1 January 2019, without restatement of the comparative information.

The Group intends to apply the practical expedient that allows it not to adopt the new definition of leasing at the time of making the move to the new standard. In other words, the Group will apply IFRS 16 to all contracts stipulated before 1 January 2019, which were previously identified as leases in compliance with IAS 17 and IFRIC 4.

Other standards
It is not expected that the following changes to standards or interpretations will have any significant effect on the Group's consolidated financial statements:

- IFRIC 23 "Uncertainty over Income Tax Treatments"
– Prepayment Features with Negative Compensation (Amendments to IFRS 9).

The European Union had not yet completed its endorsement process for these standards and amendments at the date of these consolidated financial statements:

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards (2015-2017 Cycle) - various standards.
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts

(3) Operating segments

Reportable segments are the Group's strategic divisions as determined in accordance with the quantitative and qualitative requirements of IFRS 8.

The Group has only one reportable segment, the Closures division. The Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in this reportable segment.

The Closures division represents the Group's core business. Other operations include the PET division that does not meet any of the quantitative thresholds for determining reportable segments in December 2018 under IFRS 8.

Information regarding the results of the Group's reportable segment is included below. Performance is measured based on segment of revenue, gross operating profit, depreciation and amortization, trade receivables, inventories, property, plant and equipment, trade payables and capital expenditure as included in the internal management reports that are reviewed by the CEO and by the Board of Directors.
Management considers the above information as the most suitable to evaluate the results of the segment compared to other entities that operate in these industries.
All other asset and liability figures cannot be reported by segment as management believes that the availability of such information by segment is not relevant.
The data reported in the following tables relating to 2017 refer to the separate financial statements of Space4 S.p.A. which had no identified operational sectors.

Data of consolidated statement of profit or loss

Euro thousands	Closures		Other assets		Total	
	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Net revenue	-	236,364	-	1,055	-	237,419
Operating profit (loss)	-	19,502	(104)	(204)	(104)	19,299
Depreciation and amortization	-	(15,089)	-	(52)	-	(15,141)

Data of consolidated statement of financial position

Euro thousands	Closures		Other assets		Total	
	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Trade receivables	-	102,198		606	-	102,805
Inventories	-	92,232		1,026	-	93,258
Trade payables	-	(70,383)	(4,490)	(948)	(4,490)	(71,331)
Property, plant and equipment	-	205,333		651		205,984

Data of consolidated statement of cash flows

Euro thousands	Closures		Other assets		Total	
	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Capital expenditure (net of disposals)	-	15,095	-	21	-	15,116

Geographical information

The Closures division operates through many manufacturing facilities primarily in Italy, India, the United Kingdom, Poland, Ukraine, Mexico, Spain, Australia, South Africa and Colombia.

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the assets/subsidiaries.

Euro thousands	**Net revenue**	
	31 December 2017	**31 December 2018**
Italy		28,463
India		27,693
UK		26,749
Poland		25,012
Brazil		24,460
Mexico		21,112
Spain		15,777
Australia		12,610
South Africa		7,857
Colombia		6,211
Other countries		41,475
Net revenue	**-**	**237,419**

Euro thousands	Non-current assets other than financial instruments and deferred tax assets: Property, plant and equipment and Intangible assets	
	31 December 2017	**31 December 2018**
Italy		769,984
Australia		62,217
India		33,468
Poland		28,605
Spain		21,272
Mexico		16,596
Ukraine		13,722
Brazil		9,409
South Africa		10,601
Other countries		54,509
Consolidation adjustments		(8,294)
Property, plant and equipment and intangible assets	**-**	**1,012,088**

Euro thousands	**Deferred tax assets**	
	31 December 2017	**31 December 2018**
Australia		1,233
Argentina		1,121
Italy		885
Chile		652
India		479
Spain		326
New Zealand		208
South Africa		143
China		100
Mexico		41
Ukraine		7
Consolidation adjustments		612
Deferred Tax Assets	**-**	**5,807**

The Group is not exposed to significant geographical risks other than normal business risks.

Information about major customers

In the Closures segment, at 31 December 2018, there are two customers that generate over 10% of revenue: the turnover of the first customer amounts to around Euro 28 million for the five months closing as at 31 December 2018 (11.7% of net revenue), while that of the second customer is approximately Euro 24 million for the same period (10.3% of net revenue).

(4) Acquisition of subsidiaries, business units and non-controlling interests

(4.1) Acquisition of pre-merger Guala Closures Group

On 31 July 2018, Space4 S.p.A. acquired 67% of pre-merger Guala Closures, the parent of pre-merger Guala Closures Group and, on 6 August 2018, Guala Closures S.p.A. was merged into Space4 S.p.A. Furthermore, the latter company and its group changed their name to Guala Closures S.p.A. and Guala Closures Group, respectively.

Specifically, the following took place on the Group's acquisition date:(a) Space4 purchased 52,316,125 ordinary shares held by the former ultimate parent of pre-merger Guala Closures Group, GCL Holdings SCA ("GCL"), (b) GCL transferred 7,403,229 pre-merger Guala Closures ordinary shares to PII G S.à r.l., (c) GCL transferred 1,480,646 pre-merger Guala Closures ordinary shares to Quaestio Capital SGR unipersonale S.p.A., as the manager of Quaestio Italian Growth Fund. Moreover, GCL has made the following transfers (a) 2,601,089 ordinary shares to GCL Holdings LP S.à r.l. ("LP"), (b) transfer of 351,202 ordinary shares to Private Equity Opportunities Fund II SCS-SIF, Compartment B, ("PEOF").

As a result of the above transactions, the share capital of pre-merger Guala Closures was comprised as follows:

— approximately 67% was held by Space4;

— approximately 19% was held by GCL;

— approximately 9% was held by PII G S.à r.l;

— approximately 1% was held by Quaestio Capital SGR unipersonale S.p.A., on behalf of Quaestio Italian Growth Fund;

— approximately 3% was held by LP;

— approximately 1% was held by PEOF.

On 6 August 2018, Space4 S.p.A. carried out a Euro 17,566,646 capital increase to serve the merger, as a result of which the shareholders of pre-merger Guala Closures received Space4 shares in exchange as follows:

Price per pre-merger Guala Closures share (Euro 6.75381)/Price per Space4 share (Euro 10.00).

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In line with the company object of Space 4 S.p.A., the combination has determined a positive difference between the price paid (equal to the price paid by Space4 S.p.A. in addition to the fair value of the shares issued to serve the merger in the favour of GCL Holdings SCA, PII G S.a.r.l., Quaestio Capital SGR , GCL Holdings LP S.a.r.l., PEOF) and the fair value of the management warrants and Tobin Tax and the net assets acquired.
In accordance with IFRS 3, if the sum of the prices transferred exceeds the fair value of the net assets acquired and net liabilities assumed as at the date of the acquisition, this surplus is accounted for as Goodwill (for more details see the paragraph "Goodwill" that follows in this note).
The effects deriving from the transaction are accounted for with effect from 31 July 2018, the date on which control of the Group was transferred from the previous shareholders.

The net cash flows used by the acquisition are composed as follows:

Euro thousands	
Consideration paid at the date of acquisition by Space 4 S.p.A.	354,040
Cash and cash equivalents acquired	(47,666)
Net cash flow used at the date of acquisition	**306,374**

Consideration paid for the purchase of 100% of shares in pre-merger Guala Closures, as follows:

Euro thousands		
Consideration paid at the date of acquisition by Space 4 S.p.A.	**(A)**	**354,040**
Space4's equity instruments given in exchange		
Share capital increase to serve the merger pertaining to GCL Holdings SCA		95,666
Share capital increase to serve the merger pertaining to PII G S.à.r.l		50,000
Share capital increase to serve the merger pertaining to Quaestio Capital SGR		10,000
Share capital increase to serve the merger pertaining to GCL Holdings LP S.a.r.l		16,921
Share capital increase to serve the merger pertaining to PEOF		2,372
Space4's equity instruments issued	**(B)**	**174,960**
FV Management Warrants pre-merger Guala Closures	**(C)**	**1,334**
Total consideration for the purchase of 100% of shares in pre-merger Guala Closures	**(A+B+C)**	**530,334**

Pre-merger Guala Closures shares were exchanged in the ratio of 0.675381 Space4 shares for every Guala Closures share based on an independent appraisal. Consequently, the fair value of the residual 33% of pre-merger Guala Closures shares exchanged with Space4 shares was calculated to be Euro 174,960 thousand.

On 30 July 2018, pre-merger Guala Closures had arranged for a share capital increase in exchange for payment for approximately Euro 25 million in equivalent value, fully subscribed and released by GCL. These shares, concerned by the subsequent business combination, were matched to 1,480,646 GC management warrants, which were exchanged with the management warrants given in exchange as part of the merger and as at the date of the merger effect, 1,000,000 management warrants were issued at the same exchange as the merger. Therefore, the fair value of these management warrants in exchange has been recognised as Euro 1,334 thousand and included in the consideration transferred by the business combination.

The amounts reported with reference to the assets acquired and liabilities assumed at the acquisition date are summarised below:

Euro thousands	**Carrying amounts before acquisition**	**Provisional adjustments for fair value measurement**	**Provisional amounts recognized at acquisition**
Property, plant and equipment	193,440		193,440
Intangible assets	375,714		375,714
Inventories	98,637	7,424	106,061
Trade receivables	113,107		113,107
Trade payables	(70,960)		(70,960)
Net deferred tax assets/liabilities	1,505		1,505
Other current/non-current assets/liabilities	(28,766)		(28,766)
Cash and cash equivalents	47,666		47,666
Current financial assets	169		169
Non-current financial assets	1,019		1,019
Net deferred tax assets/liabilities	(5,992)	(1,906)	(7,898)
Current financial liabilities	(25,420)		(25,420)
Non-current financial liabilities	(582,631)		(582,631)
Employee benefits	(6,574)		(6,574)
Current/non-current provisions	(2,665)		(2,665)
Net acquired assets and liabilities	**108,250**	**5,518**	**113,768**
Reclassification of financial liabilities to minority shareholders	17,700		17,700
Tax receivables adjustment	(1,916)		(1,916)
Adjusted net acquired assets and liabilities	**124,034**	**5,518**	**129,552**
Adjustment of pre-existing goodwill recognised under intangible assets	(361,007)		(361,007)
Net identifiable assets and liabilities	**(236,973)**	**5,518**	**(231,455)**

"Non-current financial liabilities" includes the payable for financial liabilities to minority shareholders relating to the possibility of exercising a put option if certain conditions are met. This amount has been excluded from the calculation of net acquired assets and liabilities insofar as it relates to the existing debt for the acquisition of such minorities in application of the "present access method". This payable has been entered under non-current financial liabilities offset inn shareholders' equity at the same time as goodwill is determined, deriving from the acquisition.

Measurement of fair values

Trade receivables comprised gross contractual amounts due of Euro 115,321 thousand, of which Euro 2,213 thousand was expected to be uncollectable at the date of acquisition.
The transaction has only been provisionally recognized in the approved consolidated financial statements at 31 December 2018 as the PPA procedure for acquired assets, assumed liabilities and contingent liabilities of Guala Closures Group it is still ongoing.
The measurement techniques used to determine the fair value of the main assets acquired, are explained below.

Assets acquired	Valuation technique
Inventories	*Market comparison technique:* The fair value of inventories is calculated using the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and a suitable profit margin based on the efforts required to complete or sell the inventories.

The following fair values have been provisionally determined since the analysis has not yet been completed.
- The fair value of intangible assets (trademark, patented technology of Guala Closures and commercial relations with the clients) is currently being determined whilst awaiting completion of an appraisal by an independent third party.
- The fair value of tangible assets (land and buildings and plant and machinery of Guala Closures Group) is currently being determined whilst awaiting completion of an appraisal by an independent third party.

If the new information obtained within one year from the acquisition date relating to facts and circumstances existing at the acquisition date will lead to adjustments to the amounts indicated or to any other fund existing at the acquisition date, the acquisition accounting will be reviewed.

As required by IFRS 3, the pro forma figures are given below as if the business combination had taken place at the beginning of the year. Specifically, the net revenue and the profit from the date of acquisition have amounted to approximately Euro 237 million and Euro 8 million, respectively. The net revenue and the profit for the first twelve months of 2018 would have amounted to approximately Euro 543 million and Euro 4 million, respectively.

The Group incurred acquisition-related costs of approximately Euro 11 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been mainly included in legal/consultancy expenses of the Group’s statement of profit or loss and other comprehensive income/(expense).

Goodwill

Goodwill arising from the acquisition was recognized as follows:

Euro thousands		
Determination of the total price		
Consideration paid and equity instruments of Space 4 in exchange		529,000
Fair Value Management Warrants		1,334
Consideration paid for the purchase of 100% of the shares	**(A)**	**530,334**
Shareholders' equity as at of minorities the date of acquisition		22,898
Provisional adjustments for fair value measurement of net assets and liabilities acquired by minorities		514
Minority investments proportionally to the stake held in the assets and liabilities of Guala Closures	**(B)**	**23,412**
Total price	**(C=A+B)**	**553,746**
Determination of net identifiable assets and liabilities		
Net acquired assets and liabilities		108,250
Reclassification of financial liabilities to minority shareholders		17,700
Tax receivables adjustment		(1,916)
Adjusted net acquired assets and liabilities	**(D)**	**124,034**
Adjustment of pre-existing goodwill entered under intangible assets	(E)	(361,007)
Net identifiable assets and liabilities	**(F=D+E)**	**(236,973)**
Determination of initial difference to be allocated		
Initial difference to be allocated	**(G=C-F)**	**790,719**
Provisional adjustments for fair value measurement of net identifiable assets and liabilities		
Inventories		7,424
Deferred tax liabilities		(1,906)
Total provisional adjustments for fair value measurement of net identifiable assets and liabilities	**(H)**	**5,518**
Goodwill arising from the acquisition		
Total goodwill arising from the acquisition	**(I=G-H)**	**785,201**

Given the short interval between the date of the business combination and the reporting date of 31 December 2018 of these consolidated financial statements, the complexities of the PPA procedure for the acquired assets, assumed liabilities and contingent liabilities and the longer term of 12 months from the date of the business combination allowed by the relevant standard because of the above complexities, a provisional amount of Euro 785.2 million was recognised in “Goodwill” in these separate financial statements as at 31 December 2018, equal to the difference between the consideration paid by the buyers to purchase pre-merger Guala Closures shares and the identified consolidated net liabilities of Guala Closures Group.

The goodwill deriving from the acquisition mainly refers to the competences and technical skills of Guala Closures staff, customer relations, the trademark and the patents held by Guala Closures Group.
The recognised goodwill will not be deductible for income tax purposes.

(4.2) Acquisitions of United Closures and Plastics

On 12 December 2018, through the Luxembourgian subsidiary GCL International S.à r.l., the Group completed the purchase of the important Scottish company, called United Closures and Plastics ("UCP"), with registered office in Bridge of Allan. The company boasts a long-standing presence on the Scottish market and supplies some historic brands of scotch whisky with which it has consolidated relations.

This transaction allows Guala Closures Group to expand its presence on the Scottish market, extending its commercial activities and innovation and production processes. The Group will indeed be able to consolidate its collaboration with the spirits multinationals operating in Scotland and, in particular, with those of whisky, one of the most important segments in the spirits sector. The transaction will also speed up the reorganisation of industrial structures launched by the Group in 2018, in order to achieve higher production efficiency level.

During the nineteen days period ended on 31 December 2018, the subsidiary generated net revenue of Euro 1.3 million and a loss of Euro 0.2 million. The management believes that, if the acquisition had occurred on 1 January 2018, the consolidated net revenue would have been approximately Euro 287 million and consolidated net profit for the year would have been approximately Euro 8.6 million. In calculating the above amounts, the company management assumed that the fair value adjustments at the acquisition date, determined on a provisional basis, would have been the same even if the acquisition had taken place on 1 January 2018.

The table below summarises the fair value as at the date of acquisition of the main components of the price transferred:

Euro thousands	
Price paid as purchase price of shares as per contract	11,540
Price paid for the purchase of the patents from Obrist	6,725
Price paid to repay loan previously obtained from RPC Group for UCP	1,442
Consideration transferred at the date of acquisition	**19,708**
Cash and cash equivalents acquired	(1,092)
Net cash flow absorbed at the date of acquisition	**18,616**

Guala Closures Group acquired the company UCP and the related patents, previously held by the company Obrist, both companies held by the RPC Group.

The amounts reported with reference to the assets acquired and liabilities assumed at the acquisition date are summarised below:

Euro thousands	Carrying amounts before acquisition	Provisional adjustments for fair value measurement	Provisional amounts recognized at acquisition
Property, plant and equipment	13,281	-	13,281
Intangible assets	6,725	-	6,725
Inventories	8,133	-	8,133
Trade receivables	3,363	-	3,363
Other current assets	1,979	-	1,979
Cash and cash equivalents	1,092	-	1,092
Trade payables	(7,264)	-	(7,264)
Tax payables	(1,601)	-	(1,601)
Capex payables	(4)	-	(4)
Deferred tax liabilities	(388)	-	(388)
Other current liabilities	(2,143)	-	(2,143)
Net identifiable assets and liabilities	**23,173**	**-**	**23,173**
Profit arising from the acquisition	**(3,465)**	**-**	**(3,465)**
Consideration transferred at the date of acquisition	**19,708**	-	**19,708**

Trade receivables include contractual amounts of € 3,363 thousand, deemed to be fully payable on the acquisition date.

Given the short interval between the date of the business combination and the reporting date of 31 December 2018 of these consolidated financial statements, the complexities of the PPA procedure for the acquired assets, assumed liabilities and contingent liabilities of UCP and the longer term of 12 months from the date of the business combination allowed by the relevant standard because of the above complexities, a provisional amount of Euro 3.5 million was recognised in “Other revenues” in these consolidated financial statements as at 31 December 2018, equal to the difference between the identified consolidated net liabilities of UCP and the consideration paid by the buyers to purchase pre-merger UCP shares. This income component derives from the subjective negotiation conditions of the purchase of the business and from its non-strategic nature for the seller.

Euro thousands	Provisional amounts recognized at acquisition
Consideration transferred at the date of acquisition	19,708
less: net identifiable assets and liabilities	(23,173)
Profit arising from the acquisition	**(3,465)**

If new information about facts and circumstances that existed at the acquisition date is obtained within one year from the acquisition date, identifying adjustments to the above amounts, or any additional provisions that existed at the acquisition date, the acquisition measurement will be revised.

The Group incurred in costs related to the acquisition for Euro 0.4 million in connection with legal consultancy and due diligence, noted amongst legal and legal consultancy costs on the statement of the Group's comprehensive income and Euro 0.1 million for stamp duty recorded amongst Other operating expenses on the statement of the Group's statement of comprehensive income.

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(5) Cash and cash equivalents

Cash and cash equivalents amount to Euro 47,795 thousand at 31 December 2018 (Euro 512,206 thousand at 31 December 2017), while those of Guala Closures Group at the business combination date amounted to Euro 47,666 thousand. The decrease compared to the value of 31 December 2017 is mainly due to the acquisition of the equity investment in Guala Closures Group, the refinancing of the Group's debt and the withdrawal of a number of previous shareholders.

(6) Trade receivables

This item includes:

(Euro thousands)	31 December 2017	Balances of Guala Closures Group at the business combination date, 31/07/2018	31 December 2018
Trade receivables		115,321	104,898
Provision for doubtful debt		(2,213)	(2,093)
Total	**-**	**113,107**	**102,805**

The provision for doubtful debt changed as follows:

(Euro thousands)	31 December 2017	31 December 2018
Opening provision for doubtful debt	-	-
Business combination	-	2,213
Accruals and utilization/releases of the period	-	(120)
Closing provision for doubtful debt	-	**2,093**

The provision for doubtful debt at 31 July 2018 and 31 December 2018 relates to a few customers that have indicated that they do not expect to be able to pay their outstanding balances, mainly due to their own financial difficulties.

(7) Inventories

This item includes:

(Euro thousands)	31 December 2017	Balances of Guala Closures Group at the business combination date, 31/07/2018	31 December 2018
Raw materials, consumables and supplies		46,738	43,415
(Allowance for inventory write-down)		(899)	(1,068)
Work in progress and semi-finished products		26,736	23,623
(Allowance for inventory write-down)		(571)	(468)
Finished products and goods		34,150	28,020
(Allowance for inventory write-down)		(691)	(534)
Payments on account		597	270
Total	**-**	**106,061**	**93,258**

Changes as at 31 December 2018:

(Euro thousands)	2017	2018
1 January 2018	-	-
Business combination	-	106,061
Exchange gains	-	(6,062)
Change in raw materials, consumables and supplies	-	6,029
Change in semi-finished products and finished goods	-	(13,097)
Change in payments on account	-	328
Balance as at 31 December	**-**	**93,258**

The allowance for inventory write-down changed as follows:

(Euro thousands)	31 December 2017	31 December 2018
Allowance for inventory write-down 1 January 2018	-	-
Business combination	-	2,161
Exchange gains/(losses)	-	17
Allowance of the year/(utilisation)	-	(108)
Closing allowance for inventory write-down	**-**	**2,070**

(8) Financial derivative assets

- Currency swaps

As at 31 December 2018, the following currency swaps are in place:

Contract expiry	Hedge value	Transaction type	Amount hedged (thousands of GBP)	Forward exchange rate (GBP/EUR)	31 December 2018 Fair Value Assets/(Liabilities) (Euro thousands)
January 2019	GBP	Sale	922	0.88280	15
February 2019	GBP	Sale	97	0.88380	2
March 2019	GBP	Sale	762	0.88490	12
April 2019	GBP	Sale	822	0.88610	13
May 2019	GBP	Sale	854	0.88730	13
June 2019	GBP	Sale	835	0.88850	13
July 2019	GBP	Sale	971	0.88970	15
August 2019	GBP	Sale	1,006	0.89100	15
September 2019	GBP	Sale	992	0.89230	14
October 2019	GBP	Sale	455	0.89350	7
November 2011	GBP	Sale	984	0.89470	14
December 2019	GBP	Sale	1,035	0.89610	15
Total forward GBP sale			**9,735**		**146**

As the formal requirements of IFRS 9 for accounting according to hedge accounting were not met, this derivative is accounted for as FVTPL instruments.

(9) Property, plant and equipment

The following table shows the changes in this caption as at 31 December 2018:

(Euro thousands)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost at 31 December 2017	-	-	-	-	-	-
Accumulated amortization and impairment losses at 31 December 2017	-	-	-	-	-	-
Carrying amount at 31 December 2017	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Business combinations	53,977	127,699	11,238	1,512	12,298	**206,724**
Exchange gains/(losses)	(494)	(1,808)	40	27	445	**(1,791)**
Increases	98	3,390	345	44	10,878	**14,755**
Disposals	-	(539)	(13)	-	61	**(492)**
Impairment losses	(4)	133	-	-	-	**128**
Reclassifications	346	12,947	1,465	272	(14,704)	**325**
Depreciation	(767)	(11,627)	(1,008)	(263)	-	**(13,665)**
Historical cost at 31 December 2018	76,485	456,823	67,225	10,177	8,977	**619,686**
Accumulated amortization and impairment losses at 31 December 2018	(23,329)	(326,629)	(55,159)	(8,585)	-	**(413,702)**
Carrying amount at 31 December 2018	**53,156**	**130,193**	**12,066**	**1,591**	**8,977**	**205,984**

Property, plant and equipment include the amounts arising from work performed by the Group and capitalized.

The item includes the carrying amount of leased assets for € 12,802 thousand, against which current financial liabilities of € 2,685 thousand and non-current financial liabilities of € 3,410 thousand are recorded in the balance sheet.

As at 31 December 2018 there were no real guarantees on property, plant and machinery, except for what is reported in note (38) Commitments and guarantees to the consolidated financial statements.

The largest investments in 2018 were made in Italy, Ukraine, Poland, Mexico and India.

The effect of hyperinflation included in the difference from exchange rates is € 2.5 million.

(10) Intangible assets

The following table shows the changes in this caption as at 31 December 2018:

(Euro thousands)	Development expenditure	Licences and patents	Goodwill	Other	Assets under construction and payments on account	Total
Historical cost at 31 December 2017	-	-	-	-	-	**-**
Accumulated amortization and impairment losses at 31 December 2017	-	-	-	-	-	**-**
Carrying amount at 31 December 2017	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Business combinations	1,091	16,503	785,201	1,990	1,849	**806,634**
Exchange gains/(losses)	6	52	-	(11)	395	**443**
Increases	295	4	-	18	536	**853**
Impairment losses	-	-	-	-	(33)	**(33)**
Reclassifications	690	282	-	(83)	(1,214)	**(325)**
Amortization	(382)	(711)	-	(375)	-	**(1,468)**
Historical cost at 31 December 2018	9,608	73,970	785,201	13,033	1,533	**883,345**
Accumulated amortization and impairment losses at 31 December 2018	(7,907)	(57,840)	-	(11,493)	-	**(77,240)**
Carrying amount at 31 December 2018	**1,700**	**16,130**	**785,201**	**1,540**	**1,533**	**806,104**

The business combination took place on 31 July 2018 and the merger between Space4 S.p.A. and Guala Closures S.p.A. became effective on 6 August 2018.

In accordance with IFRS 3, the PPA procedure for acquired assets, assumed liabilities and contingent liabilities is still on-going.

Given the short interval between the date of the business combination and the reporting date (31 December 2018), the complexities of the PPA procedure for the acquired assets, assumed liabilities and contingent liabilities and the longer term of 12 months from the date of the business combination allowed by the relevant standard because of the above complexities, a provisional amount of Euro 785.2 million was recognised in “Goodwill” in these consolidated financial statements, equal to the difference between the consideration paid by the buyers to purchase pre-merger Guala Closures shares and the identified consolidated net liabilities of Guala Closures Group at 31 July 2018.

Consequently, because of the above, in these consolidated financial statements, the fair value of the assets acquired and the liabilities assumed has not been calculated. The completion of the measurement process in accordance with IFRS 3, which will take place within the deadlines required by the relevant standard, may result in a measurement of Guala Closures' assets acquired and liabilities assumed at the date of the business combination different from that presented in these consolidated financial statements. The completion of the PPA procedure may have an impact on the future results of operations (e.g., greater amortization of intangible assets to which part of the consideration may be allocated) without affecting the forecast cash flows.

Goodwill is booked as at 31 December 2018 for a total of Euro 785 million and relates to the portion allocated under the purchase price allocation as at 31 July 2018 commented in the Directors' report.

As indicated in Note (2) Accounting policies, goodwill is not amortised, but only potentially impaired. The Group performs an impairment test at least once a year, or more frequently where specific events and circumstances arise that may suggest a loss in value, through specific assessments on each cash generating unit (CGU). The CGU identified by the Group to monitor goodwill coincides with the level of aggregation of assets in accordance with IFRS 8 - Operating segments, represented for the Group by the Closures Division.

Goodwill allocated to the CGU Closures has been assessed as at the reporting date and the result did not evidence any need to write down the book value recognised for goodwill as at 31 December 2018.

The potential recovery of the value recognised is verified by comparing the net invested capital (book value) of the CGU with the related recoverable value. The recoverable value of goodwill is given by the determination of the value in use, intended as the current value of operating cash flows deriving from the forecasts of the multiple year plans approved by the Group and a terminal value that is normalised and used to express a summary estimate of future results beyond the time frame specifically considered. These cash flows are then discounted using discounting rates that represent current market valuations of the cost of money and that consider specific risks of the Group's business and CGU considered.

The discounted cash flow model is based on cash flow for a period of five years on the basis of the business plan approved by the Board of Directors on 8 March 2019, which foresees a compound annual growth rate (CAGR) of net revenues and EBITDA, respectively of 5.3% and 7.1%. The terminal growth rate has been determined on the basis of the long-term compound annual growth rate of EBITDA, which has been estimated by the company's management team in line with the hypotheses that would be prepared by a market operator. Such growth rate is consistent with management's expectation of growth in high value safety closures, across the world, especially in developing countries.

The 2018 valuation is based on the following assumptions:

- the WACC of the Closures Division has been calculated weighting the WACC of each country with a percentage of 2018 net revenues per destination market of each country, with respect to net consolidated revenues, with a weighted average of 8.9%;
- long-term growth rate "g": a value of 3.0% was used, calculated by weighting the estimated inflation rate of each country by the incidence of net revenues per destination market on total net revenues, in line with the calculation of the terminal value and the weighted average growth of Guala Closures Group on the various reference markets. Such "g" rate is consistent with both Guala Closures Group's historical growth rate and forecast future market developments.

The discounting rate corresponds to an estimate, net of tax, determined according to past experience and the average cost of capital of the industrial sector, based on a possible percentage indebtedness of 33% at the market interest rate of 3.5%.

The recoverable value estimated exceeds the book value by more than Euro 58 million.

It should be specified that the Group management is in charge of developing estimates and projections based on the past experience and expectations about the future outlook of the market in which the Group operates. To this end, please note that the current international macro economic situation and the possible economic-financial impacts, in particular the commercial competitions underway between the various countries, may result in uncertainty surrounding the achievement of objectives and levels of activity considered in the plan, yet without resulting in any onset of impairment of the goodwill accounted for. However, the estimate of the recoverable value of goodwill requires discretion and the use of estimates by management and, although considering that part of the estimates for net revenues and gross operating profit of the CGU Closures may slide back by a year and thereafter in any case reach the growth expected in all for the plan, it cannot be excluded that goodwill may need to be impaired in future periods due to changes in scenario that cannot, to date, be forecast.

The circumstances and the events that could lead to an additional impairment test shall be monitored by the Group's management on an ongoing basis.

In consideration of the foregoing, the Group has performed sensitivity analyses with changing WACC and g rates. More specifically, an increase of 30 bp in the g rate would coincide with an increase in the recoverable value in use of approximately Euro 46 million, whilst a decrease of 20 bp would coincide with a decrease in the recoverable value in use of approximately Euro 48 million, in any case fully recovering the book value. As regards changes in the WACC, it is reported that a decrease in this rate by 30 bp would coincide with an increase in the recoverable value in use of approximately Euro 56 million, whilst a decrease of 20 bp would coincide with a decrease in the recoverable value in use of approximately Euro 51 million, not in any case requiring any impairment of the book value.
Goodwill has never been impaired.

(11) Deferred tax assets and liabilities

The following table gives a breakdown of the captions at 31 December 2017 and 31 December 2018:

Euro thousands	Assets		Liabilities		Net	
	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Allowance for inventory write- down	-	452	-	-	-	452
Provision for bad debt (taxable)	-	641	-	-	-	641
Provisions	-	132	-	-	-	132
Other	-	2,044	-	(1,251)	-	793
Losses carried forward	-	143	-	-	-	143
PPA effect on opening inventories	-	-	-	-	-	-
Intragroup gains	-	519	-	-	-	519
Leases	-	118	-	-	-	118
Property, plant and equipment and intangible assets	-	1,144	-	(10,453)	-	(9,309)
Employee benefits	-	594	-	-	-	594
Derivatives	-	14	-	-	-	14
Exchange gains/(losses)	-	6	-	(14)	-	(8)
TOTAL	**-**	**5,807**	**-**	**(11,718)**	**-**	**(5,910)**

The "Other" item includes the effect of hyperinflation for € 0.7 million.

Changes in net deferred tax assets/liabilities may be detailed as follows:

Euro thousands	31 December 2017	Business combination	Changes in profit or loss	Changes in equity	Exchange rate gains/losses	31 December 2018
Allowance for inventory write-down	-	436	51	-	(36)	452
Provision for bad debt (taxable)	-	1,529	(689)	-	(198)	641
Provisions	-	286	(185)	-	32	132
Other	-	(1,345)	2,418	-	(281)	793
Losses carried forward	-	390	(238)	-	(9)	143
PPA effect on opening inventories	-	(1,906)	1,906	-	-	-
Intragroup gains	-	603	(83)	-	-	519
Leases	-	117	1	-	(0)	118
Property, plant and equipment and intangible assets	-	(9,076)	(739)	-	506	(9,309)
Employee benefits	-	637	9	-	(52)	594
Derivatives	-	28	-	(14)	1	14
Exchange gains/(losses)	-	15	-	-	(24)	(8)
TOTAL	**-**	**(8,286)**	**2,451**	**(14)**	**(61)**	**(5,910)**

Tax losses that can be carried forward at 31 December 2018 but that the Group has not considered in its calculation of the deferred tax assets in the statement of financial position are approximately equal to an amount of Euro 171,508 thousand.
Tax losses that can be indefinitely carried forward amount to Euro 156,427 thousand and refer to Guala Closures S.p.A., Guala Closures France SAS, Guala Closures Chile SpA and Guala Closures North America Inc.
Potential deferred tax assets on total tax losses that can be carried forward would be equal to Euro 41,851 thousand at 31 December 2018 (including Euro 37,869 thousand related to losses that can be carried forward indefinitely), in case they are recognized.

(12) Current and non-current financial liabilities

This section provides information on the contractual terms governing the Group's bank overdrafts, loans and bonds.

Reference should be made to note 34) "Fair value of financial instruments and sensitivity analysis" to these consolidated financial statements for further information on the Group's exposure to the risks of fluctuations in interest and exchange rates.

On 20 July 2018, the Company stipulated a bridge facility agreement (the "Bridge Facility Agreement") with UniCredit Bank AG, Milan Branch, acting as agent, and the original bridge lenders (Credit Suisse AG, Milan Branch, Banca IMI S.p.A., Banco BPM S.p.A., Barclays Bank PLC and UniCredit S.p.A.) for an amount equal to Euro 450 million, disbursed on 01 August 2018 and to be repaid within one year from its first utilization.

Furthermore, on 20 July 2018, the Company also entered into with UniCredit Bank AG, Milan Branch, as agent, and the original lenders (Credit Suisse International, Banco BPM S.p.A., Barclays Bank PLC, Intesa Sanpaolo S.p.A. and Unicredit S.p.A.) a new revolving credit facility agreement governed by the law in England and Wales, for a maximum amount of Euro 80 million (the "**New RCF**"), Euribor/LIBOR GBP 3 months + 2.5% (zero floor). The New RCF will expire five years and six months after the first utilization of the bridge financing described under the point above.

On 3 October 2018, Guala Closures S.p.A. fully repaid the Euro 450 million bridge loan, using the proceeds from a floating-rate bond issue due in 2024 of Euro 455 million (the "**Bonds**") (Euribor 3 months +3.5% - zero floor) under an indenture contract governed by the laws of the State of New York. The contract was signed, inter alia, by Guala Closures S.p.A., as the issuer, The Law Debenture Trust Corporation p.l.c., as the senior secured notes trustee and Bondholders' representatives pursuant to articles 2417 and 2418 of the Italian Civil Code, Deutsche Bank AG, London branch, as the paying agent, and Deutsche Bank Luxembourg S.A., as the transfer agent and the registrar (the "**Indenture**").

The parent company, among others, has a covenant in place on the New RCF, breach of which may result in the repayment of the loan before the due date specified above, if the New RCF should be drawn down for more than 40% of the total (Euro 80 million). This covenant establishes that the Company's debt over consolidated EBITDA, both calculated on the basis of the contractual provisions of the New RCF, shall not exceed 6.40x.
The agreement envisages, amongst others, the constant monitoring of the covenant by the parent company's treasury and regular communication with the company management and lender, so as to guarantee due compliance. The first calculation date is 30 September 2019.
The Group and Company consider as remote the risk that the covenant may be exceeded as at the date of first verification of 30 September 2019.

Financial liabilities at 31 December 2017, the business combination date (31 July 2018) and 31 December 2018, are shown below:

(Euro thousands)	31 December 2017	Balances of Guala Closures Group at the business combination date, 31/07/2018	31 December 2018
Current financial liabilities			
Bonds	-	5,181	3,937
Bank loans and borrowings	-	16,897	14,324
Other financial liabilities	12,500	3,342	7,023
	12,500	25,420	25,284
Non-current financial liabilities			
Bonds	-	503,010	441,383
Bank loans and borrowings	-	57,550	13,506
Other financial liabilities	-	21,395	21,910
	-	581,954	476,799
Total	**12,500**	**607,374**	**502,083**

The terms and expiry dates of the financial liabilities at 31 December 2017 and 31 December 2018 are shown below:

	Nominal amount					
(Euro thousands)	**Total 31 December 2017**	**Due within one year**	**Between one and five years**	**More than five years**	**Current**	**Non-current**
Bonds						
Total bonds						
Bank loans and borrowings:						
Total bank loans and borrowings						
Other financial liabilities:						
Market warrants	12,500	12,500	-	-	12,500	-
Total other financial liabilities	**12,500**	**12,500**	**-**	**-**	**12,500**	**-**
TOTAL	**12,500**	**12,500**	**-**	**-**	**12,500**	**-**

	Nominal amount					
(Euro thousands)	**Total 31 December 2018**	**Due within one year**	**Between one and five years**	**More than five years**	**Current**	**Non-current**
Bonds						
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	455,000	-	-	455,000	-	455,000
Interest on bonds	3,937	3,937	-	-	3,937	-
Transaction costs	(13,617)	-	-	(13,617)	-	(13,617)
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.	**445,320**	**3,937**	**-**	**441,383**	**3,937**	**441,383**
Bank loans and borrowings:						
Senior Revolving Credit Facility - Guala Closures S.p.A.	11,179	-	-	11,179	-	11,179
Transaction costs	(740)	-	-	(740)	-	(740)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.	**10,439**	**-**	**-**	**10,439**	**-**	**10,439**
Other accrued expenses - Guala Closures S.p.A.	121	121	-	-	121	-
Yes Bank loan and bank overdraft Axiom Propack (India)	3,785	3,785	-	-	3,785	-
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	4,399	4,399	-	-	4,399	-
Banco de la Nacion Argentina loan (Chile)	357	178	178	-	178	178
Bradesco / ITAU / Santander loans and bank overdraft (Brazil)	105	56	48	-	56	48
Advances on receivables and loans (Argentina)	684	682	3	-	682	3
Banamex / Bancomer loan (Mexico)	7,942	5,103	2,838	-	5,103	2,838
TOTAL bank loans and borrowings	**27,831**	**14,324**	**3,068**	**10,439**	**14,324**	**13,506**
Other financial liabilities:						
Market warrants	4,338	4,338	-	-	4,338	-
Guala Closures S.p.A. finance leases	5,526	2,436	3,091	-	2,436	3,091
Other companies finance leases	568	249	319	-	249	319
Liabilities due to non-controlling interests	18,500	-	-	18,500	-	18,500
TOTAL other financial liabilities	**28,933**	**7,023**	**3,410**	**18,500**	**7,023**	**21,910**
TOTAL	**502,083**	**25,284**	**6,477**	**470,322**	**25,284**	**476,799**

"Other financial liabilities" include the fair value of the market warrants at 31 December 2018 (Euro 4,338 thousand). The difference between the fair value at 31 December 2018 and that at 31 December 2017 was recognized in the statement of comprehensive income of the period, under financial income (Euro 17,529 thousand), net of the equity effect of the issue of an additional 9,367.393 market warrants on 6 August 2018 at the unit price of Euro 1.00. The impact on the statement of comprehensive income for the period is attributable to the decrease in the market price of the market warrants, which went from Euro 1.25 at 31 December 2017, to Euro 0.224 at 31 December 2018.

On the date of their first trading, the Company recognized 10,000,000 market warrants, traded separately to the shares, of Euro 6,000,000, by setting up a negative reserve of the same amount (described in note 18) Equity attributable to the owners of the parent) of the notes to the consolidated financial statements. Furthermore, on 6 August 2018, the date the merger became effective, another 9,367,393 market warrants were assigned for Euro 9,367,393, setting up a negative reserve of the same amount. The warrants were assigned free of charge in the ratio of four market warrants to every 10 ordinary shares. They can be exercised against payment as resolved by the shareholders in their extraordinary meetings of 26 September 2017 and 16 November 2017.

Based on the market warrant regulation, the warrant holders may decide to exercise them in whole or in part at any time and to subscribe the exchange shares at the subscription price, as long as the average monthly price is higher than the strike price (Euro 10 per share). The Strike Price of Euro 0.10 per exchange share was determined by the Shareholders' meeting on 26 September 2017, considering the changes made on 26 October 2017. It is specified that the Company will publish notice of acceleration if the average monthly price detected is equal to or greater than Euro 13 per share.
As a result, the holders of the market warrants will be assigned exchange shares based on the following exchange ratio:

$$\frac{\textit{Average monthly price - Strike price}}{\textit{Average monthly price - Subscription price}}$$

Warrants not exercised by the expiry date are taken to have been extinguished and are no longer valid when “expiry date” means the first of the following dates: (i) the first trading date after five years from the Relevant Transaction’s effective date and (ii) the first trading date after 60 calendar days from the date of publication of the acceleration communication.

The liability due to the non-controlling interests relates to recognition of these investors’ right to exercise a put option if certain conditions are met. It represents the discounted estimated value of the put option at its expected time of exercise.
This caption has been recognized using the present access method, whereby the financial liability was recognized as a reduction in equity in the first year. The fluctuation in each year, if any, is recognized under financial income (expense) in profit or loss and the non-controlling interests continue to be presented separately as, to all effects, the non-controlling interests have the right to access the profit or loss pertaining to their investment.
Reference should be made to note 34) “Fair value of financial instruments and sensitivity analysis” to the consolidated financial statements for further details.

The terms and expiry dates of the financial liabilities at 31 December 2017 and 31 December 2018 are shown below:

Euro thousands	**Currency**	**Nominal interest rate**	**Expiry date**	**Total 31 December 2017**
Bonds				
Total bonds				**-**
Bank loans and borrowings:				
Total bank loans and borrowings				**-**
Other financial liabilities:				
Market warrants	Euro	n.a.	n.a.	12,500
Total other financial liabilities				**12,500**
TOTAL				**12,500**

Euro thousands	**Currency**	**Nominal interest rate**	**Expiry date**	**Total 31 December 2018**
Bonds				
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	Euro	Euribor 3M + 3.50%	2024	455,000
Interest on bonds	Euro	n.a.	2021	3,937
Transaction costs	Euro	n.a.	2024	(13,617)
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.				**445,320**
Bank loans and borrowings:				
Senior Revolving Credit Facility - Guala Closures S.p.A.	EUR / GBP	Euribor/Libor GBP 3M + 2.50%	2024	11,179
Transaction costs	Euro	n.a.	2024	(740)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.				**10,439**
Other accrued expenses - Guala Closures S.p.A.	Euro	n.a.	2019	121
Yes Bank loan and bank overdraft Axiom Propack (India)	INR	8.50%	n.a.	3,785
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	PLN	Wibor 1M (*)	n.a.	4,399
Banco de la Nacion Argentina loan (Chile)	CLP	7.56%	2020	357
Bradesco / ITAU / Santander loans and bank overdraft (Brazil)	BRL	n.a.	2020	105
Advances on receivables and loans (Argentina)	ARS	n.a.	n.a.	684
Banamex / Bancomer loan (Mexico)	USD	n.a.	2023	7,942
TOTAL bank loans and borrowings				**27,831**
Other financial liabilities:				
Market warrants	Euro	n.a.	n.a.	4,338
Guala Closures S.p.A. finance leases	Euro	Euribor + 1.5% (**)	2020	5,526
Other companies finance leases	Euro	n.a.	n.a.	568
Liabilities due to non-controlling interests	Euro	n.a.	n.a.	18,500
TOTAL other financial liabilities				**28,933**
TOTAL				**502,083**

(*) Wibor stands for “Warsaw Inter-bank Bid and Offered Rate”
(**) Nominal interest rate on the property finance lease

The Senior Revolving Facility's availability at 31 December 2018 is shown in the table below:

	Available amount (Euro thousands)	Amount used at 31 December 2018	Residual available amount at 31 December 2018
Revolving Facility due 2024	80,000	11,179	68,821
Total	**80,000**	**11,179**	**68,821**

(13) Trade payables

The item includes:

(Euro thousands)	31 December 2017	Balances of Guala Closures Group at the business combination date, 31/07/2018	31 December 2018
Suppliers	4,490	70,242	70,895
Payments on account	-	718	436
Total	**4,490**	**70,960**	**71,331**

At 31 December 2018, trade payables may be analysed by original currency as follows:

Euro thousands	Euro	USD	GBP	Other currencies	Total
Trade payables	38,185	4,922	9,065	19,158	**71,331**

Other currencies include trade payables in the following local currencies:

(Euro thousands)	31 December 2018
Indian rupee	3,803
Polish zloty	3,241
Australian dollar	2,673
Mexican peso	1,729
South African rand	1,597
Ukrainian hryvnia	1,590
Argentinian peso	1,554
Chinese renminbi	675
Bulgarian lev	590
Brazilian real	538
Chilean peso	435
Other	735
Total	**19,158**

(14) Provisions

This item is as follows:

CURRENT PROVISIONS:

Euro thousands	31 December 2017	31 December 2018
Provision for contingencies	-	710
Provision for return	-	409
Provision for restructuring	-	402
Total current provisions	**-**	**1,521**

The provision for current risks refers to tax matters for pre-merger Guala Closures relating to the period 2015-2016. Although Guala Closures S.p.A. (the entity resulting from the inverse merger of GCL Special Closures S.r.l. into Guala Closures S.p.A. in 2012) believes that it has been in full compliance with all laws and regulations applicable at that time, it agreed to a settlement to resolve the dispute with the Italian Tax Authority. Consequently, in 2018, for the years 2013-2014, the Company paid Euro 0.8 million, with Euro 0.7 million remaining in the provision for risks, to be paid in 2019, for the remaining years 2015-2016.

The provision for returns refers to the valuation of customer disputes currently in progress and is calculated on the basis of negotiations in progress with customers as at the reporting date.

The company restructuring operations refer to the rationalisation of production of Guala Closures UK Ltd in Glasgow, which started in the first quarter 2018, envisaging the transfer of plants and machinery from the secondary site of Broomhill to the principal site of Kirkintilloch. Completion of this process is expected to take place in 2019 and the amount of provisions is calculated considering the costs of terminating the existing contracts and employee benefits on the basis of the contractual conditions.

Changes in the provisions are as follows:

CURRENT PROVISIONS:

Euro thousands	2018
Opening current provisions	-
Business combination	2,414
Exchange losses	2
Allowance of the year	299
Utilisation	(1,194)
Closing current provisions	**1,521**

Use of the current portion of the provisions mainly refer to the use of the provision for risks and the company restructuring provision.

NON-CURRENT PROVISIONS:

Euro thousands	31 December 2017	31 December 2018
Provision for legal disputes	-	112
Provision for agents' termination indemnity	-	140
Total non-current provisions	**-**	**252**

Changes in the provisions are as follows:

NON-CURRENT PROVISIONS:

Euro thousands	**2018**
Opening non-current provisions	-
Business combination	250
Exchange gains	(1)
Allowance of the year	3
Utilisation	(1)
Closing non-current provisions	**252**

(15) Financial derivative liabilities

This item includes:

Euro thousands	**31 December 2017**	**31 December 2018**
Fair value of interest rate swaps	-	58
Total	**-**	**58**

The main features of the contracts in place at 31 December 2018 are summarized below:

- interest rate swaps

Guala Closures S.p.A. has two interest rate swaps in place to hedge floating interest rates on the property finance lease as listed below:

1. Euro interest rate swap of 07 March 2006 stipulated with Intesa Sanpaolo S.p.A. with final maturity 01 July 2019. It has a fixed exchange rate of 3.945% against the 1-month variable Euribor on a reference notional value as at 31 December 2018 of Euro 1,371 thousand.
2. Euro interest rate swap of 07 March 2006 stipulated with Unicredit Banca d’Impresa S.p.A. with final maturity 01 July 2019. It has a fixed exchange rate of 3.960% against the 1-month variable Euribor on a reference notional value as at 31 December 2017 of Euro 1,371 thousand.

These derivatives meet the formal requirements of IFRS 9 as at 31 December 2018 and have been recognized as hedging instruments.

(16) Other current liabilities

This item is as follows:

Euro thousands	31 December 2017	31 July 2018	31 December 2018
Payables to employees	-	10,523	9,325
Payables for capital expenditure	-	5,040	5,564
Social security charges payable	-	2,407	3,588
Payables for dividends	-	3,887	3,736
Payable for transaction costs on Guala Closures S.p.A. bond 2024	-	-	718
Payables for non-recurring costs linked to the listing process	-	6,248	3,181
Other payables	53	4,986	8,668
Total	**53**	**33,091**	**34,779**

(17) Employee benefits

The item is as follows:

(Euro thousands)	31 December 2017	Balances of Guala Closures Group at the business combination date, 31/07/2018	31 December 2018
TFR - Guala Closures S.p.A.		4,026	3,958
Other		2,549	2,503
Total	**-**	**6,574**	**6,461**

Changes in Employee benefits are as follows:

	31 December 2017	31 December 2018
1 January 2018		-
Business combination		6,574
Exchange gains		(23)
Change recognized in profit or loss - personnel expense		509
Change recognized in profit or loss - other (income)/expense		3
Change recognized in OCI		160
Transfer in (out)		40
Benefits paid		(803)
Balance at 31 December	**-**	**6,461**

The liability for post-employment benefits ("TFR" – Trattamento di fine rapporto) primarily relates to Italian companies (Guala Closures S.p.A. mainly) for employee termination, determined using actuarial techniques and regulated by Article 2120 of the Italian Civil Code. The benefit is paid when the employee leaves the company as a lump sum, the amount of which corresponds to the total benefits accrued during the employees' service period based on payroll costs as revalued until their departure. Following the pension reform, from 1 January 2007, accruing benefits have been transferred to a pension fund or a treasury fund held by the Italian administration for post-retirement benefits (INPS). Companies with less than 50 employees, can continue the scheme as in previous years. Therefore, contributions of future TFR to pension funds or the INPS treasury fund entails that these amounts will be treated as a defined contribution scheme. Amounts vested before 1 January 2007 continue to be accounted for as defined benefits to be assessed based on actuarial assumptions.

Changes in post-employment benefits and the main assumptions used in their measurement are detailed below:

Euro thousands	**31 December 2017**	**31 December 2018**
Balance at 1 January		
Business combination		4,035
Change recognized in profit or loss - personnel expense		541
Change recognized in profit or loss - other (income)/expense		20
Change recognized in OCI		(52)
Benefits paid		(586)
Balance at 31 December	**-**	**3,958**

Actuarial parameter baseline:

	31 December 2018
Average inflation rate	1.50% p.a.
Discount rate	1.13% p.a.
Annual rate of increase in post-employment benefits	2.625% p.a.

For valuations at 31 December 2018, an annual fixed discount rate of 1.13% was utilized based on the value of Iboxx indexes AA corporate bonds observed at 31 December 2018, as per the requirements of IAS 19.

The Group expects to pay around Euro 1.5 million of benefits to its defined benefit plan in 2019 described above.

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming the other variables do not change, would have affected Guala Closures S.p.A.'s post-employment benefits at 31 December 2018 by the amounts shown below:

	Defined benefit obligation	
Euro thousands	**Increase**	**Decrease**
Turnover rate (1% movement)	(19)	21
Average inflation rate (0.25% movement)	49	(48)
Discount rate (0.25% movement)	(77)	80

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Guala Closures UK has a defined benefit pension plan under which the employees of the former Metalclosures Ltd. have the right to a pension. This plan has a surplus at 31 December 2018 (i.e., the fair value of the plan assets is higher than the present value of the defined benefit obligation). In application of IAS 19 and IFRIC 14, the portion of the surplus that can be booked must be less than the benefits available in the form of reimbursements or the contribution holiday: following completion of the West Bromwich site restructuring plan in 2008, the amount of the contribution holiday is zero and, therefore, the fund surplus has not been booked. In addition, the Group did not have contingent liabilities at 31 December 2018 as the fund covers the present value of its future obligations with its plan assets.
For disclosure purposes, the amounts of the fund obligations and plan assets, as well as the baseline actuarial parameters used for their calculation, are shown below:

Euro thousands	**31 December 2017**	**31 December 2018**
Present value of the obligations		(64,842)
Fair value of plan assets		78,136
Total	**-**	**13,294**

Below are changes to the items of the pension fund of Guala Closures UK Ltd.. For representation purposes, the change is indicated as though the merger of Space4 and Guala Closures S.p.A. had taken place at the start of 2018.

Changes in the net amount of the fund:

Euro thousands	31 December 2017	31 December 2018
Balance at 1 January		16,829
Exchange losses		(100)
Service cost		(674)
Interest on defined benefit obligation		(1,631)
Interest on plan assets		2,045
Scheme administration expenses		(235)
Actuarial gains		(2,940)
Balance at 31 December	**-**	**13,294**

Changes in the present value of the obligations:

Euro thousandds	31 December 2017	31 December 2018
Balance at 1 January		(68,004)
Exchange gains		562
Service cost		(674)
Interest on defined benefit obligation		(1,631)
Contribution by plan participants		(3)
Benefits paid		3,251
Actuarial gains		1,657
Balance at 31 December	**-**	**(64,842)**

Changes in the fair value of plan assets:

Euro thousands	31 December 2017	31 December 2018
Balance at 1 January		84,833
Exchange losses		(662)
Interest on plan assets		2,045
Scheme administration expenses		(235)
Contribution by plan participants		3
Benefits paid		(3,251)
Actuarial losses		(4,597)
Balance at 31 December	**-**	**78,136**

Plan assets comprise (major categories of plan assets as a percentage of the total plan assets):

	31 December 2017	31 December 2018
Share		12%
Bonds		35%
Gilts		53%
Cash		0%

All equities and government bonds have listed prices in active markets.

Actuarial parameter baseline:

	31 December 2017	31 December 2018
Salary growth rate		4.00% p.a.
Rate of increase in pensions provided (average)		3.00% p.a.
Average inflation rate		3.20% p.a.
Discount rate		2.65% p.a.

The Group does not expect to pay any further contributions in 2018 in relation to these defined benefit obligations.

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming the other variables do not change, would have affected Guala Closures UK's defined benefit pension plan at 31 December 2018 by the amounts shown below:

Thousands of Euros	Impact on present value of the obligations	Effects on the fair value of plan assets:
Life expectancy (+ 1 year)	(2,820)	-
Average inflation rate (-0.1% p.a.)	262	-
Discount rate (+0.1% p.a.)	922	-

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

(18) Equity attributable to the owners of the parent

At 31 December 2018, Guala Closures S.p.A. is a company limited by shares whose ordinary shares and market warrants have been traded on the Italian Stock Exchange (Mercato Telematico Azionario) organized and managed by Borsa Italiana S.p.A., within the Star Segment, since 6 August 2018.

At its incorporation date (19 September 2017), the Company's share capital of Euro 100,000 consisted of 10,000 ordinary shares without a nominal amount all held by Space Holding S.r.l.

During their extraordinary meeting of 26 September 2017, the shareholders resolved to convert all the 10,000 ordinary shares into special shares at conditions and effective from the date on which trading of the ordinary shares started on the investment vehicles section of the Italian stock exchange.

The shareholders approved a capital increase against payment in their meeting of 16 November 2017, with the issue of a maximum of 50,000,000 ordinary shares without a nominal amount for a total amount of Euro 500,000,000, including the share premium. The subscription price paid of Euro 10 per share was assigned as follows: Euro 1 for the shares' implicit carrying amount and Euro 9 to the share premium reserve. Every ten ordinary shares subscribed received four Space4 S.p.A. market warrants. Two of four these warrants were immediately traded on the investment vehicles section of the Italian stock exchange separately from the shares starting from the date on which the shares began to be traded. The right to receive the other two warrants is built into the shares and they are attached until the effective date of the Relevant Transaction.

The share premium reserve, set up with the capital increase that took place at the listing date, includes Euro 6,000,000 for the 10,000,000 market warrants that have been traded separately from the ordinary shares since the listing date with an initial subscription price of Euro 0.60 each.

On the same date 16 November 2017, the shareholders resolved to increase the share capital against payment in their extraordinary meeting solely for Space Holding S.r.l. (Space4's promoter) for a total of Euro 12,400,000, including the share premium, by issuing a maximum of 1,240,000 special shares. The subscription price of each special share paid of Euro 10 was assigned as follows: Euro 1 for the shares' implicit carrying amount and Euro 9 to the share premium reserve. Two Space4 S.p.A. sponsor warrants were attached to each share subscribed. The automatic conversion during the listing of the 10,000 ordinary shares into special shares involved the assignment of 20,000 Space4 S.p.A. sponsor warrants.

The above resolutions led to the actual subscription and payment of the shares during the placing on the market.

Finally, the shareholders resolved to increase the share capital: (i) by a maximum of Euro 465,116.30 to cover the exercise of 20,000,000 Space4 S.p.A. market warrants through the issue of a maximum of 4,651,163 ordinary shares without a nominal amount at a price of Euro 0.10 each, allocated to their implicit carrying amount; (ii) by a maximum, including the share premium, of Euro 32,500,000 to cover the exercise of 2,500,000 Space4 S.p.A. sponsor warrants by issuing a maximum of 2,500,000 ordinary shares without a nominal amount at a price of Euro 13, with Euro 1 for the implicit carrying amount and Euro 12 for the share premium.

When the ordinary shares were placed on the market and the capital increase took place, the Company set up a reserve for capital increase costs of Euro 4,677,128, which covers both the start-up costs and the cost of listing the company on the investment vehicles section of the Italian stock exchange. The reserve also includes the commissions agreed with the banks for the placement (Euro 4,000,000).

The period during which the right of first refusal could be exercised ended on 18 July 2018. It covered 6,378,568 Space4 ordinary shares for which the withdrawal right was exercised. The Company's shareholders exercised their first-refusal and pre-emptive rights acquiring a total of 1,700,884 shares for which the withdrawal right was exercised, while Peninsula and Quaestio, under the back-stop agreements, acquired 1,514,692 shares for which the withdrawal right was exercised. Therefore, the Company purchased the remaining 3,162,992 shares for which the withdrawal right had been exercised, equal to 6.33% of Space4's ordinary share capital for Euro 31,323,110 and subsequently cancelled them.

Finally, on 6 August, Guala Closures' first trading day on the STAR segment, Guala Closures was merged into Space4. The merger became effective for statutory, accounting and tax purposes as of this date. On this date, the following took place:

— cancellation of all the ordinary and class B Guala Closures shares, making up its entire share capital at the merger effective date;

— allocation of ordinary shares with the same characteristics as the ordinary Space4 shares to the holders of Guala Closures shares other than Space4 at the merger effective date using an exchange ratio of 0.675381 Space4 shares to every one Guala Closures share;

— allocation of 9,367,393 market warrants (the residual two market warrants every ten ordinary shares held) to the holders of ordinary Space4 shares;

— cancellation of all Guala Closures Management Warrants outstanding at the merger effective date and allocation of 1,000,000 newly issued Space4 warrants with the same characteristics as Space4 sponsor warrants;

— a Euro 17,567 thousand capital increase to serve the merger to be subscribed by GCL Holdings S.C.A., PII G S.à.r.l and Quaestio Capital SGR;

— conversion of the first instalment of special Space4 shares (437,500 or 35% of the total number of special Space4 shares) into 1,968,750 post-merger Guala Closures shares.

Therefore, at 31 December 2018, Guala Closures S.p.A. has subscribed and paid-up share capital of Euro 68,907 thousand, consisting of 67,184,904 shares, of which 62,049,966 ordinary shares, 4,322,438 class B multiple-vote shares and 812,500 class C shares with no voting rights. Similarly, 19,367,393 market warrants, 2,500,000 sponsor warrants and 1,000,000 Management Warrants are outstanding.

Reference should be made to the statement of changes in equity for changes in, and details of, the components of equity.

The special shares to which, upon issue, 2,500,000 sponsor warrants have been attached, have the same rights as the ordinary shares, with the sole exception of the following:

— they do not have voting rights at ordinary and extraordinary shareholders' meetings;
— they do not have the right to dividends approved as ordinary dividends;
— they cannot be transferred until the last day of the twelfth month after the Relevant Transaction and, should the Relevant Transaction not take place, for the maximum duration of the company as established by article 4 of the by-laws except for (i) those transferred to the withdrawing shareholders of Space Holding after the liquidation procedure as payment in kind for the sale of their investment; and (ii) those transferred to the beneficiary of a proportionate demerger of Space Holding S.r.l.;
— if the Company is dissolved, they give the right to their voters to be paid their stake of liquidation equity after the ordinary shareholders;
— they give the right to receive two sponsor warrants for every special share issued;

— when certain conditions are met, the special shares are automatically converted into ordinary shares, at the ratio of 4.5 ordinary shares for each special share, without the need for their holders to express their intention to convert and without any change to be made to the amount of share capital, provided that the conversion will decrease the implicit carrying amount of ordinary shares.

The sponsor warrants attached to the special shares and assigned free of charge in the ratio of two warrants for every special share subscribed are not traded on the Italian regulated stock market or abroad.

Each sponsor warrant gives its holder the right to subscribe an exchange share if the share's official price is equal to or higher than Euro 13 for at least one day in the exercise period, which is the period between the first trading date after the Relevant Transaction's effective date and the tenth anniversary of this date.

Furthermore, on the date the merger became effective, 1,000,000 Management Warrants were issued. They can be exercised as of this date and will entitle holders to one Management Warrant share for every exchangeable management warrant, provided that the post-merger Guala Closures share's official price is equal to or higher than Euro 13 for at least one day in the exercise period, and against payment of a subscription price per share of Euro 13.

Warrants that have not been exercised at the end of this period irrevocably become ineffective and are taken to have been extinguished as explained in the related regulations to which reference is made.

At 31 December 2018, equity comprises unavailable reserves for market warrants of Euro 19,367 thousand, of which Euro 6,000 thousand was recognized as a decrease in the share premium reserve following the capital increase which took place on 21 December 2017 and the concurrent allocation of 10,000 thousand market warrants, and Euro 9,367 thousand was taken as a reduction of other reserves, following the allocation of the residual 9,367,393 market warrants upon listing and the concurrent merger on 6 August 2018 (measured at Euro 1.00 per market warrant on the base of their price on the stock exchange as at 6 August 2018).

Except for the 3,162,992 shares for which the withdrawal right was exercised, equal to 6.33% of Guala Closures S.p.A.'s ordinary share capital, which were acquired by the company and subsequently cancelled, the company does not hold treasury shares or shares of its subsidiaries, either directly or through trustees or nominees.

The Group's objectives in capital management are to create value for shareholders, safeguard the Group's future and to support its development.

The Group thus seeks to maintain a sufficient level of capitalization, while giving shareholders satisfactory returns and ensuring the Group has access to external sources of financing at acceptable terms, including via maintaining an adequate rating.

The Group monitors the debt/equity ratio on an ongoing basis, particularly in terms of net indebtedness and cash flows generated by operating activities.

The Board of Directors carefully monitors the balance between greater returns through the right level of indebtedness and the advantages of a sound financial position.

To achieve these objectives, the Group strives to continuously make its operations more profitable.

The Board of Directors monitors the return on share capital, being total equity pertaining to owners of the parent, excluding non-controlling interests, and the amount of dividends to be distributed to holders of ordinary shares.

On the basis of the available information, published by CONSOB, with update as at 31 December 2018, the main shareholders in the parent are:

- GCL Holdings S.C.A. which holds 24.276% of the voting capital;
- PII G S.à r.l., which holds 8.816% of the voting capital;
- GCL Holdings LP S.à r.l. which holds 5.634% of the voting capital;

(19) Equity attributable to non-controlling interests

Equity attributable to non-controlling interests relates to the following consolidated companies:

	% Non-controlling interests 31 December 2017	% Non-controlling interests 31 July 2018	% Non-controlling interests 31 December 2018	Balance at 31 December 2017	Balances of Guala Closures Group at the business combination date 31/07/2018	Balance at 31 December 2018
Guala Closures Ukraine LLC		30.0%	30.0%		8,983	9,359
Guala Closures India Pvt Ltd. CONS		5.0%	5.0%		2,102	2,132
Guala Closures de Colombia Ltda		6.8%	6.8%		437	473
Guala Closures Bulgaria A.D. CONS		30.0%	30.0%		2,025	2,157
Guala Closures DGS Poland S.A.		30.0%	30.0%		9,755	10,961
Guala Closures France SAS		30.0%	30.0%		110	87
Total				**-**	**23,412**	**25,168**

For the changes in equity attributable to non-controlling interests refer to the consolidated statement of changes in equity.

The following tables summarise the information relating to each of the Group's subsidiaries that have material non-controlling interests, before any intra-group eliminations:

31 December 2018			**Carrying amount**				
Euro thousand	**Guala Closures DGS Poland S.A.**	**Guala Closures Ukraine LLC**	**Guala Closures Bulgaria A.D.**	**Guala Closures India Pvt Ltd. CONS**	**Other individually immaterial subsidiaries**	**Intra-group eliminations**	**Total**
Non-controlling interests percentage	**30%**	**30%**	**30%**	**5%**			
Non-current assets	28,605	13,729	2,846	34,804			
Current assets	39,134	26,674	5,755	24,520			
Non-current liabilities	(2,799)	-	(107)	(1,957)			
Current liabilities	(28,405)	(9,207)	(1,305)	(14,733)			
Equity	**36,535**	**31,195**	**7,190**	**42,634**			
Non-controlling interests	**10,961**	**9,359**	**2,157**	**2,132**	560		**25,168**
Total revenue (third parties + related parties)	**84,530**	**56,865**	**9,768**	**73,074**			
Profit for the period	5,041	5,155	472	3,489			
Other comprehensive income/(expense) (OCI)	(191)	(30)	-	409			
Total comprehensive income	**4,850**	**5,125**	**472**	**3,898**			
Profit allocated to non-controlling interests	1,262	1,284	134	174	60		**2,915**
OCI allocated to non-controlling interests	(57)	(9)	-	20	46		**(0)**
Total comprehensive income allocated to minorities	**1,205**	**1,275**	**134**	**195**	**106**	**-**	**2,915**
Cash flows from operating activities	2,990	5,922	1,402	10,258			
Cash flows used in investing activities	(2,007)	(2,211)	(35)	(1,904)			
Cash flows used in financing activities (including dividends to NCI)	(12)	(3,067)	(5)	(3,475)			
Net increase (decrease) in cash and cash equivalents	**972**	**645**	**1,361**	**4,879**			
Dividends paid to non-controlling interests	-	941	-	158	35		**1,134**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(20) Net revenue

The table below shows a breakdown of net revenue by geographical location:

Euro thousands	2017	2018
Europe	-	131,613
Asia	-	33,595
Latin and North America	-	46,566
Oceania	-	17,787
Africa	-	7,857
Total	**-**	**237,419**

The table below illustrates net revenue by product type:

Euro thousands	2017	2018
Safety closures	-	102,806
Luxury closures (decorative)	-	11,459
Wine closures	-	38,853
Pharma closures	-	3,352
Roll-on closures (standard)	-	69,719
PET	-	977
Other revenue	-	10,253
Total	**-**	**237,419**

The table below illustrates net revenue by outlet market:

Euro thousands	2017	2018
Spirits closures	-	156,696
Wine closures	-	38,853
Closures for oil and vinegar	-	4,616
Pharma closures	-	3,352
Closures for other markets	-	22,672
PET	-	977
Other revenue	-	10,253
Total	**-**	**237,419**

(21) Other operating income

This caption includes:

Euro thousands	2017	2018
Sundry recoveries/repayments		1,721
Gains on sale of fixed assets		122
Surplus deriving from the acquisition of U.C.P. (UK)		3,465
Other		526
Total	**-**	**5,833**

(22) Internal work capitalized

This caption amounts to Euro 2,789 thousand as at 31 December 2018 and includes Euro 351 thousand of capitalized development expenditure and Euro 2,439 thousand of maintenance carried out on property, plant and equipment.

(23) Costs for raw materials

This caption includes:

Euro thousands	2017	2018
Raw materials and supplies		88,806
Packaging		4,386
Consumables and maintenance		2,297
Fuels		202
Other purchases		1,227
Change in inventories		6,029
Total	**-**	**102,946**

(24) Costs for services

This caption includes:

Euro thousands	2017	2018
Electricity / Heating		9,833
Transport		9,442
External processing		2,571
External labour / porterage		2,714
Sundry industrial services		2,285
Maintenance		2,145
Travel		2,013
Insurance		1,101
Legal and consulting fees	91	10,849
Directors' fees		618
Administrative services	9	2,534
Cleaning service		442
Technical assistance		677
Commissions		417
Entertainment expenses		403
Telephone costs		271
Security		201
Advertising services		309
Commercial services		103
Expos and trade fairs		165
Other	2	581
Total	**102**	**49,672**

As at 31 December 2018, this item also includes Euro 1,239 thousand related to the consultancy service provided by Space Holdings S.r.l. for the period from 1 January 2018 to 6 August 2018, as per contract dated 27 September 2017, then amended on 16 November 2017, and from 07 August 2018 to 31 December 2018, as per contract dated 18 December 2018 and Euro 40 thousand related to the consultancy service provided by TAN Advisory S.r.l., the management company of the TAN Group, 100% controlled by Tan Holdings S.r.l., which, in turn, is held by Filippo Giovannini for a direct investment of 11.49% and an indirect investment through Tan International S.r.l. of 5.24%; in addition to this Tan Advisory S.r.l. is a direct subsidiary for 5.83% of SWAN S.r.l., a company held entirely by the Giovannini family and in which Marco Giovannini exercises legal control, with 52% of the share capital.

Details of fees paid to the key management personnel are provided in note 35) Related party transactions.

(25) Personnel expense

This caption includes:

Euro thousands	2017	2018
Wages and salaries	2	33,304
Social security contributions	0	5,563
Expense from defined benefit plans		651
Expense from defined contribution plans		27
Other costs		1,684
Total	**2**	**41,229**

Details of fees paid to the key management personnel are provided in note 35) Related party transactions.

At 31 December 2018, the Group had the following number of employees:

Number	31 December 2018
Blue collars	3,485
White collars	1,023
Managers	239
Total	**4,747**

(26) Other operating expense

This caption includes:

Euro thousands	2017	2018
Rent and leases		2,221
Taxes and duties		897
Other costs for the use of third party assets		498
Provisions for doubtful debt		303
Other charges		833
Total	**-**	**4,753**

The item Provisions for write-downs includes € 72 thousand relating to losses due to impairment of trade receivables.

(27) Financial income

This caption includes:

Euro thousands	2017	2018
Exchange gains		2,049
Interest income	27	828
Fair value of the market warrants		17,529
Other financial income		1,004
Total	**27**	**21,410**

Market warrants are listed instruments which are recognized under current financial liabilities. The financial income related to their fair value refers to the change in the official price of these instruments during the reporting period set by Borsa Italiana. A decrease in the official price generates financial income since it results in the reduction of the underlying financial liability.

(28) Financial expense

This caption includes:

Euro thousands	2017	2018
Interest expense		8,624
Exchange losses		7,569
Financial expense on liability due to non-controlling interests		1,476
Non-recurring financial expense related to the refinancing		7,995
Fair value of the market warrants	6,500	-
Other financial expense		965
Total	**6,500**	**26,629**

Financial expense on liability due to non-controlling interests in the company refers to the recognition of the increase in the financial liability for these investors' right to exercise a put option if certain conditions are met. The liability was determined by discounting the estimated value of the put option at its expected time of exercise.

The non-recurring costs related to the extraordinary refinancing amount to Euro 8.0 million in 2018 and refer to the write-off of the unamortised transaction costs due to the pre-merger Guala Closures Group's refinancing occurred on 1 August 2018 (early redemption of the existing Floating Rate Senior Secured Notes due in 2021 and of the previous Senior Revolving Facility due in 2021).
Market warrants are listed instruments which are recognized under current financial liabilities. The financial income related to their fair value refers to the change in the official price of these instruments during the reporting period set by Borsa Italiana. An increase in the official price generates financial expense since it results in the rise of the underlying financial liability.

(29) Income and expenses on financial assets/liabilities

The following table shows income and expense on financial assets/liabilities, specifying which are recognized in profit or loss and which directly in equity:

Euro thousands	2017	2018
Recognized in profit or loss		
Interest income	27	828
Fair value gains of market warrants	-	17,529
Exchange gains	-	2,049
Other financial income	-	1,004
Total financial income	**27**	**21,410**
Interest expense on financial liabilities measured at amortized cost	-	(8,624)
Exchange losses	-	(7,569)
Fair value gains of market warrants	(6,500)	-
Other financial expense	-	(10,436)
Total financial expense	**(6,500)**	**(26,629)**
Net financial expense recognized in profit or loss	**(6,473)**	**(5,219)**
Recognized directly in equity in the hedging reserve		
Effective portion of fair value gains (losses) of cash flow hedge	-	2
Net change in fair value of cash flow hedges reclassified to profit or loss	-	55
Total recognized directly in equity	**-**	**57**

(30) Income taxes

This caption includes:

Euro thousands	2017	2018
Current taxes		(8,718)
Deferred tax income		2,451
Total	**-**	**(6,266)**

Deferred tax income in profit or loss does not reflect the change in the corresponding captions of other items of comprehensive income (OCI) due to the effect of transactions recognized directly in equity (-Euro 14 thousand), as described in the following table.

Changes in deferred tax liabilities recognized directly in other items of comprehensive income (OCI)

Euro thousands	31 December 2017	31 December 2018
Change in deferred tax liabilities on fair value adjustments on cash flow hedges	-	(14)
Total	**-**	**(14)**

Reconciliation between the theoretical and effective tax charge

The difference between the theoretical and effective tax charge is mainly related to the impact of the different tax rates in foreign countries, non-taxable revenue and non-deductible costs and the use of previous tax losses.

Euro thousands	2017	2018
Profit before taxation	**(6,577)**	**14,080**
Income tax using Italian tax rate *(2018: 24%)*	**-**	**(3,379)**
Effect of tax rates in foreign jurisdictions	-	(574)
Non-deductible expenses	-	(4,030)
Tax exempt income	-	322
Tax incentives	-	289
Current-year losses for which no deferred tax asset is recognized	-	(110)
Recognition and use of previously unrecognised tax losses	-	2,769
Changes in estimates related to prior years	-	23
Total increase	-	**(1,311)**
Effective tax	-	**(4,690)**
IRAP	-	(23)
Other taxes	-	(1,554)
Total period tax	-	**(6,266)**

Guala Closures S.p.A. participates in the national tax consolidation scheme pursuant to articles 117-128 of Presidential decree no. 917 of 22 December 1986 with the subsidiary GCL Pharma S.r.l..
Other taxes include the impairment on taxes paid abroad for which there is no certainty about their recovery based on the forecast taxable income.

(31) Explanatory notes to the consolidated statement of cash flows

The following is a reconciliation of liabilities arising from financing activities for the year ended 31 December 2018:

Euro thousands		Note
Total Debt at 1 January 2018	**12,500**	
Derivative (assets)/liabilities and related at 1 January 2018	-	
Total Liabilities from financing activities at 1 January 2018	**12,500**	
Cash effect (*)		
Proceeds from new borrowings and bonds	916,985	
Repayment of borrowings and bonds	(1,019,028)	
Repayment of finance leases	(1,000)	
Interests paid	(10,135)	
Transaction costs paid for the issue of new debenture loans and revolving credit facility	(14,633)	
Non- Cash effect		
Changes in the consolidation scope (pre-merger Guala Closures Group)	607,374	4
Assets (liabilities) for derivatives and related Guala Closures Group as at the date of acquisition	94	
Issue of new market warrants	9,367	
Fair value changes on Market Warrants	(17,529)	
Interests and other financial expense	8,595	27-28
Foreign exchange effect	(581)	
Fair value changes on derivatives	(182)	
Fair value changes on liability due to non-controlling interests	1,477	12
Transaction costs amortization	8,988	12
Other changes	(297)	
Total Liabilities from financing activities at 31 December 2018	**501,995**	
Derivative (assets)/liabilities and collateral at 31 December 2018	(88)	
Total Debt at 31 December 2018	**502,083**	

(*) In relation to Cash effect, reference should be made to the consolidated statement of cash flows on page 91.

(32) Earnings per share – basic and diluted

	Financial year ended 31 December	
Euro thousands	**2017**	**2018**
Profit/(loss) for the period attributable to the owners of the parent	(6,577)	4,898
Weighted average number of shares	5,288,462	56,638,673
Earnings per share (Euros)	**(1.24)**	**0.09**

	Financial year ended 31 December	
Euro thousands	**2017**	**2018**
Profit/(loss) for the period attributable to the owners of the parent	(6,577)	4,898
Weighted average number of outstanding shares (including warrants)	5,534,437	62,735,098
Earnings/(loss) per share - diluted (in Euros)	**(1.19)**	**0.08**

On 31 December 2018 the base earnings per share amounted to Euro 0,09 (as compared with (1.24) as at 31 December 2017), while the quarterly net operating result per diluted share was 0.08 (as compared with (1.19) at 31 December 2017). The diluted earning was calculated considering, in addition to the ordinary shares outstanding, also the maximum potential ordinary shares deriving from the possible conversion of:

- - n. 19,367,393 market warrants outstanding,
- - n. 2,500,000 outstanding sponsor warrants,
- - n. 1,000,000 management warrants outstanding,
- - n. 812,500 outstanding special shares.

(33) Net financial indebtedness

Net financial indebtedness respectively at 31 December 2017 and 31 December 2018 calculated in accordance with ESMA/2013/319 recommendations:

		31 December	**31 December**
	(in thousands of Euros)	**2017**	**2018**
A	Cash	-	-
B	Other cash and cash equivalents	512,206	47,795
C	Securities held for trading	-	-
D	**Cash (A+B+C)**	**512,206**	**47,795**
E	**Current loan assets**	**-**	**653**
F	Current bank loans and borrowings	0	12,695
G	Current portion of non-current indebtedness	0	5,566
H	Other current loans and borrowings	0	2,685
I	**Current financial indebtedness (F+G+H)**	**-**	**20,946**
J	**Net current financial indebtedness (I-E-D)**	**(512,206)**	**(27,502)**
K	Non-current bank loans and borrowings	0	13,506
L	Bonds issued	0	441,383
M	Other non-current liabilities	0	21,910
N	**Non-current financial indebtedness (K+L+M)**	**0**	**476,799**
O	**Net financial indebtedness as per ESMA's recommendation (J+N)**	**(512,206)**	**449,297**

The Group monitors the performance of its financial indebtedness using a parameter which includes the amounts shown in the above table, non-current financial assets and the market value of the market warrants, recognised under current financial liabilities.

In the annex to the Directors' report, the Group provides a breakdown of net financial indebtedness, including non-current financial assets and the market value of the market warrants, recognised under current financial liabilities.

The table below shows the reconciliation of the total net financial indebtedness shown in the annex A) to the Directors' report and the structure of net financial indebtedness as per the ESMA's recommendation:

		31 December	**31 December**
(Euro thousands)		**2017**	**2018**
O	Net financial indebtedness as per ESMA's recommendation	(512,206)	449,297
P	Non-current financial assets	-	(273)
Q	Market warrants	12,500	4,338
R	**Total net financial indebtedness (O-P+Q)**	**(499,706)**	**453,362**

The change in net financial indebtedness at 31 December 2018 compared to 31 December 2017 is mainly due to the cash flows used to finance the purchase of the investment in Guala Closures Group, the withdrawal of a number of previous shareholders and the inclusion of the debt of the acquired group.

OTHER INFORMATION

(34) Fair value of financial instruments and sensitivity analysis

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, as at 31 December 2018. They do not include fair value information for financial assets and financial liabilities not measured at fair value as their carrying amount is a reasonable approximation of fair value. There were no movements from one level to another in 2018.

31 December 2017		Carrying amount					Fair value			
Euro thousands	**Note**	**Designated at FVTPL**	**Fair value - hedging instruments**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value (*)										
Cash and cash equivalents	5			512,206		512,206				-
		-	**-**	**512,206**	**-**	**512,206**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value										
Market warrants					(12,500)	**(12,500)**	(12,500)			
				-	**(12,500)**	**(12,500)**	**(12,500)**	**-**	**-**	**-**
Financial liabilities not measured at fair value (*)										
Trade payables	13				(4,490)	**(4,490)**				
		-	**-**	**-**	**(4,490)**	**(4,490)** -	**-**	**-**	**-**	**-**

(*) There has been no disclosure of the fair values of some financial instruments such as Cash and cash equivalents and trade payables, because their carrying amounts are a reasonable approximation of fair values.

31 December 2018			**Carrying amount**				**Fair value**			
Euro thousands	**Note**	**Designated at FVTPL**	**Fair value - hedging instruments**	**Loans and receivables at amortised cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Derivatives on exchanges used for trading	-	146				**146**		146		**146**
		146	**-**	**-**	**-**	**146**	**-**	**146**	**-**	**146**
Financial assets not measured at fair value (*)										
Trade receivables	6			102,805		**102,805**				**-**
Financial assets				926		**926**		926		**926**
Cash and cash equivalents	5			47,795		**47,795**				**-**
		-	**-**	**151,526**	**-**	**151,526**	**-**	**926**	**-**	**926**
Financial liabilities measured at fair value										
Interest rate swaps used for hedging			(58)			**(58)**		(58)		**(58)**
Market warrants					(4,338)	**(4,338)**	(4,338)			**(4,338)**
Put option on non- controlling interest	12	(18,500)				**(18,500)**			(18,500)	**(18,500)**
		(18,500)	**(58)**	**-**	**(4,338)**	**(22,897)**	**(4,338)**	**(58)**	**(18,500)**	**(22,897)**
Financial liabilities not measured at fair value (*)										
Bank overdraft	12				(8,184)	**(8,184)**		(8,184)		**(8,184)**
Secured bank loans	12				(19,186)	**(19,186)**		(19,489)		**(19,489)**
Unsecured bank loans	12				(461)	**(461)**		(461)		**(461)**
Secured bond issues	12				(445,320)	**(445,320)**		(463,777)		**(463,777)**
Finance lease liabilities	12				(6,095)	**(6,095)**		(6,062)		**(6,062)**
Trade payables	13				(71,331)	**(71,331)**		-		**-**
		-	**-**	**-**	**(550,576)**	**(550,576)**	**-**	**(497,973)**	**-**	**(497,973)**

(*) The Group has not disclosed the fair values of some financial instruments such as Cash and cash equivalents, trade receivables, financial assets and trade payables, because their carrying amounts are a reasonable approximation of fair values.

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The market warrants are measured at fair value through profit or loss and classified under other financial liabilities. Fair value is calculated based on the market price at period end, considering the price of the STAR segment of the stock exchange, ISIN: IT0005311813.

Therefore, the following changes in fair value could significantly affect the Company's performance:

— a rise in the market warrants' fair values could lead to an increase in the Company's liabilities and financial expense;

— a reduction in the market warrants' fair values could lead to a decrease in the company's liabilities and an increase in financial income.

These financial income and expense are accounting changes that do not lead to cash inflows or outflows.

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Put option on non-controlling interests	Discounted cash flows: The fair value is determined considering the expected amount, capitalised as at the period date net of expected dividend return, discounted to present value using a risk-adjusted discount rate. The amount envisaged is calculated taking into account the fair value of the subsidiary or shareholders' equity on the basis of the underlying contractual agreements with minority shareholders.	• EBITDA expected for 2019-2021 and expected cash flows over the period; • Net financial position as at the reporting date; • Discounting rate (risk-free specific to the country in which the subsidiary operates) net of the expected return on dividends (on the basis of the historic average of distribution of dividends of the subsidiary); • inflation data on the Ukraine and the USA, used to determine the risk-free rates of the Ukraine • Specific discounting rate of the country in which the subsidiary operates, adjusted for the risk factor of the Group's credit • Expected date of put option exercise	The estimated fair value would increase if: • the EBITDA was higher • the net financial position was higher • the risk-free rate of the reference country decreased • the expected return on dividends decreased • the spread on the inflation rate between the Ukraine and the USA increased • the risk-adjusted discount rate was lower • the expected date of put option was exercised early
Forward interest rate swaps and forward currency contracts	Market comparison technique: The fair values are based on broker evaluations. Similar contracts are traded in an active market and the quotes reflect the actual transactions of similar instruments.	Not applicable.	Not applicable.

Even though secured bonds issues are quoted on the OTC market like Euro-MTF in Luxembourg, no relevant transaction were recorded during the year and so such financial instrument was classified as level 2.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Secured bond issues Finance lease liabilities Financial assets	Discounted cash flows	Not applicable.

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

Level 3 fair values at the date of the business combination and at the reporting date are shown below.

Euro thousands	2017	2018
Amount at the date of the business combination		17,023
(Profit)/ loss included in “(financial income) / financial expense”- Net change in fair value (unrealised)		1,476
Balance at 31 December 2018		**18,500**

Sensitivity analysis

For the fair value of the put option on non-controlling interests, reasonably possible changes at 31 December 2018 to one of the significant unobservable inputs, by keeping other inputs constant, would have had the following effects:

Euro thousands	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) effect on the period result
Risk-adjusted discount rate	1%	282
	(1%)	(338)
Expected date of put option exercise	+ 1 year	362
	- 1 year	(515)

(c) Financial risk management

The Group is exposed to the following risks as a result of its operations:
- credit risk;
- liquidity risk;
- interest rate risk;
- currency risk;
- other price risk.

Guala Closures S.p.A.'s Board of Directors has overall responsibility for establishing and monitoring a risk management system for the Group.
The proxy system ensures that the risk management guidelines are implemented and regularly monitored.
The finance department is responsible for the monitoring and, in carrying out such activities, it uses information generated by the internal control system.

Credit risk

This is the risk that a customer or the counterparty to a financial instrument is unable to meet an obligation, leading to a financial loss. These risks arise mainly in relation to trade receivables and financial investments.
The Group's exposure to credit risk depends largely on each customer's specific characteristics. The demographics of the Group's customer portfolio, including the segment insolvency risk and the country risk, have an impact on the credit risk.
The Group accrues an allowance for impairment equal to the estimated losses on trade and other loans and receivables. It comprises both the recognition of impairment losses for material individual amounts and the recognition of collective impairment for similar groups of assets to cover losses already incurred but not yet identified. The collective impairment losses are calculated on the basis of historical payment statistics.
Most of the Group's trade receivables are due from leading operators of the alcoholic and non-alcoholic beverage segment. Most of its trading relationships are with long-standing customers. The Group's historical figures indicate a modest amount of bad debts. The risk is fully covered by the corresponding allowance for impairment recognized in the separate financial statements.
There are no cases of particularly concentrated credit risk in geographical terms.

At 31 December 2017 and 2018, trade receivables may be analysed by geographical segment as follows:

(Euro thousands)	**31 December 2017**	**31 December 2018**
Europe	-	56,010
Asia	-	14,003
Latin America	-	16,351
Oceania	-	4,299
Rest of the world	-	12,142
Total	**-**	**102,805**

At 31 December 2018, trade receivables may be analysed by due date as follows:

(Euro thousands)	Gross 31 December 2018	Impairment losses 31 December 2018	Net 31 December 2018
Not overdue	77,147	(22)	77,125
Due 0-30 days	18,822	-	18,822
Due 31-90 days	5,644	(60)	5,585
More than 90 days overdue	3,285	(2,012)	1,273
Total	**104,898**	**(2,093)**	**102,805**

The Group believes that the unimpaired amounts that are overdue by more than 90 days are still collectible, based on historical payment behaviour and extensive analyses of the underlying customers' credit ratings. Based on historical default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not yet due or overdue by up to 90 days.

At 31 December 2018, trade receivables may be analysed by original currency as follows:

Euro thousands	Euro	USD	INR	GBP	Other currencies	Total
Trade receivables	34,236	13,671	10,857	9,193	34,848	**102,805**

Other currencies includes trade receivables in the following local currencies:

(Euro thousands)	31 December 2018
Russian rouble	6,330
Ukrainian hryvnia	6,074
Mexican peso	5,030
Polish zloty	4,623
South African rand	3,563
Australian dollar	2,924
New Zealand dollar	1,327
Argentinian peso	1,171
Chilean peso	966
Chinese renminbi	924
Columbian peso	885
Brazilian real	811
Other	221
Total	**34,848**

An analysis of the credit quality of trade receivables is showed below:

Euro thousands	31 December 2018
- Four or more years' trading history with the Group	76,273
- From one to four years' trading history with the Group	5,614
- Less than one year' trading history with the Group	1,931
- Residual (not classified)	18,988
Total	**102,805**

Liquidity risk

This risk regards the Group's ability to meet its obligations arising from financial liabilities.
The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiry dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions.
The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects arising from extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above.

The aim of Group's financing strategy is to maintain a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk. Historically, the Group has always met its obligations on time and was able to re-finance the indebtedness in advance before it expires.
Reference should be made to the tables in note 12) "Current and non-current financial liabilities – third parties" to these consolidated financial statements for information on the Group's loans, credit lines and facilities at the reporting date.

Exposure to liquidity risk
The following are the outstanding contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

		Contractual cash flows			
Euro thousands	**Carrying amount**	**Within one year**	**From one to five years**	**After five years**	**Total contractual cash flows**
Non-derivative financial liabilities					
Put option on non-controlling interest	18,500			(35,164)	(35,164)
Bank overdrafts	8,184	(8,184)			(8,184)
Secured bank loans	19,186	(6,783)	(6,725)	(11,242)	(24,750)
Unsecured bank loans	461	(235)	(227)	-	(461)
Secured bond issues	445,320	(15,925)	(63,700)	(459,645)	(539,270)
Market warrants	4,338	(4,338)	-	-	(4,338)
Finance lease liabilities	6,095	(2,608)	(3,230)	-	(5,839)
Trade payables	71,331	(71,331)	-	-	(71,331)
Other	-	-	-	-	-
Total	**573,414**	**(109,403)**	**(73,882)**	**(506,051)**	**(689,337)**
Derivative financial liabilities					
Interest rate swaps used for hedging	58	(60)	-	-	(60)
Total	**58**	**(60)**	**-**	**-**	**(60)**

The interest payments on variable interest rate loans and bond issues in the table above and included in the contractual cash flows reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on put option on non-controlling interest and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows

included in the maturity analysis will materialise significantly earlier, or at significantly different amounts.

Interest rate risk

This risk relates to volatility of the market rates which determine the interest expense paid on outstanding loans.

The Group is exposed to interest rate risk as almost the full amount of its financial liabilities is subject to the payment of interest at floating rates subject to short-term repricing.

The Group's policy is to hedge a small portion of the payable amount subject to interest rate risk due to the current low level of interest rate. Interest rate swaps are used to hedge the risk which enable the interest rate to be set at fixed amounts.

Effective interest rate and repricing analysis

The following table shows the effective interest rate at the reporting date and for the period in which the related rate may be reviewed for interest-bearing financial assets and liabilities:

		Repricing date					
Euro thousands	**Effective interest rate - December 2018**	**Total 31/12/2018**	**Up to 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**Beyond 5 years**
Bonds							
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	3.50%	455,000	455,000	-	-	-	-
Interest on bonds	n.a.	3,937	3,937	-	-	-	-
Transaction costs	n.a.	(13,617)	(13,617)	-	-	-	-
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.		**445,320**	**445,320**	**-**	**-**	**-**	**-**
Bank loans and borrowings:							
Senior Revolving Credit Facility - Guala Closures S.p.A.	3.40%	11,179	11,179	-	-	-	-
Transaction costs	n.a.	(740)	(740)	-	-	-	-
Total Senior Revolving Credit Facility - Guala Closures S.p.A.		**10,439**	**10,439**	**-**	**-**	**-**	**-**
Other accrued expenses - Guala Closures S.p.A.	n.a.	121	121	-	-	-	-
Yes Bank loan and bank overdraft Axiom Propack (India)	8.50%	3,785	3,785	-	-	-	-
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	0.70%	4,399	4,399	-	-	-	-
Banco de la Nacion Argentina loan (Chile)	7.56%	357	357	-	-	-	-
Bradesco / ITAU / Santander loans and bank overdraft (Brazil)	n.a.	105	105	-	-	-	-
Advances on receivables (Argentina)	n.a.	684	684	-	-	-	-
Banamex / Bancomer loan (Mexico)	n.a.	7,942	7,942	-	-	-	-
TOTAL bank loans and borrowings		**27,831**	**27,831**	**-**	**-**	**-**	**-**
Other financial liabilities:							
Market warrants	n.a.	4,338	4,338	-	-	-	-
Guala Closures S.p.A. finance leases	n.a.	5,526	5,526	-	-	-	-
Other companies finance leases	n.a.	568	568	-	-	-	-
Liabilities to non-controlling interests	n.a.	18,500	18,500	-	-	-	-
TOTAL other financial liabilities		**28,933**	**28,933**	**-**	**-**	**-**	**-**
TOTAL		**502,083**	**502,083**	**-**	**-**	**-**	**-**

Sensitivity analysis

Financial liabilities' fair values were calculated by an external valuer using the following methodology:

- the cash flows generated by the outstanding payables are identified both in terms of interest and principal. These cash flows are calculated with reference to the interest rates and the repayment plan;
- the individual cash flows are discounted using risk-free rates ruling on the measurement date. The bootstrap method is applied to the swap rates for each expiry date of the corresponding cash flow based on the resulting time curve;
- furthermore the individual cash flows are discounted using an additional rate, based on the Group's credit standing, calculated as the weighted average of the spreads applied to the different financing agreements. The spreads applied to the financing agreements are deemed to objectively represent the Group's credit standing and subsequent significant changes should not arise given its current financial position.

The following table shows the sensitivity analysis for the cash flows from these financial liabilities and the related hedging derivatives at 31 December 2018:

Euro thousands	**Increase of 100bp**	**Decrease of 100bp**
Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	(21,024)	4,185
Senior Revolving Facility Agreement - gross of transaction costs	(516)	106
Sensitivity of cash flows for Bonds and Revolving facility (net)	**(21,540)**	**4,291**
Finance leases	(32)	31
Related interest rate swaps	8	(5)
Sensitivity of cash flows of other financial liabilities (net)	**(24)**	**26**

The following methodology is used to perform the sensitivity analyses: a change is assumed in the interest rate used to calculate the interest (+/- 100 basis points), which indicates the change in the overall liability. Accordingly, negative amounts indicate an increase in the fair value of the liability and vice versa for positive amounts.

As regards the fair value of the Market Warrants, it is specified that the book value as at 31 December 2018 was given by the number of market warrants in issue (19,367,393) valued at the official unitary prices of Borsa Italiana S.p.A. (Euro 0.224).

The table below shows the impact of a 10% increase or decrease in the official market value:

Euro thousands	**Increase/ (decrease) of the price**	**Favorable effect (unfavorable) on the result of the period**
Variazione della quotazione del valore unitario dei Market Warrants	10%	(434)
	(10%)	394

Currency risk
This risk relates to the effect of fluctuations in exchange rates on sales and purchases in currencies other than the functional currencies of the various group entities.
The Group is exposed to currency risk, particularly in relation to fluctuations of the USA dollar, Australian dollar, British pound sterling, Indian rupee, Ukrainian Hryvnia UAH and Polish Zloty.
Interest on loans is denominated in the currency of the cash flows generated by the Group's underlying transactions.
The risk of exchange rate fluctuations was managed in the past using exchange rate hedges when significant differences are noted between cost and revenue in foreign currency and such differences were hedged through currency swaps. These provided for the purchase/sale of agreed amounts in foreign currency at a set exchange rate against the Euro.
At the reporting date no exchange rate hedges were in place.

Sensitivity analysis
As of 31 December 2018, a strengthening of the USD, GBP, AUD, INR, UAH and PLN against the Euro, as indicated below, would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis is based on exchange rate fluctuations that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis, although the changes in exchange rates differed to those expected, as indicated below.

	Strengthening		**Weakening**	
2018	**Assets**	**Profit or loss**	**Liabilities**	**Profit or loss**
USD (10% change)	989	989	(809)	(809)
GBP (10% change)	(907)	(907)	742	742
AUD (10% change)	373	373	(306)	(306)
INR (10% change)	957	957	(783)	(783)
UAH (10% change)	708	708	(579)	(579)
PLN (10% change)	25	25	(21)	(21)

All the positions (assets less liabilities) denominated in the above mentioned foreign currency are positive, excluding the position in GBP which is negative.

Other price risk

As a result of the nature of its activities, the Group is exposed to the risk of fluctuations in the purchase price of raw materials, particularly plastics and aluminium.
The risk of fluctuations in the purchase price of plastics has not been hedged as these raw materials were not listed on international markets (the London Metal Exchange). Current developments in the listing of plastics on the international market and corresponding hedging instruments will, however, allow us to hedge this risk in the future.
The risk of fluctuations in the purchase price of aluminium is partly hedged, depending on the needs and market prospects, through derivatives which set the forward purchase price.

(35) Related party transactions

For the procedural provisions adopted on related party transactions, also with reference to the provisions of Art. 2391 bis of the Italian Civil Code, refer to the procedure adopted by the parent company in accordance with the Regulation approved by Consob by resolution no. 17221 of 12 March 2010 as subsequently amended, published on the website of the company www.gualaclosures.com, in the section “Investor Relations”.

As required by Consob Communication no. 6064293 of 28 July 2006, the following table summarises the economic and equity impacts of the commercial and financial relations implemented with related parties relative to FY 2018:

- Space Holding S.r.l.: Euro 1,239 thousand relative to the consultancy service offered from 1 January 2018 to 6 August 2018, as per the contract dated 27 September 2017, subsequently amended on 16 November 2017 and from 07 August 2018 to 31 December 2018, as per the contract dated 18 December 2018;
- TAN Advisory S.r.l.: Euro 40 thousand relative to the consultancy service offered during 2018 as part of the business combination.

Transactions with the key management personnel are set out below:

Thousands of Euros	Costs recognized in the year								
	Fees for position held		Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	Other benefits	Total	Payables as at 31 December 2018	Cash flows in the year
Total key management personnel transactions	167		959	11	14	199	**1,352**	85	1,337

Following the sale of pre-merger Guala Closures to Space4 S.p.A. and the simultaneous reorganization of the Luxembourg companies, which previously controlled pre-merger Guala Closures, the incorporated under the Luxembourg law company GCL Holdings S.C.A. has become wholly owned by Managers and by their relatives and controlled by law by Marco Giovannini.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had four members appointed by it on the Board of Directors of Guala Closures SpA, as well as two independent members with an appointment jointly held with Space Holding SpA;
- starting from 10 September 2018 two permanent members and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of GCL Holdings S.C.A.
- starting from 31 July 2018 GCL Holdings S.C.A. holds 14.24% of the share capital of Guala Closures S.p.A. and, as a result of the 4,322,438 B multi-voting shares, it holds 24.28% of the voting rights.
- the transactions with GCL Holdings S.C.A. were carried out under normal market conditions.

Also Space Holding S.p.A. can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had two members appointed by it on the Board of Directors of Guala Closures S.p.A. (of whom one independent) and two independent members with appointment exercised jointly to GCL Holdings S.C.A.;
- starting from 10 September 2018 one permanent member and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of Space Holding SpA;
- starting from 31 July 2018, Space Holding holds 4.70% of the share capital of Guala Closures S.p.A. and, also due to the 805,675 C shares without voting rights, it holds 3.14% of the voting rights.
- the transactions with Space Holding S.p.A. were carried out under normal market conditions.

Peninsula Capital II sarl (as a general partner of Peninsula Investments II S.C.A. that controls PII G S.à r.l.) can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had a member appointed by it on the Board of Directors of Guala Closures S.p.A.
- starting from 31 July 2018 Peninsula holds 9.84% of the share capital of Guala Closures S.p.A. holding voting rights of 8.92%.
- the transactions with Peninsula were carried out under normal market conditions.

TAN Advisory S.r.l. can be considered a related party as it is the management company of the TAN Group, 100% controlled by Tan Holdings S.r.l., which, in turn, is held by Filippo Giovannini for a direct investment of 11.49% and an indirect investment through Tan International S.r.l. of 5.24%; in addition to this Tan Advisory S.r.l. is a direct subsidiary for 5.83% of SWAN S.r.l., a company held entirely by the Giovannini family and in which Marco Giovannini exercises legal control, with 52% of the share capital.

Related parties also include a pension fund for employees of the former Metal Closures Ltd. (now Guala Closures UK Ltd.) managed by Metal Closures Group Trustees Ltd.. Considering the performance of the pension fund, the English company was not required to transfer funds thereto. Employees have paid their contributions. Reference should be made to note 17) “Employee benefits” to the consolidated financial statements for additional information.

Some managers of Guala Closures S.p.A. are also shareholders of the shareholder GCL Holdings S.C.A. (see Information prospectus for listing on the stock exchange).

With specific reference to the new related party transaction procedure, please refer to www.gualaclosures.com - Investor Relations section.

There are no significant transactions with other related parties in addition to those indicated in this report or in the notes to the financial statements.

The Company is not subject to management and coordination pursuant to art. 2497-bis of the Civil Code.

(36) Contingent liabilities

At the date of publication of these consolidated financial statements, there were no significant contingent liabilities in relation to which the Group can currently foresee future expenditure.

(37) Operating leases and rents

The Group leases a number of warehouse and factory facilities under operating leases or rents. The leases or rents typically run for a period of 4-6 years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

Future minimum lease payments

At the reference dates, the future minimum lease payments under non-cancellable leases and rents were receivable as follows:

Euro thousands	**2018**
Due within one year	4,544
Between one and five years	7,790
More than five years	380
Total	**12,713**

Amounts recognized in profit or loss

Euro thousands	2018
Lease expense	2,130

(38) Commitments and guarantees

On 11 October 2018, under some agreements to participate in the new RCF and a supplement to the indenture, Guala Closures International B.V., Guala Closures U.K. Limited, Guala Closures Australia Holdings Pty Ltd, Guala Closures Australia Pty Ltd, Guala Closures New Zealand Limited, Guala Closures do Brasil LTDA and Guala Closures Iberica S.A. granted a personal guarantee to guarantee the facility made available by the new RCF and the Bonds.

In addition to the above and in order to guarantee the facility made available by the new RCF and the Bonds, the following companies granted the following guarantees:

(i) Pledge over Guala Closures International B.V. shares held by Guala Closures S.p.A.;
(ii) Pledge over Guala Closures International B.V.'s receivables arising from some intercompany loans;
(iii) Specific security deed on Guala Closures Australia Holdings Pty Ltd shares held by Guala Closures International B.V.;
(iv) Specific security deed on Guala Closures Australia Holdings Pty shares held by Guala Closures Australia Holdings Pty Ltd;
(v) Pledge over the FPI and shares of Guala Closures Ukraine LLC held by Guala Closures International B.V.;
(vi) Specific security deed on Guala Closures New Zealand Limited shares held by Guala Closures International B.V.;
(vii) Charge on Guala Closures U.K. Limited shares held by Guala Closures International B.V.;
(viii) Pledge over Guala Closures DGS Poland S.A. shares held by Guala Closures International B.V..

The other guarantees given by group companies at 31 December 2018 are as follows:

Guala Closures Argentina S.A.

- Mortgage on building given to Banco de la Nación Argentina for an amount of ARS 34.5 million

Guala Closures India Pvt Ltd

- Securities given to Yes Bank for an amount of Indian rupees 570 million

Euro thousands	31 December 2018
Guala Closures S.p.A.	
Third party assets	4,834

(39) Fees to statutory and independent auditors

The Statutory Auditors' fees are as follows:

Euro thousands	Costs recognized in the year						
	Fees for position held	Incentives	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Total	Payables as at 31 December 2018	Cash flows in the year
Total auditors	**87**				**87**	**16**	**71**

Information in accordance with Art. 149 - duodecies of the Consob Issuers' Regulation
In accordance with the provisions of Art. 149 duodecies of the Consob Issuer Regulation, below is information on the fees for FY 2018 for auditing and other services provided by the independent auditing firm KPMG S.P.A. and the companies of its network:

Euro thousands	*Company that provided the service*	*Addressee*	*Fees for 2018*
Audit	KPMG S.p.A.	Parent company	442
		Italian subsidiaries	32
	KPMG (*)	Foreign subsidiaries	949
			1,422
Other services rendered as auditor of the Parent company in relation to information prospectuses			
MTA certification services	KPMG S.p.A.	Parent company	805
Withdrawal certification services	KPMG S.p.A.	Parent company	10
HY bond certification services	KPMG S.p.A.	Parent company	243
			1,058
Other services			
Accounting due diligence in relation to the Business combination	KPMG S.p.A.	Parent company	306
Agreed upon procedures in relation to the Business combination	KPMG S.p.A.	Parent company	40
Accounting due diligence UCP acquisition	KPMG (*)	Foreign subsidiaries	137
Other services (**)	KPMG (*)	Foreign subsidiaries	108
			590
Total			**3,071**

(*) Other Italian or foreign companies belonging to the same network as KPMG S.p.A.
(**) These mainly consist of services provided to non EU-subsidiaries to assist in the preparation of tax declarations (India and New Zealand), assistance in the merger of the Indian companies, Forensic (South Africa) and assistance in the preparation of Transfer Price documents (India)

(40) Transactions deriving from atypical and/or unusual operations

In accordance with Consob Communication of 28 July 2006, it is specified that in 2018, Guala Closures Group did not implement any non-typical and/or unusual transactions, as defined by the Communication, according to which atypical and/or unusual operations are those whose significance/relevance, nature of the counterparties, subject of the transaction, method of determination of the transfer price and timing of the event (close to year end) may give rise to doubts concerning: the correctness/completeness of the information in the financial statements, conflict of interests, safeguarding of the company's assets and protection of minority shareholders.

(41) Brexit

The Group carries out a significant portion of its business in the United Kingdom, an activity that in 2018, following the purchase of the Scottish company United Closures and Plastics ("UCP"), has increased further.
Indeed, at the time this document is prepared, it is not known whether the United Kingdom will leave the EU with or without a commercial agreement at end March. The institutional political context is complicated and there are numerous possible options.
If the United Kingdom should leave the EU without any kind of commercial agreement, the risks for the Group would mainly derive from the difficulties that would ensue in the management of imports by Group companies operating on the territory (Guala Closures UK and UCP) and in exports towards EU countries.
From its side, Guala Closures Group and, in particular, its subsidiaries Guala Closures UK and UCP, are ready for the event of an exit without an agreement, at which point they will launch new procedures for handling imports that would make it possible to manage the flows of goods from the EU to the United Kingdom. As regards production and sales forecasts, following an internal assessment, also backed up by discussions with customers of the local companies of Guala Closures Group, considering the unknown factors of a context that is so uncertain in respect of future events, no significant indicators have been noted that would suggest that production and sales would be significantly impacted by Brexit.

(42) Significant subsequent events occurred after the year end date

Payment of deferred consideration Axiom

On 04 January 2019, Guala Closures India Pvt Ltd paid Euro 0.6 million by way of deferred consideration of the company Axiom to the previous owners, as originally established in the purchase contract.

Shareholders’ Meeting for the approval of the buy-back of own shares

On 14 February 2019, the ordinary shareholders' meeting of Guala Closures S.p.A. resolved to authorise the Board of Directors, in accordance with Articles 2357 *et seq.* of the Italian Civil Code and 132 of the Consolidated Finance Act, to carry out deeds of purchase of ordinary shares in the Company (therefore, with the exclusion of special shares B and special shares C), for the purpose pursuant to the explanatory report of the Board of Directors, up to the maximum limit that, considering the ordinary shares of Guala Closures as held over time in the Company’s portfolio, shall be no more than 3% (three percent) of the ordinary shares in issue as at the meeting date (equal to approximately 1,861,500 ordinary shares) to be carried out all at once or in several tranches, within eighteen months of the date of the meeting authorisation.

Tax ruling

On 27 November 2018, Guala Closures S.p.A. submitted a request to the Piedmont Regional Office of the Italian Tax Authority for the continuation of the tax consolidation in place by it with its subsidiary GCL Pharma S.r.l. and the de-application of the limits established by Art. 172, paragraph 7 of the Consolidated Law on Income Tax to tax losses realised before the merger.
On 28 February 2019, the Piedmont Regional Office of the Italian Tax Authority upheld the interpretation in the appeal and recognised the continuation of the tax consolidation in place by the acquired company with its subsidiary GCL Pharma S.r.l. and the de-application of the limits established by Art. 172, paragraph 7 of the Consolidated Law on Income Tax to tax losses realised before the merger.

Approval of the related party transactions procedure

On 8 March 2019, the new related party transactions procedure was approved.

Accident at the Magenta plant

In relation to the fatal incident that took place on 30 January 2017 at the Magenta (MI) plant of Guala Closures pre-merger, thereafter merged by acquisition into the Company, the heirs of the deceased were fully reimbursed in July 2018; compensation was paid 80% by the insurance of Guala Closures pre-merger and the remaining 20% by the Prevention and Protection Service Manager appointed at the time of the incident, Luigi Cichero.
With respect to the involvement of Guala Closures S.p.A. in the criminal proceedings pursuant to Italian Legislative Decree no. 231/01, the Company filed an application for settlement which envisages payment of a Euro 50 thousand fine. The public prosecutor has already expressed their favourable opinion thereon and the first hearing has been scheduled for 16 April 2019, at which point the proceedings will be settled in accordance with Art. 444 of the Italian Code of Criminal Procedure.

On behalf of the Board of Directors
Chairman and CEO
Marco Giovannini
(signed on the original)

19 March 2019

Attachments to the consolidated financial statements

Annex
Statement of the CEO and manager in charge of financial reporting

ANNEX

Statement of the CEO and manager in charge of financial reporting

Certification of the consolidated Financial Statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned Marco Giovannini and Anibal Diaz, CEO and manager in charge of financial reporting of Guala Closures S.p.A. (the "Company"), respectively, state that pursuant to article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998:
   - the adequacy in respect of the business characteristics and also taking into account the characteristics and effects of the corporate transaction completed on 6 August 2018 with the merger by acquisition of "Guala Closures S.p.A." (tax code, VAT number and registration number with Alessandria Companies House 13201120154) into the Company (previously named "Space4 S.p.A." and there took on today's name of "Guala Closures S.p.A.") and the simultaneous listing of the Company's shares on the Telematic Share Market (MTA) - STAR segment, organised and managed by Borsa Italiana S.p.A.; and
   - the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during the period from 1 January 2018 to 31 December 2018.
2. No significant issues arose.
3. Moreover, they state that:

   3.1 The consolidated financial statements as at 31December, 2018:

   a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b) are consistent with the accounting records and entries;

   c) are suitable to give a true and fair view of the financial position of the issuer's economic, equity and financial position and of the companies included in the scope of consolidation.

   3.2 The Directors' report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

19 March 2019

Marco Giovannini	Anibal Diaz
The CEO	The manager in charge of financial reporting
(signed on the original)	(signed on the original)

SEPARATE FINANCIAL STATEMENTS OF GUALA CLOSURES S.P.A.

as at and for the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION

Guala Closures S.p.A. - ASSETS

(Euro)	**31 December 2017**	of which: Related parties	**31 December 2018**	of which: Related parties	**Note**
ASSETS					
Current assets					
Cash and cash equivalents	512,205,719		16,107,594		4
Current financial assets			989,229	989,230	5
Trade receivables			40,858,566	28,094,060	6
Inventories			14,238,337		7
Current direct tax assets			460,867		8
Current indirect tax assets			1,534,219		9
Financial derivative assets			145,907		10
Other current assets	83,931		4,148,640	3,966,490	11
Total current assets	**512,289,651**		**78,483,359**	**33,049,780**	
Non-current assets					
Non-current financial assets			218,618,780	218,581,250	5
Investments			84,840,600	84,784,170	12
Property, plant and equipment			45,891,340		13
Intangible assets			726,133,450		14
Deferred Tax Assets			884,946		15
Other non-current assets			17,830		16
Total non-current assets	**-**		**1,076,386,946**	**303,365,420**	
TOTAL ASSETS	**512,289,651**		**1,154,870,305**		

The accompanying notes are an integral part of the separate financial statements.

STATEMENT OF FINANCIAL POSITION Guala Closures S.p.A. - LIABILITIES AND EQUITY

(Euro)	31 December 2017	of which: Related parties	31 December 2018	of which: Related parties	Note
LIABILITIES AND EQUITY					
Current liabilities					
Current financial liabilities	12,500,000		10,832,188		17
Trade payables	4,490,130	61,781	21,914,490	1,215,150	18
Current direct tax liabilities			123,010		19
Current indirect tax liabilities			955,050		20
Current provisions			1,118,550		21
Financial derivative liabilities			58,000		22
Other current liabilities	53,343		13,452,090	528,640	23
Total current liabilities	**17,043,473**	**61,781**	**48,453,378**	**1,743,790**	
Non-current liabilities					
Non-current financial liabilities			454,912,110		17
Employee benefits			3,957,980		24
Deferred tax liabilities			2,616,840		15
Non-current provisions			226,220		21
Total non-current liabilities	**-**		**461,713,150**		
Total liabilities	**17,043,473**	**61,781**	**510,166,528**	**1,743,790**	
Equity					
Share capital	51,340,000		68,906,646		
Share premium reserve	455,160,000		423,836,890		
Legal reserve					
Other reserves	(4,677,128)		145,589,628		
Hedging reserve			43,320		
Losses carried forward			(6,524,622)		
Profit / (loss) for the year	(6,576,694)		12,851,915		
Total equity	**495,246,178**		**644,703,777**	**-**	25
TOTAL LIABILITIES AND EQUITY	**512,289,651**	**61,781**	**1,154,870,305**	**1,743,790**	

The accompanying notes are an integral part of the separate financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Guala Closures S.p.A.

(Euro)	**31 December 2017**	of which: Related parties	of which: Non-recurring expenses	**31 December 2018**	of which: Related parties	of which: Non-recurring expenses	**Note**
Net revenue	**-**			**47,399,416**	**19,458,440**		26
Change in inventory of semi-finished products and finished goods				(4,637,309)			7
Other operating income				8,673,420	7,516,910		27
Internal work capitalized				1,270,036			28
Cost for raw materials				(24,276,128)	(2,819,580)	(990,000)	29
Costs for services	(102,049)	(61,781)	(102,049)	(22,777,410)	(3,185,910)	(10,110,221)	30
Personnel expense	(2,002)		(2,002)	(10,448,153)	(213,828)		31
Other operating expense				(785,370)			32
Impairment losses				(33,047)		(33,047)	13
Depreciation and amortization				(3,427,970)			13
Operating profit (loss)	**(104,050)**	**(61,781)**	**(104,050)**	**(9,042,515)**	**20,756,032**	**(11,133,268)**	
Financial income	27,357			22,920,310	4,541,470		33
Financial expense	(6,500,000)			(7,902,970)	(81,263)		34
Dividends				7,000,000	7,000,000		35
Profit (Loss) before tax	**(6,576,694)**			**12,974,825**	**32,216,239**		
Income taxes				(122,910)			37
Profit (loss) of the period	**(6,576,694)**			**12,851,915**			

Other comprehensive income		
Profit (loss) of the period	**(6,576,694)**	**12,851,915**
Items that will never be reclassified to profit or loss:		
Remeasurements of defined benefit liability (asset)	**0**	**52,072**
	0	**52,072**
Items that are or may be reclassified subsequently to profit or loss:		
Cash flow hedges – effective portion of changes in fair value	-	2,072
Cash flow hedges – reclassified to profit or loss	-	54,928
Related Tax	-	(13,680)
Total	**0**	**43,320**
Other comprehensive income for the period, net of tax	**0**	**95,392**
Comprehensive income (loss) for the period	**(6,576,694)**	**12,947,307**

The accompanying notes are an integral part of the separate financial statements.

Statement of cash flows
Guala Closures S.p.A.

(Euro)	2017	2018	Note
Opening cash and cash equivalents	**0**	**512,205,719**	
A) Cash flows from operating activities			
Profit (Loss) before tax	(6,576,694)	12,974,825	
Adjustment for:			
Depreciation and amortisation		3,427,970	13-14
Dividends from GC International		(7,000,000)	35
Net finance costs	6,472,644	(15,017,340)	33-34
Changes in:			
Receivables, payables and inventories	4,459,541	4,003,250	6-7-18
Other	(4,677,128)	(2,049,222)	
VAT and indirect tax assets/liabilities		(579,169)	9-20
Income taxes paid		(1,296,671)	8-19
Net cash from operating activities	**(321,638)**	**(5,536,357)**	
B) Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(3,114,850)	13-14
Acquisition of Guala Closures Group, net of cash and cash equivalents acquired		(341,632,620)	3
Net cash used in investing activities	**0**	**(344,747,470)**	3
C) Cash flows generated from financing activities			
Withdrawal of the former shareholders Space4		(31,323,105)	
Interest received	27,357	5,665,279	33-34
Interest paid		(2,950,182)	33-34
Transaction costs paid in connection with the Bridge Facility Agreement, new Bonds and the Senior Revolving Facility		(14,632,909)	
Other financial items		(116,717)	
Dividends from GC International		7,000,000	
Share capital increases	512,500,000		
Proceeds from new borrowings and bonds		916,224,201	
Repayment of borrowings and bonds		(1,002,395,767)	
Repayment of finance leases		(965,018)	
Change in financial assets		(22,241,131)	
Net cash used in financing activities	**512,527,357**	**(145,735,348)**	
D) Net cash flow for the year	**512,205,719**	**(496,019,175)**	
Effect of movements in exchange rates on cash held	0	(78,950)	
E) Closing cash and cash equivalents	**512,205,719**	**16,107,594**	

Statement of changes in equity
Guala Closures S.p.A.

(Euro)	*Share Capital*	*Share premium reserve*	*Legal reserve*	*Other reserves*	*Hedging reserve*	*Losses carried forward*	Profit / (loss)	*Total equity*
Value at 19 September 2017	100,000							**100,000**
Share capital increase from listing 21 December 2017	50,000,000	444,000,000						**494,000,000**
Share capital increase from Space Holding Srl 21 December 2017	1,240,000	11,160,000						**12,400,000**
Costs for share capital increase				(4,677,128)				**(4,677,128)**
Profit (loss) of the period							(6,576,694)	**(6,576,694)**
Other comprehensive income								**-**
Comprehensive expense of the year			**-**		**-**	**-**	***(6,576,694)***	**(6,576,694)**
								-
31 December 2017	**51,340,000**	**455,160,000**	**-**	**(4,677,128)**	**-**	**-**	**(6,576,694)**	**495,246,178**
1 January 2018	**51,340,000**	**455,160,000**	**-**	**(4,677,128)**	**-**	**-**	**(6,576,694)**	**495,246,178**
Total comprehensive income for the period								
Allocation of 2017 loss					-	(6,576,694)	6,576,694	**-**
Profit (loss) of the period							12,851,915	**12,851,915**
Other comprehensive income					43,420	52,072	-	**95,392**
Transactions with owners of the Company								
Business combination and share capital increase	17,566,646			150,256,756				**167,833,402**
Withdrawal		(31,323,110)						**(31,323,110)**
Comprehensive expense of the year	***17,566,646***	***(31,323,110)***	**-**	***145,589,628***	***43,320***	***(6,524,622)***	***19,428,609***	***149,457,599***
31 December 2018	**68,906,646**	**423,836,890**	**-**	**145,589,628**	**43,320**	**(6,524,622)**	**12,851,915**	**644,703,777**

The accompanying notes are an integral part of the separate financial statements.

Notes to the separate financial statements of Guala Closures S.p.A. as at and for the year ended 31 December 2018

GENERAL INFORMATION

1) Company's business overview and key changes in its shareholding structure occurred during the year

Guala Closures S.p.A. (the "company" or the "parent") (formerly Space4 S.p.A.) was incorporated by Space Holding S.r.l. on 19 September 2017 with the name of Space4 S.p.A. It is a special purpose acquisition company (SPAC), set up under Italian law as a SIV (Special Investment Vehicle) pursuant to the Italian stock exchange regulation. Trading began on 21 December 2017.

On 31 July 2018, SPAC Space4 S.p.A. acquired Guala Closures S.p.A., the parent of Guala Closures Group (respectively "pre-merger Guala Closures" or the "pre-merger Guala Closures Group") and on 6 August 2018 proceeded to merge Guala Closures S.p.A. Furthermore, the latter company and its group changed their name to Guala Closures S.p.A. and Guala Closures Group, respectively.

Guala Closures S.p.A. is a company limited by shares set up under Italian law and registered with the Alessandria company register. Its registered office is in via Rana 12, industrial estate D6, Spinetta Marengo (Alessandria).

These financial statements, following the merger with Guala Closures Group Pre-Merger (acquired on 31 July 2018) completed on 6 August 2018 by Space4 S.p.A., are the first separate financial statements prepared after the transaction and include the assets of Space4 S.p.A. from 1 January 2018 to 5 August 2018 and the operating business acquired by pre-merger Guala Closures, starting 6 August 2018. The comparative figures as at 31 December 2017 include the period from 19 September 2017, when Space4 S.p.A. was established, through to 31 December 2017, of Space4 S.p.A. only.

Such aspect has to be considered in comparing the financial statements figures among the two period end dates.

The Company is also the holding company of Guala Closures Group.

Guala Closure S.p.A.'s main activities involve the design and manufacturing of anti-adulteration (safety) closures, custom closures (luxury), aluminum closures for wines (wine), standard closures (roll-on) and others.

The Company also acts as the Italian holding company for Guala Closures Group.
Currently, the Group is the European and international leader in the production of plastic safety closures for spirits bottles, with over 60 years' experience in the sector.
It is also the leading European producer of aluminium closures for spirits bottles.

In 2018, the following events took place:

- **Business combinations**

(A) On 16 April 2018, the Boards of Directors of Space4 S.p.A., GCL Holdings S.C.A., Peninsula Capital II S.a.r.l. and Guala Closures S.p.A. approved the business combination, by means of a Framework Agreement, to be implemented through (i) the acquisition of an equity investment equal to approximately 80% of the share capital of Guala Closures S.p.A. pre-merger by Space4 and Peninsula Capital II S.à.r.l.; (ii) the merger of pre-merger Guala Closures into Space4 S.p.A., and (iii) the admission to listing of the ordinary shares resulting from the merger of pre-merger Guala Closures into Space4 S.p.A., on the STAR segment of the Italian Stock Exchange organized and managed by Borsa Italiana S.p.A. (the "**Business Combination**").

Guala Closures' financial indebtedness

(B) On 28 June 2018, pre-merger Guala Closures, in agreement with Space4, started two distinct consent solicitation procedures with the purpose of obtaining a waiver by (i) the bondholders under the bonds issued by pre-merger Guala Closures in 2016 (the "**Guala Closures Bonds**") and (ii) the revolving credit facility lenders under the 2016 revolving credit facility agreement (the "**RCF**") in relation to their right to exercise the change of control clauses provided under the Guala Closures Bonds and the RCF which would have been triggered upon completion of the Business Combination. As part of these procedures, the bondholders under the Guala Closures Bonds and the RCF lenders were also requested to release certain security interests created to secure their obligations under the relevant agreements. On 20 July 2018 and on 19 July 2018, the bondholders under the Guala Closures Bonds and the RCF lenders respectively, agreed to grant the above-mentioned waivers and carried out the necessary activities to release the relevant security interests.

(C) Following the consent solicitation procedures described under letter (B), on 1 August 2018, pre-merger Guala Closures, by agreement with Space4, fully repaid the Guala Closures Bond and RCF for an amount of 100% of such totals, plus any interest accrued as at the date of repayment, using the proceeds from the intercompany loan of Euro 552,475,767 granted by Space4 on 20 July 2018. Part of such intercompany loan was made available to Space4 on the same date further to the signing by the latter of a bridge facility agreement (the "**Bridge Facility Agreement**") with UniCredit Bank AG, Milan Branch, acting as agent, and the original bridge lenders (Credit Suisse AG, Milan Branch, Banca IMI S.p.A., Banco BPM S.p.A., Barclays Bank PLC and UniCredit S.p.A.) for an amount equal to Euro 450 million, which was repaid during the year.

(D) Furthermore, on 20 July 2018, Space4 entered into a new revolving credit facility agreement governed by the law in England and Wales, for a maximum amount of Euro 80 million (the "**New RCF**") with UniCredit Bank AG, Milan Branch, as the agent, and the original lenders (Credit Suisse International, Banco BPM S.p.A., Barclays Bank PLC, Intesa Sanpaolo S.p.A. and Unicredit S.p.A.). The New RCF will expire five years and six months after the first utilization of the bridge financing described under letter (C) above.

(E) Following the Merger (as defined below), the post-merger Guala Closures will be liable for all the obligations arising under the Bridge Facility Agreement and the New RCF.

(F) On 3 October 2018, Guala Closures S.p.A. fully repaid the Euro 450 million bridge loan, using the proceeds from a floating-rate bond issue due in 2024 of Euro 455 million (the "**Bonds**") (Euribor 3 months +3.5% - zero floor) under an indenture contract governed by the laws of the State of New York. The contract was signed, inter alia, by Guala Closures S.p.A., as the issuer, The Law Debenture Trust Corporation p.l.c., as the senior secured notes trustee and Bondholders' representatives pursuant to articles 2417 and 2418 of the Italian Civil Code, Deutsche Bank AG, London branch, as the paying agent, and Deutsche Bank Luxembourg S.A., as the transfer agent and the registrar (the "**Indenture**").

(G) On 11 October 2018, under some agreements to participate in the new RCF and a supplement to the indenture, Guala Closures International B.V., Guala Closures U.K. Limited, Guala Closures Australia Holdings Pty Ltd, Guala Closures Australia Pty Ltd, Guala Closures New Zealand Limited, Guala Closures do Brasil LTDA and Guala Closures Iberica S.A. granted first-level collateral to guarantee the facility made available by the new RCF and the Bonds.

(H) In addition to the above and in order to guarantee the facility made available by the new RCF and the Bonds, the following companies granted the following guarantees:

- (i) Pledge over Guala Closures International B.V. shares held by Guala Closures S.p.A.;
- (ii) Specific security deed on Guala Closures Australia Holdings Pty Ltd shares held by Guala Closures International B.V.;
- (iii) Specific security deed on Guala Closures Australia Holdings Pty shares held by Guala Closures Australia Holdings Pty Ltd;
- (iv) Pledge over the FPI and shares of Guala Closures Ukraine LLC held by Guala Closures International B.V.;
- (v) Specific security deed on Guala Closures New Zealand Limited shares held by Guala Closures International B.V.;
- (vi) Charge on Guala Closures U.K. Limited shares held by Guala Closures International B.V.;
- (vii) Pledge over Guala Closures DGS Poland S.A. shares held by Guala Closures International B.V.;

Closing of the Business Combination and admission to listing

(I) On the closing date of the Business Combination (i.e., on 31 July 2018) the acquisition of the 61,200,000 ordinary shares of pre-merger Guala Closures (equal to 78.13% of its share capital) was completed with the transfer by GCL of (i) 52,316,125 ordinary shares of pre-merger Guala Closures to Space4, (ii) 7,403,229 ordinary shares of pre-merger Guala Closures to PII G S.à r.l.,[5] and (iii) 1,480,646 ordinary shares of pre-merger Guala Closures to Quaestio Capital SGR S.p.A., against the payment of the agreed consideration. Furthermore, on the same date pre-merger Guala Closures and Space4 signed the merger deed, the effects of which have passed from 6 August 2018 following the approval of the prospectus by Consob (the Italian commission for listed companies and the stock exchange) and listing of Space4. The company resulting from the Merger adopted the corporate name of "Guala Closures S.p.A." and its ordinary shares and market warrants have been traded on the Italian Stock Exchange (Mercato Telematico Azionario), within the Star Segment since 6 August 2018.

[5] By means of the designation by Peninsula of its related company PII G S.à.r.l. as purchaser of the shares of Guala Closures pursuant to the master agreement referred to under letter (A) above.

(2) Accounting policies

Guala Closures S.p.A.'s separate financial statements at 31 December 2018 have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and endorsed by the European Union, and related interpretations.
The financial statements drafted in accordance with IFRS standards, with the exception of the provisions of IFRS 3 with reference to the business combination that took place during the year, have been prepared on the basis of the historic cost principle, amended as required for the measurement of certain financial instruments and other assets and liabilities at fair value, and on a going concern basis.
The financial statements have also been prepared in compliance with the provisions adopted by CONSOB for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by CONSOB regarding financial statements. The separate financial statements have been drafted clearly and provide a true and fair view of the Company's financial position, results of operations and cash flows.

The separate financial statements of Guala Closures S.p.A. consists of the following formats:

- statement of financial position captions are classified by current and non-current assets and liabilities;
- statement of profit or loss and other comprehensive income captions are classified by nature;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity has been prepared in accordance with the structure of changes in equity.

Guala Closures S.p.A. has prepared its separate financial statements in Euro, which is the Company's functional currency, without decimals, except for the notes, which have been prepared in thousands of Euro. Any discrepancies between financial statements balances and those of the tables of the notes to the separate financial statements are due exclusively to rounding and do not alter their reliability or substance.

The Company's Board of Directors approved the publication of the separate financial statements on 19 March 2019.

The Company belongs to Guala Closures Group, which prepares the consolidated financial statements figures for Guala Closures S.p.A. and its subsidiaries, in the smallest and largest perimeter of the Group.

No subject has been identified as managing and coordinating the Company and Group.

(a) Use of estimates and judgements

Management has to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, costs and revenue. Estimates and the related assumptions are based on past experience and other factors considered to be reasonable in the circumstances. They are adopted to estimate the carrying amount of assets and liabilities that cannot easily be assumed from other sources. However, as they are estimates, the actual figure may not match the result of the estimate.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes: allowances for impairment (Note (p) estimated expected credit loss) and for inventory obsolescence (Note 7 estimated recoverable value of inventories), amortization and depreciation

of non-current assets (Notes (h) (j) estimated useful life of assets), employee benefits (Note 24 estimated actuarial assumptions), taxes (Note 37 estimated future taxable income), funds (Note 21), valuation of derivative financial instruments (Note 22 estimate of interest rates) and evaluation of the effects of business combinations (Note 3 estimate of fair value of assets and liabilities acquired), market warrants (note 40 estimate of fair value market warrants)

Such estimates and assumptions are reviewed regularly. Any changes arising therefrom are recognized in the year in which the review takes place if this only affects that year. If the review relates to both current and future years, the change is recognized in the year in which the review takes place and in the related future year.

(b) Changes in accounting standards

The following new standards and amendments applicable from 1 January 2018 were adopted by the Company:

- IFRS 15 Revenue from contracts with customers. This standard was issued by the IASB in May 2014 and amended in April 2016. It introduces a general framework to establish the nature, amount and timing of revenue recognition. It replaced IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes.
  Specifically, IFRS 15 introduces a five-step model framework for revenue recognition:
  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;
  - recognize revenue when (or as) the entity satisfies a performance obligation.

  Upon first-time adoption of this standard, the Company opted for the cumulative effect method to recognize prior year impacts.
  The adoption of IFRS 15 had no impact. Consequently, it was not necessary to adjust retained earnings or losses carried forward and, therefore equity.
  Starting FY 2018, revenues are therefore measured considering the price specified in the contract with the customer. The Company, which generally operates as principal, books revenues when it transfers control over goods or services (point in time). The control of the safety closures and standard products is transferred to customers when goods are delivered to their sites or when goods are accepted by the carrier chosen by the client if earlier, and, accordingly, the Company recognizes the related revenues at that point. As a rule, no additional contractual performance obligations apply to the Company.
  No significant discounts are envisaged for end customers and no contracts envisaged that allow customers to return products with new goods or through cash reimbursements.
  As a rule, no costs are generally incurred to obtain or execute a contract with a client.
  IFRS 15 has not had any significant impact on the Company's measurement criteria in connection with other income flows.

- IFRS 9 Financial instruments. The IASB issued the final version of IFRS 9 Financial instruments in July 2014, replacing IAS 39 Financial instruments: recognition and measurement. Recognition and measurement of all previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the project for financial instrument accounting: classification and valuation, impairment and hedge accounting. Except for hedge accounting, this standard is to be applied retrospectively. However, the provision of comparative figures is not mandatory.
  IFRS 9 introduces new provisions about the classification and measurement of financial assets which reflect the business model to manage the financial assets and the characteristics of their cash flows. IFRS 9 classifies financial assets into three main categories: at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The categories established in IAS 39 (held until maturity, loans and receivables and available for sale) are eliminated.
  Consequently, following the adoption of IFRS 9 on a prospective basis, the corresponding figures for 2017 will be presented under IAS 39 categories, while those for 2018 will be in line with IFRS 9 categories.
  IFRS 9 replaces the incurred loss model under IAS 39 with the expected credit loss (ECL) model. This model envisages a significant level of measurement of the impact of the changes in economic factors on the ECL which will be weighted based on probability.
  IFRS 9 substantially confirms the provisions of IAS 39 about the classification of financial liabilities.
  However, while under IAS 39 all changes in the fair value of the liabilities designated at FVTPL shall be recognized in the profit or loss for the year, under IFRS 9, these changes shall be presented as follows:
  - the fair value changes attributable to the changes in the credit risk of the liability shall be presented under other comprehensive income; and
  - the residual amount of the fair value changes shall be recognized in the profit or loss for the year.

With respect to hedge accounting strategies, under IFRS 9, the Company shall ensure that these relationships are in line with targets and its risk management strategy and that a more qualitative and forward-looking approach is applied when evaluating the effectiveness of the hedge. Furthermore, IFRS 9 introduces new provisions which rebalance hedging relationships and prevent the voluntary discontinuation of hedge accounting. Under the new model, more risk management strategies, specifically those that also hedge a risk component (other than the currency risk) of a non-financial element, may be eligible for hedge accounting. At present, the Company does not hedge these risk components.

The Company enters into interest rate swaps (IRS) to hedge the changes in the cash flows arising from the floating-rate finance leases related to the Spinetta Marengo plant against interest rates fluctuations.
In accordance with the preliminary assessment carried out by the Company, the hedge accounting relationships previously designated under IAS 39 meet IFRS 9 requirements. Indeed, the Company completed the changes required for monitoring processes and internal documentation.
Given the limited number of transactions which fall under the scope of IFRS 9, there are no effects. Specifically, the adoption of the ECL approach, instead of the incurred loss approach, does not cause any significant change in the allowance for impairment of trade receivables. Indeed, the current Company policy already envisages the assessment of the credit risk associated with customers, similarly to the notion of expected credit losses under IFRS 9.

The table below and related explanatory notes show the original measurement categories envisaged by IAS 39 and those introduced by IFRS 9 for each type of financial asset and liability of the Company as at 1 January 2018.
The effect of the application of IFRS 9 on the book values of financial asset as at 1 January 2018 only refers to the new classifications of financial assets and liabilities.

Financial assets	Note	Original classification in compliance with IAS 39	New classification in compliance with IFRS 9	IAS 39 carrying amount at 31 December 2017	IFRS 9 carrying amount at 31 December 2017
Cash and cash equivalents	4)	Loans and receivables	Amortized cost	512,206	512,206

Financial liabilities	Note	Original classification in compliance with IAS 39	New classification in compliance with IFRS 9	IAS 39 carrying amount at 31 December 2017	IFRS 9 carrying amount at 31 December 2017
Current financial liabilities	17)	Other financial liabilities	Other financial liabilities	12,500	12,500
Trade payables	18)	Other financial liabilities	Other financial liabilities	4,490	4,490

(c) Accounting for business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

The measures goodwill as at the date of acquisition, as follows:

- the fair value of the consideration transferred; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss in the other income caption.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for in equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.
If the Company is required to replace incentives held by employees of the acquiree (acquiree incentives) relative to past provisions with its own incentives recognized on share-based payments of the acquirer (replacement incentives), such replacement incentives of the acquiring party or part thereof must be included in the measurement of the price paid in the business combination, determining the amounts on the basis of market valuation of the replacement incentives with respect to the market valuation of the incentives of the acquiree and the extent to which the replacement incentives refer to past and/or future service.

(d) Foreign currency

Foreign currency transactions, including the effects of fair value adjustments arising from business combinations and goodwill from acquisitions of entities whose functional currency is not the Euro, are translated into the functional currency applying the exchange rate ruling on the date of the transaction. Monetary items in foreign currency existing at the reporting date are translated into Euro using the closing rate. Exchange rate gains and losses are taken to profit or loss. Non-monetary items measured at their historical cost in foreign currency are translated using the exchange rate ruling on the transaction date. Non-monetary items measured at fair value in foreign currency are translated into Euro using the exchange rates ruling on the date their fair value was determined.

(e) Inventories

Inventories are measured at the lower of purchase or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

The production cost of finished goods includes the portions of the costs of raw materials and external materials and processing, as well as all other direct and indirect production costs reasonably attributable to the products, excluding financial expense.

Purchase or production cost is calculated on a weighted average cost basis.
Obsolete and/or slow-moving inventories are written down on the basis of their estimated possibility of use or future realizable value, through an accrual to the specific allowance adjusting the value of inventories. The amount is reinstated if, in subsequent years, the reasons for the write-down no longer exist.

(f) Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.
Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(g) Investments in subsidiaries
Investments in subsidiaries, associates and joint ventures are recognised at cost, adjusted in the event of impairment. The cost is the purchase value or value accounted for following the merger and it corresponds to the value of their contribution to the consolidated financial statements, as at the date considered on such books as the date of acquisition.
Any positive difference, emerging as at the purchase, between the cost of acquisition and the portion of equity at current values of the subsidiary pertaining to the Company is included in the carrying value of the equity investment and is annually tested for impairment, comparing the full book value of the equity investment with its recoverable value (the higher of value in use and fair value net of the costs of sale).
If evidence is found that the equity investments have suffered a loss in value, this is noted on the income statement as impairment. If the portion pertaining to the Company of the losses of the subsidiary should exceed the book value of the investment and the Company is held liable for such, the value will be written off and the portion of the additional losses noted as a provision in the liabilities. Should the impairment losses subsequently no longer apply or be reduced, they are reversed to profit or loss within the limits of the original book value.
Investments held in other companies, comprising non-current financial assets and financial assets not held for trading, for which the fair value is difficult to determine, as they are not listed, are measured at cost of acquisition or subscription, potentially reduced for impairment. If any share pertaining to the Company of the losses should exceed the book value of the investment as recorded, the value of the investment is zeroed and the portion of the additional losses is not noted as a liability unless the Company has made a legal or implicit commitment to cover such.

(h) Property, plant and equipment

Property, plant and equipment are recognized at historical cost, including directly related ancillary costs necessary for the use of the asset. Borrowing costs related to loans taken out specifically for investments in property, plant and equipment are considered part of the carrying amount of the related assets and, as such, capitalized.

Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Company. This expenditure is amortized over the related asset's residual useful life. All other expenditures are expensed in the year in which are incurred.

Internal extraordinary maintenance costs are classified in the caption "Work performed by the Company and capitalized".

Where significant components of the asset have different useful lives, they are recognized separately.

Property, plant and equipment are shown net of accumulated depreciation and any impairment losses determined as set out later on.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The annual depreciation rates are as follows:

	Rates
Buildings	3%
Generic plant	5% - 7.5% - 10%
Specific plant	12.5%
Furnaces	15%
Air-conditioning systems	20%
Laboratory equipment	40%
Ordinary office furniture and equipment and fittings	12%
Electronic office equipment	20%
Lifting devices	7.5%
Vehicles for transport	20%
Cars	25%
Generic equipment	7.5%
Machinery	6.67% - 7.75% - 10% - 15.50%
Presses	6.67%
Purification plant	7.5% - 15%
Moulds	10% -12.5%
Internal means of transport	20%
Cafeteria systems	12%
Equipment	25%
Cafeteria equipment	7.5%
Cafeteria furniture	10%
Fittings for exhibitions and trade fairs	12%
Light constructions	10%
Mobile phones	20%
Shelving	7.5%

Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Company. This expenditure is amortized over the related asset's residual useful life. All other expenditures are expensed in the year in which are incurred.

At the time of disposal or when there are no expected future economic benefits from an asset's use, the caption is derecognized. Any gain or loss (calculated as the difference between the sales amount and carrying amount) is taken to profit or loss in the year of derecognition.

(i) Leasing

Finance leases

Leases for property, plant and equipment where the Company substantially takes on all risks and rewards incidental to ownership are classified as finance leases. Plant and machinery acquired under finance leases are recognized at the lower of fair value and the present value of the minimum lease payments due at the inception of the lease, net of accumulated depreciation and any impairment losses. The related assets, liabilities, revenue and expense deriving from the lease are recognized under the financial method at the inception of the lease, i.e., when the lessee is authorized to exercise its right to use the leased asset.

Property, plant and equipment acquired under finance leases are depreciated over the related asset's useful life.

Interest expense on finance lease payments is recognized in profit or loss using the effective interest method.

Operating leases

Those leases where the Company does not substantially take on all risks and rewards incidental to ownership are recognized as operating leases. Operating lease payments are taken to profit or loss on a straight-line basis over the lease term.

(j) Intangible assets

Goodwill

Goodwill arising from the acquisition of subsidiaries is initially recognized at cost. After initial recognition, goodwill is adjusted for any accumulated impairment losses, determined using the criteria described *in paragraph (p) "impairment losses".*

Other intangible assets

These assets are measured at cost, determined in the same way as described for property, plant and equipment.

Other intangible assets, which all have a finite useful life, are subsequently shown net of accumulated amortization and any impairment losses, determined in the same way as described for property, plant and equipment.

Useful life is checked annually and, where necessary, any changes are reflected on a prospective basis.

The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds and carrying amount. It is recognized in profit or loss at the time of disposal.

Research expenditure

Expenditure on research undertaken to gain scientific and technical knowledge and information is recognized as an expense when incurred.

Development expenditure
Development expenditure, which also relates to the application of research findings to a plan or design for the production of new or substantially improved products or processes, is capitalized when the product or process is feasible in technical and commercial terms and the Company has adequate resources to complete the development stage.
Capitalized development expenditure is measured at cost, net of accumulated amortization and impairment losses.
Internal capitalized development expenditure is classified in the caption "Work performed by the Company and capitalized".

Subsequent expenditure is included in an asset's carrying amount when it is probable that the future economic benefits exceeding those determined originally will flow to the Company. This expenditure is amortized over the related asset's residual useful life. All other expenditure is expensed in the year in which it is incurred.

Amortization rates for other intangible assets applied in 2018 are as follows:

	Rates
Development expenditure	20%
Patents	20%
Trademarks	10%
Software	20%
Licenses	20%
Other capitalized expenditure	20% or proportional contract term

(k) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in the consolidated statement of equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax also includes any tax arising from dividends and any interest and penalties imposed by the tax authorities following their review of the tax position of previous years which found a difference in tax due.
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
The income tax consequences of dividends are recognized when the dividend is approved.
In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(l) Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are noted at the time they are originated. All other financial assets and liabilities are noted initially as at the trading date, i.e. when the Company becomes a contractual party to the financial 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.

Classification and subsequent measurement

Financial assets - Policy applicable starting 1 January 2018

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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 (see paragraph (m)). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable starting 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable starting 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: subsequent measurement and gains and losses - Policy applicable starting 1 January 2018

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see paragraph (m) for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets 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.
Debt investment measured at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments measured at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets - Policy applicable before 1 January 2018

The Company classified its financial assets in the following categories:
- loans and receivables;
- investments held to maturity;
- financial assets available for sale; and
- financial assets at FVTPL and, within this category:
    - held for trading;
    - derivative hedging instruments; or
    - designated as at FVTPL.

Financial assets: subsequent measurement and gains and losses - Policy applicable before 1 January 2018

Financial assets measured at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, for derivatives designated as hedging instruments, see paragraph (m).
Investments held to maturity	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

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.

See paragraph (m) for financial liabilities designated as hedging instruments.

Derecognition

Financial assets - third parties
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified
and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set
off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(m) Derivatives, including hedge accounting

Derivatives, including hedge accounting - Policy applicable starting 1 January 2018

The Company holds derivative financial instruments to hedge its foreign currency and interest rate
risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.
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.
The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.
At inception of designated hedging relationships, the Company documents the risk management
objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a resent value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.
The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.
When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.
For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.
If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.
When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.
If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Derivatives, including hedge accounting - Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

(o) Share capital and equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Buy-back and re-issue of ordinary shares (own shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Business combinations
When as a result of a takeover/acquisition of control not involving the entire stake in the acquiree, the Company has the potential obligation to acquire the residual investment in the acquiree should the non-controlling interests exercise a put option and the non-controlling interests still have present access to the economic benefit associated with the underlying ownership interests, it recognizes a liability calculated by discounting the estimated value at the exercise date using the present access method whereby a liability is recognized decreasing the equity caption “Losses carried forward” in the first year, with subsequent remeasurement recognized in profit or loss as financial expense.

Warrants.

The Company books Warrants according to the conditions included in the respective regulations that determine their function.

Warrants with fixed conversion hypothesis
Some warrants (sponsor warrants and management warrants) envisages share subscription prices and exercise ratios that are fixed and predetermined as at the date of their issue, under the scope of pre-defined time frames. In these cases, the Warrant Regulation envisages the number of shares to be issued and the price (if applicable) that the owner must pay to the company as at the date of exercise of the warrants. These instruments are accounted for by the Company as equity instruments or instruments representing capital.

Warrants with variable conversion hypothesis
Some warrants (market warrants) have a variable conversion ratio over time and according to the variability of the market price of the underlying share and other parameters envisaged by the issue regulation. Despite the variability of the conversion ratio, the warrant maturity date is anticipated to the achievement of certain thresholds of listing prices of the underlying share (which therefore represents a cap to its appreciation), with the faculty of settling the instrument by delivering shares or liquid funds held by the owner of the rights, or the issuer. These instruments are accounted for by the Company as financial liabilities.

(p) Impairment losses

Non-derivative financial instruments - Policy applicable starting 1 January 2018

Financial instruments and contract assets

The Company records provisions for expected impairment losses relating to:
- financial assets measured at amortized cost;
- contract assets.

The Company measures the provisions for impairment at an amount equal to the expected losses throughout the life of the credit, with the exception of that specified below, for the next twelve months:
- debt securities with a low credit risk as at the reporting date; and
- other bank current accounts and debt securities whose credit risk (i.e. the risk of default seen throughout the expected life of the financial instrument) has not increased significantly after first booking.

The provisions for doubtful debt and contract assets are always measured at an amount equal to the expected losses throughout the life time of the receivable.

To establish if a credit risk relating to a financial asset has increased significantly since initial recognition, in order to estimate the expected credit loss, the Company considers reasonable, demonstrable information that is relevant and available without excessive costs or efforts. Quantitative and qualitative information are included, along with analyses, based on the Company's past experience, of the assessment of credit, not only on forward-looking information.

For the Company, the credit risk of a financial asset increases significantly when the contractual payments are past due by more than 90 days.

For the Company, default relating to a financial asset takes place when:
- it is unlikely that a debtor will repay the full obligation toward the Company, without it taking action to do such as, for example, enforcing a guarantee (where given).

Expected losses on long-term receivables are expected credit losses deriving from all possible defaults throughout the expected life of a financial instrument.
Expected credit loss at 12 months are expected credit losses deriving from possible defaults within twelve months of the year end (or within a shorter time if the expected life of the financial instrument is less than 12 months).

The maximum period to be taken into account in measuring expected credit losses is the maximum contract terms during which the Company is exposed to the credit risk.

Expected credit loss (ECL) is an estimate of the losses on receivables, weighted according to probability. Losses on receivables are the current value of all failures to collect (i.e. the difference between cash flows due to the entity in compliance with the contract and cash flows that the Company expects to receive).

Impaired financial assets
At each year end date, the Company decides if the financial assets measured at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Provisions for impairment of financial assets measured at amortized cost are deducted from the gross book value of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The gross book value of a financial asset is written down (partly or entirely) to the extent to which there is no real prospect of recovery. For customers, the Company assesses the timing and amount of impairment individually, on the basis of the real prospects of recovery. The Company does not normally envisage any significant recovery of the amount written down. However, financial assets that have been written down may be enforced in accordance with the Company's debt collection procedures.

Non-derivative financial assets - Policy applicable before 1 January 2018
Financial assets not accounted for at FVTPL were measured at each year end date to determine whether or not there was objective evidence of impairment.

Objective evidence that a financial asset may have reduced in value included:
- insolvency or non-payment by the debtor;
- restructuring of the debt towards the Company, at conditions that the Company would not otherwise have considered;
- indications of debtor or issuer bankruptcy;
- unfavourable changes in payment status of debtors or issuers;
- the disappearance of an active market for that security because of financial difficulties; or
- the presence of observed data indicating a quantifiable reduction in cash flow expected from a group of financial assets.

Non-financial assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Employee benefits

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Such liabilities are related mainly to TFR, as provided by Italian law.
The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Starting from 1 January 2007, the Finance Act (Law no. 296 of 27 December 2006, the "2007 Finance Act") and the relevant implementation decrees introduced important changes in the rules governing post- employment benefits (“TFR”), including the need for employees to decide on the allocation of their future benefits. In particular, this reform established that employees had to transfer the new amounts of their benefits to established pension funds or leave them with the Company; in the latter case, the Company would pay these amounts to a specific INPS (Italian social security institution) treasury account. Therefore, the post-employment benefits stated in the separate financial statements at the end of the year refers to the amount due to employees, not yet paid but vested up to 31 December 2006.

(r) Provisions

Provisions include certain or probable costs and charges, the amount or due date of which is unknown at year end. A provision is recognized when a company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow from the company of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The provisions are stated as the best estimate of the expenditure required to settle the obligation at the reporting date or to transfer it to a third party at that date. If the impact of discounting the time value of money is significant, the provision is determined by discounting the estimated outlay using a pre-tax discount rate that reflects the current market assessment of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

(t) Revenues

The Company adopted IFRS 15 starting 1 January 2018. For information on the measurement criteria applied to contracts with customers, see paragraph (b).

(u) Government grants

Grants relating to assets and income are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants related to assets are recognized as deferred revenue under Other liabilities in the statement of financial position and are taken to profit or loss on a systematic basis to offset them against the depreciation of the relevant assets. Grants relating to income are recognized under Other operating income.

(v) Financial income and expense

The Company's financial income and expense comprise:

- interest income;
- interest expense;
- dividends received;
- dividends on preference shares classified amongst liabilities;
- net profits or losses deriving from the sale of debt securities measured at FVOCI;
- net profits or losses from financial assets at FVTPL;
- exchange gains or losses on financial assets and liabilities;
- losses (restoration of losses) for impairment of debt securities accounted for at amortized cost or FVOCI;
- income deriving from a business combination for revaluation at fair of any investment already held in the acquiree;
- reductions in the fair value of the potential price classified as financial liabilities;
- ineffectiveness of the hedge noted in Profit or loss; and
- reclassifications of net profit or loss previously accounted for to other comprehensive income on cash flow hedges connected with the interest rate risk or exchange rate risk for financial liabilities.

Interest income and expense are recognized in Profit or loss on an accrual basis using the effective interest method. Proceeds for dividends are accounted for when the right of the Company to receive payment is established.

The "effective interest rate" corresponds to the rate that exactly discounts estimated future payments or collections throughout the life of the financial asset:

- at the gross book value of the financial asset; or
- at the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(x) Determination of fair value

Fair value is the price that would be received as at the date of valuation for the sale of an asset or which would be paid for the transfer of a liability in a regular transaction between market operators on the main market (or most advantageous) to which the Company has access at that time. The fair value of a liability reflects the effect of a risk of default.

Several standards and disclosure requirements require the determination of fair value of financial and non-financial assets and liabilities.

Where available, the Company measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with a frequency and volumes that suffice to provide useful information in determining the price on a continuous basis.
For lack of a price listed on an active market, the Company uses measurement techniques, maximising the use of input data that can be observed and minimising use of input data that cannot be observed. The chosen measurement technique includes all factors that market operators would consider in the estimate of the price of the transaction.
If an asset or liability measured at fair value has a cash price or bid price, the Company measures the active positions and long positions at the cash price and liabilities and short positions at the bid price.
The best evidence of the fair value of a financial instrument at the time it is first accounted for, is usually the price of the transaction (i.e. the fair value of the price given or received). If the Company notes a difference between the fair value at the time of initial booking and the transaction price and fair value is not determined neither by using a price listed on an active market for identical assets or liabilities nor by means of a measurement technique for which input data is not observed and is considered insignificant, the financial instrument is initially measured at fair value, rectified to differentiate between the fair value at the time of initial booking and the transaction price. Subsequently, this difference is noted in the Profit or loss throughout the duration of the instrument using a suitable method, but not beyond the time when the valuation is entirely supported by market data that can be observed or the transaction is completed.

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 market 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 are categorized into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

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

(w) Standards, amendments and interpretations not yet applicable

Below are the new standards applicable for the years beginning after 1 January 2018, for which early application is allowed. However, the Company has decided not to adopt them early for preparation of these separate financial statements.
Of the standards that are not yet applicable, it is expected that IFRS 16 shall have a significant effect on the Company's financial statements in the period of first application.

IFRS 16 Leasing

The Company is required to adopt IFRS 16 Leases from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

— the Company has not finalised the testing and assessment of controls over its new IT systems; and

— the new accounting policies are subject to change until the Company presents its first financial
statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.
IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases where the Company is the lessee

The Company will note new assets and liabilities for operating leases relative to rented lands, structures hosting warehouses and plants, the hire of production lines, vehicles used in plants and IT hardware. The nature of the costs relating to such leases will change insofar as the Company will be amortizing the assets for the right of use and financial expenses on the leasing liabilities.
Previously, the Company accounted for the costs for operating leases on a straight line basis throughout the duration of the lease and noted the assets and liabilities only where there were temporary differences between when the lease charges were paid and the costs recorded.
No significant impact is expected for the Company's financial leases.
On the basis of the information available at present, the Company expects to record additional liabilities for leases for Euro 2 million as at 1 January 2019.

The Company does not expect the adoption of IFRS 16 to influence its contractual restrictions as envisaged in the loan contracts.

ii. Leases where the Company is the lessor

The Company will re-assess the classification of sub-leasing in which it acts as lessor. On the basis of the information available at present, no significant impacts are expected in this case.

iii. First application

The Company intends to apply IFRS 16 from the date of first application (i.e. 1 January 2019), using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 will be noted as a rectification of the opening balances of profit carried forward as at 1 January 2019, without restatement of the comparative information.

The Company intends to apply the practical expedient that allows it not to adopt the new definition of leasing at the time of making the move to the new standard. In other words, the Company will apply IFRS 16 to all contracts stipulated before 1 January 2019, which were previously identified as leases in compliance with IAS 17 and IFRIC 4.

Other standards

It is not expected that the following changes to standards or interpretations will have any significant effect on the Company's separate financial statements:

- IFRIC 23 “Uncertainty over Income Tax Treatments”
– Prepayment Features with Negative Compensation (Amendments to IFRS 9).

The European Union had not yet completed its endorsement process for these standards and amendments at the date of these separate financial statements:

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards (2015-2017 Cycle) - various standards.
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts

(3) Business combinations

On 31 July 2018, Space4 S.p.A. acquired 67% of pre-merger Guala Closures, the parent of the pre-merger Guala Closures Group and, on 6 August 2018, Guala Closures S.p.A. was merged into Space4 S.p.A. Furthermore, the latter company and its group changed their name to Guala Closures S.p.A. and Guala Closures Group, respectively.

Specifically, the following took place on the group's acquisition date:

(a) Space4 purchased 52,316,125 ordinary shares held by the former ultimate parent of the pre-merger Guala Closures Group, GCL Holdings SCA ("GCL"),

(b) GCL transferred 7,403,229 pre-merger Guala Closures ordinary shares to PII G S.à.r.l.,

(c) GCL transferred 1,480,646 pre-merger Guala Closures ordinary shares to Quaestio Capital SGR unipersonale S.p.A., as the manager of Quaestio Italian Growth Fund.

Moreover, GCL has made the following transfers:

(a) 2,601,089 ordinary shares to GCL Holdings LP S.à.r.l. ("LP"),

(b) transfer of 351,202 ordinary shares to Private Equity Opportunities Fund II SCS-SIF, Compartment B, ("PEOF").

As a result of the above transactions, the share capital of pre-merger Guala Closures was comprised as follows:

— approximately 67% was held by Space4;

— approximately 19% was held by GCL;

— approximately 9% was held by PII G S.à r.l;

— approximately 1% was held by Quaestio Capital SGR unipersonale S.p.A., on behalf of Quaestio Italian Growth Fund;

— approximately 3% was held by LP;

— approximately 1% was held by PEOF.

On 6 August 2018, Space4 S.p.A. carried out a Euro 17,566,646 capital increase to serve the merger, as a result of which the shareholders of pre-merger Guala Closures received Space4 shares in exchange as follows:

Price per pre-merger Guala Closures share (Euro 6.75381)/Price per Space4 share (Euro 10.00).

In line with the company object of Space 4 S.p.A., the combination has determined a positive difference between the price paid (equal to the price paid by Space4 S.p.A. in addition to the fair value of the shares issued to serve the merger in the favour of GCL Holdings SCA, PII G S.a.r.l., Quaestio Capital SGR , GCL Holdings LP S.a.r.l., PEOF) and the fair value of the management warrants and Tobin Tax and the net assets acquired.
In accordance with IFRS 3, if the sum of the prices transferred exceeds the fair value of the net assets acquired and net liabilities assumed as at the date of the acquisition, this surplus is noted as Goodwill. As the merger took place with effect on 6 August 2018, the business combination was accounted for as at the merger date, taking into account, in accordance with OPI 2R "Accounting of business combinations on the separate financial statements (October 2016)", as maximum value the capital gains that have emerged from the business combination of Guala Closures Group as at 31 July 2018, the date on which the handover of control took place of the Group from the previous shareholders.

The identifiable assets acquired and liabilities that can be identified, assumed by Guala Closures S.p.A., were therefore measured at fair value as at the merger date, with the exception of deferred tax and some liabilities associated with employee benefits, which were accounted for in accordance with the reference standard, in compliance with IFRS 3.

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Space4's net cash flow absorbed by the acquisition is showed below

Thousands of Euro	
Consideration paid at the date of acquisition by Space4 S.p.A.	354,040
Cash and cash equivalents acquired	(12,408)
Net cash flow absorbed at date of acquisition	**341,632**

The consideration transferred for the purchase of 100% of Guala Closures Pre-Merger shares is composed as follows:

Euro thousand

Consideration paid at the date of acquisition by Space 4 S.p.A.	**(A)**	**354,040**
Space4's equity instruments given in exchange		
Share capital increase to serve the merger pertaining to GCL Holdings SCA		95,666
Share capital increase to serve the merger pertaining to PII G S.à.r.l		50,000
Share capital increase to serve the merger pertaining to Quaestio Capital SGR		10,000
Share capital increase to serve the merger pertaining to GCL Holdings LP S.a.r.l		16,921
Share capital increase to serve the merger pertaining to PEOF		2,372
Space4's Equity instruments issued	**(B)**	**174,960**
Total consideration transferred	**(C=A+B)**	**529,000**
Fair Value Management Warrants pre-merger Guala Closures	**(C)**	**1,334**
Total Consideration for the purchase of 100% of shares in pre-merger Guala Closures	**(A+B+C)**	**530,334**

Pre-merger Guala Closures shares were exchanged in the ratio of 0.675381 Space4 shares for every Guala Closures share based on an independent appraisal. Consequently, the fair value of the residual 33% of pre-merger Guala Closures shares exchanged with Space4 shares was calculated to be Euro 174,960 thousand.

On 30 July 2018, Guala Closures pre-merger had arranged for a share capital increase in exchange for payment for approximately Euro 25 million in equivalent value, fully subscribed and released by GCL. These shares, concerned by the subsequent business combination, were matched to 1,480,646 GC management warrants, which were exchanged with the management warrants given in exchange as part of the merger and as at the date of the merger effect, 1,000,000 management warrants were issued at the same exchange as the merger. Therefore, the fair value of these management warrants in exchange, and included in the price paid for the business combination, has been recognised as Euro 1,334 thousand.

The amounts reported with reference to the assets acquired and liabilities assumed at the acquisition date are summarised below:

Euro thousands	Carrying amounts before acquisition	Provisional adjustments for fair value measurement	Provisional amounts recognized at acquisition
Property, plant and equipment	44,529		44,529
Intangible assets	270,171		270,171
Inventories	20,612	990	21,602
Trade receivables - third parties	47,807		47,807
Trade payables - third parties	(27,733)		(27,733)
Net deferred tax assets	(734)		(734)
Other current/non-current assets/liabilities	(9,252)		(9,252)
Cash and cash equivalents	12,408		12,408
Current financial assets	1,936		1,936
Non-current financial assets	280,695		280,695
Net deferred tax liabilities	(1,587)	(276)	(1,863)
Current financial liabilities	(554,653)		(554,653)
Non-current financial liabilities	(4,187)		(4,187)
Employee benefits	(4,035)		(4,035)
Current/non-current provisions	(2,131)		(2,131)
Fair value of nets assets and liabilities acquired	**73,846**	**714**	**74,560**
Adjustment of pre-existing goodwill recognised under intangible assets	(258,012)		(258.012)
Fair value of net identifiable assets and liabilities	**(184.166)**	**714**	**(183,452)**

Measurement of fair values

Trade receivables comprised gross contractual amounts due of Euro 48,630 thousand, of which Euro 823 thousand was expected to be uncollectable at the date of acquisition.

The transaction has only been provisionally recognised in the separate financial statements at 31 December 2018 as the PPA procedure for acquired assets, assumed liabilities and contingent liabilities of Guala Closures S.p.A. it is still ongoing.

The measurement techniques used to determine the fair value of the main assets acquired, are explained below.

Assets acquired	Valuation technique
Inventories	*Market comparison technique:* The fair value of inventories is calculated using the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and a suitable profit margin based on the efforts required to complete or sell the inventories.

The following fair values have been provisionally determined, insofar as analysis is not yet complete.

- The fair value of intangible assets (trademark, patented technology of Guala Closures and commercial relations with the clients) is currently being determined whilst awaiting completion of an appraisal by an independent third party.

- The fair value of tangible assets (land and buildings and plant and machinery of Guala Closures S.p.A.) is currently being determined whilst awaiting completion of an appraisal by an independent third party.
- The fair value of the equity investments is currently being determined whilst awaiting completion of an appraisal by an independent third party.

If the new information obtained within one year from the acquisition date relating to facts and circumstances existing at the acquisition date will lead to adjustments to the amounts indicated or to any other fund existing at the acquisition date, the acquisition accounting will be reviewed.

As required by IFRS 3, the pro forma figures are given below as if the business combination had taken place at the beginning of the year. Specifically, the net revenues and the profit from the date of acquisition have amounted to approximately Euro 47.4 million and Euro 12.9 million, respectively.
Net revenues and loss for the twelve months of 2018 would have respectively been approximately Euro 121.9 million and Euro 4.7 million (for more details on pro-forma figures, see the information given in the Directors' report).

The Company incurred acquisition-related costs of approximately Euro 10.1 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been mainly included in legal/consultancy expenses of the statement of profit or loss and other comprehensive income/(expense).

Goodwill

Goodwill arising from the acquisition was recognized as follows:

Thousands of Euro		
Determination of the total price		
Total consideration transferred		529,000
Fair Value Management Warrants		1,334
Total consideration for the purchase of 100% of the shares	**(A)**	**530,334**
Adjustment for Tobin tax	(B)	707
Total	**(C=A+B)**	**531,041**
Determination of net identifiable assets and liabilities		
Net assets and liabilities acquired	(D)	73,846
Adjustment of pre-existing Goodwill recognised in intangible assets	(E)	(258,012)
Net identifiable assets and liabilities	**(F=D+E)**	**(184,166)**
Determination of initial difference to be allocated		
Initial difference to be allocated	**(G=C-F)**	**715,206**
Provisional adjustments for fair value measurement of net identifiable assets and liabilities		
Inventories		990
Deferred tax liabilities		(276)
Total provisional adjustments for fair value measurement of net identifiable assets and liabilities	**(H)**	**714**
Goodwill arising from the acquisition		
Total goodwill arising from the acquisition	**(I=G-H)**	**714,492**

Given the short interval between the date of the business combination and the reporting date of 31 December 2018 of these separate financial statements, the complexities of the PPA procedure for the acquired assets, assumed liabilities and contingent liabilities and the longer term of 12 months from the date of the business combination allowed by the relevant standard because of the above complexities, a provisional amount of Euro 714.5 million was recognised in “Goodwill” in these separate financial statements as at 31 December 2018, equal to the difference between the consideration paid by the buyers to purchase pre-merger Guala Closures shares and the identified consolidated net liabilities of Guala Closures S.p.A.
Goodwill deriving from the acquisition mainly refers to the competences and technical knowledge of staff, customer relations, the value of intangible assets in general and the value of the equity investments held by Guala Closures S.p.A.

The recognised goodwill will not be deductible for income tax purposes.

STATEMENT OF FINANCIAL POSITION

(4) Cash and cash equivalents

This caption represents the balance of the bank and postal deposits considering the nominal amount of the bank accounts held.

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Bank and postal accounts	512,206	12,391	16,090
Cash and cash equivalents	-	17	17
Total	**512,206**	**12,408**	**16,108**

(5) Current and non-current financial assets

These captions for € 219,570 thousand relates to transactions between Guala Closures S.p.A. and its subsidiaries as of 31 December 2018, and for € 38 thousand to financial assets to third parties.

Below is information on the contractual terms regulating the loan agreements between Guala Closures S.p.A. and the subsidiaries.
At 6 August 2018 the amounts were:
- Current financial assets € 1,936 thousand
- Non-current financial assets € 195,850 thousand

This note provides information on the contractual terms regulating the loan agreements between Guala Closures S.p.A. and the subsidiaries.

(thousands)

Beneficiary	Contract date	Date of contract effect	Contract expiry date	Original amount	Outstanding amount at 31/12/2018	Outstanding amount in Euro at 31/12/2018 current	Outstanding amount in Euro at 31/12/2018 non current	Interest rate
Guala Closures International B.V.	15/06/2011	20/04/2011	15/11/2021	€ 120.000	€ 110.300		€ 110.300	Euribor 3M + 4,0%
Guala Closures International B.V.	11/11/2016	11/11/2016	15/11/2021	€ 59.900	€ 59.900		€ 59.900	Euribor 3M + 4,0%
Guala Closures International B.V.	31/07/2018	31/07/2018	15/11/2021	€ 22.900	€ 22.900		€ 22.900	Euribor 3M + 4,0%
Guala Closures International B.V.	14/11/2018	14/11/2018	31/12/2020	£ 19.000	£ 18.000		€ 20.122	Libor GBP 3M + 4,0%
Guala Closures Argentina SA	26/11/2018	26/11/2018	31/12/2019	€ 1.000	€ 1.000		€ 1.000	Euribor 3M + 4,0%
Guala Closures Chile SPA	03/11/2017	03/11/2017	31/12/2019	€ 2.500	€ 2.500		€ 2.500	4,0%
Guala Closures Chile SPA	16/04/2018	16/04/2018	31/12/2019	€ 500	€ 500		€ 500	4,0%
Guala Closures Chile SPA	12/09/2018	12/09/2018	31/12/2019	€ 450	€ 450		€ 450	4,0%
Guala Closures Chile SPA	15/11/2018	15/11/2018	31/12/2019	€ 350	€ 350		€ 350	4,0%
Guala Closures Japan KK	12/12/2017	12/12/2017	31/12/2019	€ 150	€ 150	€ 150		Euribor 3M + 5.25%
Guala Closures Japan KK	04/10/2018	04/10/2018	31/12/2019	€ 500	€ 500	€ 500		Euribor 3M + 5.25%
United Closures And Plastics Limited	16/12/2018	16/12/2018	31/12/2020	£ 500	£ 500		€ 559	Libor GBP 3M + 4.0%
Total						**€ 650**	**€ 218.581**	

The table shows the notional value of intercompany loans granted to subsidiaries. In addition, current financial assets include interest accrued on these loans and amounting to € 339 thousand at December 31, 2018.

Current and non-current financial assets due from subsidiaries may be analysed at 31 December 2018 as follows:

(Euro thousands)	Total 31/12/2018	Current financial assets	Non-current financial assets
Loans due from:			
Guala Closures Japan	656	656	-
Guala Closures International B.V.	213,390	168	213,222
Guala Closures Chile SPA	3,961	161	3,800
Guala Closures Argentina S.A.	1,004	4	1,000
United Closures and Plastics Ltd.	560	1	559
TOTAL FINANCIAL ASSETS	**219,570**	**989**	**218,581**

Non-current financial assets from third parties, amounting to €38 thousand, refer mainly to guarantee deposits. The carrying amount of non-current financial assets towards third parties corresponds to their fair value at the balance sheet date.

(6) Trade receivables

This item includes €12,765 thousand to third parties and €28,094 thousand to related parties.

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Trade receivables	-	18,446	13,388
Allowance for bad debts	-	(823)	(623)
Total	**-**	**17,623**	**12,765**

The allowance for impairment changed as follows:

(Euro thousands)	31 December 2018
Business combination	823
Allowance of the year	-
Utilisation	(200)
Closing provision for doubtful debt	**623**

The allowance at 31 December 2018 refers mostly to amounts more than 90 days overdue for a few foreign customers. The residual part relates to other customers that have indicated that they do not expect to be able to pay their outstanding balances, mainly due to their financial difficulties.

Utilisation of the period is related to the reversal of a part of the provision found to be surplus to the actual risk of insolvency.

This caption also includes trade receivables with third party subsidiaries at 31 December 2018 as follow:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Amounts due from subsidiaries	-	30,184	28,094
Total	**-**	**30,184**	**28,094**

Receivables due from subsidiaries may be further analysed as follows:

(Euro thousands)	31 December 2017	31 December 2018
Guala Closures Mexico S.A. de C.V.	-	5,832
Guala Closures Argentina S.A.	-	4,031
Guala Closures South Africa PTY Ltd	-	3,991
Guala Closures Chile S.p.A.	-	3,092
Guala Closures UK Ltd	-	2,522
GCL International SARL	-	2,128
Guala Closures Iberica S.A.	-	1,953
Beijing Guala Closures Ltd	-	832
Guala Closures New Zealand Ltd	-	705
Guala Closures Australia Pty Ltd	-	568
Guala Closures Ukraine LLC	-	435
Guala Closures do Brasil LTDA	-	380
Guala Closures (India) Pvt Ltd	-	549
Guala Closures DGS Poland SA	-	295
Guala Closures North America Inc.	-	271
GCL Pharma S.r.l.	-	176
Guala Closures France SAS	-	137
Guala Closures de Colombia Ltda	-	144
Guala Closures Bulgaria A.D.	-	45
Guala Closures Japan KK	-	8
Total	**-**	**28,094**

Intragroup receivables mainly relate to trading transactions and they are part of ordinary operations agreed at normal market conditions.

(7) Inventories

This item includes

(Euro thousands)	31 December 2017	31 December 2018
Raw materials, consumables and supplies	-	6,814
(Allowance for inventory write-down)	-	(805)
Work in progress and semi-finished products	-	5,186
(Allowance for inventory write-down)	-	(381)
Finished products and goods	-	3,656
(Allowance for inventory write-down)	-	(245)
Payments on account	-	14
Total	**-**	**14,238**

Changes in this caption are as follows:

(Euro thousands)	
Value at 1 January 2018	-
Business combination	21,602
Change in raw materials, consumables and supplies	(2,717)
Change in semi-finished products and finished goods	(4,637)
Change in payments on account	(9)
Value at 31 December 2018	**14,238**

The allowance for inventory write-down varied as follows:

	31 December 2018
Opening allowance for inventory write-down	-
Business combination	1455
Allowance of the year	433
Utilization	(457)
Closing allowance for inventory write-down	**1,431**

(8) Current direct tax assets

Current direct tax assets of Euro 461 thousand at 31 December 2018 may be analysed as follows:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
IRAP credit	-	152	237
IRES being offset within the year	-	36	224
Total	**-**	**189**	**461**

(9) Current indirect tax assets

Current indirect tax assets of €1,534 thousand at 31 December 2018, €1,255 thousand, at 31 July 2018 relate to VAT.

(10) Financial derivative assets

This item includes

(Euro thousands)	**31 December 2017**	**GC S.p.A. balances at the Merger date 6 August 2018**	**31 December 2018**
Fair value of currency derivatives in GBP	-	-	146
Total	**-**	**-**	**146**

The following table shows the detail of the swap contracts on foreign currencies, in place at December 31, 2018.
As the formal requirements of IFRS 9 for accounting according to hedge accounting were not met, these derivatives are accounted for as a trading instruments.

Contract expiry	**Hedge value**	**Transaction type**	**Amount hedged (thousands of GBP)**	**Forward exchange rate (GBP/EUR)**	**31 December 2018 Fair Value Assets/(Liabilities) (thousand s of Euro)**
January 2019	GBP	Sale	922	0.88280	15
February 2019	GBP	Sale	97	0.88380	2
March 2019	GBP	Sale	762	0.88490	12
April 2019	GBP	Sale	822	0.88610	13
May 2019	GBP	Sale	854	0.88730	13
June 2019	GBP	Sale	835	0.88850	13
July 2019	GBP	Sale	971	0.88970	15
August 2019	GBP	Sale	1,006	0.89100	15
September 2019	GBP	Sale	992	0.89230	14
October 2019	GBP	Sale	455	0.89350	7
November 2011	GBP	Sale	984	0.89470	14
December 2019	GBP	Sale	1,035	0.89610	15
Total forward GBP sale			**9,735**		**146**

(11) Other current assets

This item towards third parties includes

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
INAIL credits	-	11	132
Receivables due from employees		15	15
Other receivables	84	53	35
Total	**84**	**79**	**182**

This item towards related parties includes

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Receivables for investments Guala South Africa	-	1,956	2,072
Receivables for investments Guala Chile	-	415	553
Receivables for investments Beijing Guala	-	224	222
Receivables for investments Guala Cl. Bulgaria	-	-	153
Receivables for investments GCL International	-	156	158
Receivables for investments Guala Cl. Argentina	-	127	134
Receivables for investments Guala Cl. De Mexico	-	121	126
Receivables for investments Axiom	-	61	73
Receivables for investments Guala Cl India	-	43	33
Receivables for investments Guala Cl. North America	-	50	21
Receivables for investments Guala Cl. Iberica	-	20	9
Receivables for investments Guala Cl. De Colombia	-	1	9
Receivables for investments Guala Cl. Australia	-	46	2
Receivables for investments Guala Cl. New Zealand	-	28	2
Receivables for investments Guala Cl. U.K.	-	-	1
Receivables for investments Guala Cl. Do Brasil	-	-	1
GCL Pharma S.r.l.	-	297	398
Total	**-**	**3,545**	**3,966**

(12) Investments

Investments in subsidiaries totalling Euro 84,841 thousand and arose from the merger of Space4 S.p.A. and Guala Closures S.p.A.

a) Investments in subsidiaries

Investments in directly controlled companies at 31 December 2018 may be analysed as follows:

(Euro thousands)	Carrying amount	Equity
Guala Closures International B.V.	80,939	145,760
GCLPharma S.r.l.	3,845	6,188
Total	**84,784**	**151,948**

Equity of Guala Closures International B.V. refers to the consolidated management accounts of Guala Closures International as of 31 December 2018.

b) Investments in other entities

The Company holds an investment of Euro 11 thousand in “Consorzio per la promozione della cultura plastica” (PROPLAST), with registered office in Tortona.

A portion of Euro 33 thousand in Wallfarm S.r.l. with registered office in Rome

It also holds an investment of Euro 2 thousand, or 20%, in IACOMEC S.r.l., with registered office in Latina.

The total carrying amount of the three investments is Euro 46 thousand. Other investments amount to Euro 10 thousand and may be analysed as follows:

Euro thousands	Conai consortium	Replastic consortium	Idroenergia S.c.r.l.	Others	Total
Net merger value	6	2	1	2	**10**
Changes of the year	-	-	-	-	**-**
Value at 31 December 2018	6	2	1	2	**10**

(13) Property, plant and equipment

The following table shows the changes in the item:

(Euro thousands)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Net book value at 31 December 2017	-	-	-	-	-	-
Historic cost GC S.p.A. balances at the Merger date 6 August 2018	27,353	90,405	28,984	2,090	2,157	**150,990**
Accumulated depreciation GC S.p.A. balances at the Merger date 6 August 2018	(7,808)	(72,066)	(24,615)	(1,972)	-	**(106,461)**
Increases	-	-	3	-	4,317	**4,320**
Decreases	-	(103)	(61)	-	(511)	**(675)**
Decreases of Accumulated depreciation	-	103	61	-	-	**164**
Reclassifications	218	3,777	1,135	46	(5,175)	**-**
Amortization	(299)	(1,702)	(432)	(13)	-	**(2,446)**
Historical cost at 31 December 2018	27,571	94,078	30,061	2,135	788	**154,634**
Accumulated depreciation at 31 December 2018	(8,107)	(73,665)	(24,986)	(1,985)	-	**(108,743)**
Net book value at 31 December 2018	**19,464**	**20,413**	**5,075**	**150**	**788**	**45,891**

The main investments of 2018 took place:

- in Alessandria for the new lateral printing declaration line for the Aperol project (Euro 940 thousand), for the Rosc 33 printing (Euro 210 thousand) and the new Prima NR printing kit (Euro 200 thousand).

- in Termoli for the revision of the machinery for the NFC project (Euro 250 thousand)

- in Magenta for the strengthening of the line 28 Australia (Euro 360 thousand) and the making safe of plants (Euro 200 thousand).

Property, plant and equipment include work performed by the entity and capitalised.

The remaining increase in Industrial and commercial equipment is mainly related to capacity for new products and to new technology at the Spinetta plant.

Increases in Assets under construction and payments on account mainly relate to ramping up the production capacity of existing lines.

The caption includes the carrying amount of leased assets (Euro 11,542 thousand), against which the Company has recognized current financial liabilities (Euro 2,548 thousand) and non-current financial liabilities (Euro 3,091 thousand).

The Company subjected its assets to monetary revaluations to the extent permitted by Laws no. 576/75, 72/83 and 413/91 in the past, as well as with respect to the allocation of goodwill arising from mergers. These are the only revaluations that have been carried out, as the Company has not carried out any revaluations not permitted by tax legislation since the date of acquisition of recognized assets, nor has it deviated from the normal measurement criteria set forth in the provisions of articles 2423-bis and 2426 of the Italian Civil Code.

Pursuant to article 10 of Law no. 72/1983, assets recognized in the financial statements at 31 December 2018, which were revalued in previous years under specific laws or in relation to one of the mergers carried out in the past, are set out below.

Euro thousands	**1997 merger**
Land and buildings	1,214
Plant and machinery	774
TOTAL	**1,988**

(14) Intangible assets

The following table shows the changes in the item:

Euro thousands	**Development expenditure**	**Licences and patents**	**Goodwill**	**Other**	**Assets under construction and payments on account**	**Total**
Net book value at 31 December 2017	**-**	**-**	**-**	**-**	**-**	**-**
Net merger effect value	979	9,902	714,492	-	1,279	**726,652**
Increases	-	259	-	-	496	**755**
Decreases	-	-	-	-	(33)	**(33)**
Impairment losses	-	-	-	-	(33)	**(33)**
Reclassifications	536	-	-	-	(762)	**(225)**
Depreciation and amortization	(335)	(646)	-	-		**(982)**
Net book value at 31 December 2018	**1,179**	**9,514**	**714,492**	**-**	**947**	**726,133**

During 2018, research expenditure of roughly Euro 0.3 million was expensed, while development expenditure of roughly Euro 0.3 million was capitalized.

As indicated in Note (2) Accounting policies, goodwill is not amortised, but only potentially impaired. The Company performs an impairment test at least once a year, or more frequently where specific events and circumstances arise that may suggest a loss in value, through specific assessments on each cash generating unit (CGU).

As the PPA process is still in progress, for both the Company and the Group, for the purpose of these separate financial statements has been used the impairment test carried out for the consolidated financial statements, insofar as the goodwill provisionally accounted for to the separate financial statements refers to the potential capital gains to be allocated to the value of capital invested by the Company and its equity investments.

Goodwill allocated to the CGU Closures on a Group level has been impairment tested as at the reporting date and the result did not reveal any need to write down the book values recognised for goodwill as at 31 December 2018.

The potential recovery of the values recognised is verified by comparing the net invested capital (book value) of the CGU with the related recoverable value. The recoverable value of goodwill is given by the determination of the value in use, intended as the current value of operating cash flows deriving from the forecasts of the multiple year plans approved by the Group and a terminal value that is normalised and used to express a summary estimate of future results beyond the time frame specifically considered. These cash flows are then discounted using discounting rates that represent current market valuations of the cost of money and that consider specific risks of the Group's business and CGU considered.

The discounted cash flow model is based on cash flow for a period of five years on the basis of the business plan approved by the Board of Directors on 08 March 2019, which envisages a compound annual growth rate (CAGR) of net revenues and EBITDA, respectively of 5.3% and 7.1%. The terminal growth rate has been determined on the basis of the long-term compound annual growth rate of EBITDA, which has been estimated by the company's management team in line with the hypotheses that would be prepared by a market operator. Such growth rate is consistent with management's expectation of growth in high value safety closures, across the world, especially in developing countries.

In the 2018 valuation, the following assumptions have been utilised:

- the WACC of the Closures Division has been calculated weighting the WACC of each country with a percentage of 2018 net revenues per destination market of each country, with respect to net consolidated revenues, with a weighted average of 8.9%;
- long-term growth rate "g": a value of 3.0% was used, calculated by weighting the estimated inflation rate of each country by the incidence of net revenues per destination market on total net revenues, in line with the calculation of the terminal value and the weighted average growth of Guala Closures Group on the various reference markets. Such "g" rate is consistent with both Guala Closures Group's historical growth rate and forecast future market developments.

The discounting rate corresponds to an estimate, net of tax, determined according to past experience and the average cost of capital of the industrial sector, based on a possible percentage indebtedness of 33% at the market interest rate of 3.5%.

The recoverable value estimated exceeds the book value by more than Euro 58 million.

It should be specified that the Group management is in charge of developing estimates and projections based on the past experience and expectations about the future outlook of the market in which the Group operates. To this end, please note that the current international macro-economic situation and the possible economic-financial impacts, in particular the commercial wars underway between the various countries, may result in uncertainty surrounding the achievement of objectives and levels of activity considered in the plan, yet without resulting in any onset of impairment of the goodwill accounted for. However, the estimate of the recoverable value of goodwill requires discretion and the use of estimates by management and, although considering that part of the

estimates for net revenues and gross operating profit of the CGU Closures may slide back by a year and thereafter in any case reach the growth expected in all for the plan, it cannot be excluded that goodwill may need to be impaired in future periods due to changes in scenario that cannot, to date, be forecast.

The circumstances and the events that could lead to an additional impairment test shall be monitored by the Group's management on an ongoing basis.

In consideration of the foregoing, the Group has performed sensitivity analyses with changing WACC and g rates. More specifically, an increase of 30 bp in the g rate would coincide with an increase in the recoverable value in use of approximately Euro 46 million, whilst a decrease of 20 bp would coincide with a decrease in the recoverable value in use of approximately Euro 48 million, in any case fully recovering the book value. As regards changes in the WACC, it is reported that a decrease in this rate by 30 bp would coincide with an increase in the recoverable value in use of approximately Euro 56 million, whilst a decrease of 20 bp would coincide with a decrease in the recoverable value in use of approximately Euro 51 million, not in any case requiring any impairment of the book value.
Goodwill has never been impaired.

(15) Deferred tax assets and liabilities

The following table gives a breakdown of the captions at 31 December 2018:

(Euro thousands)	**Assets**		**Liabilities**		**Net**	
	31 December 2017	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**
Representation expenses	-	-	-	-	-	0
Provision for agents' leaving indemnity	-	27	-	-	-	27
Provision for inventories	-	344	-	-	-	344
Provision for bad debt (taxable)	-	150	-	-	-	150
Provision for damages and penalties	-	132	-	-	-	132
Depreciation and amortization	-	75	-	(2,557)	-	(2,482)
Other	-	25	-	(60)	-	(35)
Leases	-	118	-		-	118
Employee benefits	-	-	-	0	-	0
Derivatives	-	14	-		-	14
TOTAL	**-**	**885**	**-**	**(2,617)**	**-**	**(1,732)**

Changes in net deferred tax assets/liabilities may be detailed as follows:

(Euro thousands)	31 December 2017	Balances of Guala Closures as at the merger date 06/08/2018	Changes in profit or loss	Changes in equity 31-12-2018	31 December 2018
Representation expenses	-	-	-	-	-
Provision for agents' leaving indemnity	-	27	-	-	27
Provision for inventories	-	349	(5)	-	344
Adjustment inventory for PPA		(277)	277	-	-
Provision for bad debt (taxable)	-	194	(44)	-	150
Provision for damages and penalties	-	286	(153)	-	132
Depreciation and amortization	-	(2,615)	132	-	(2,482)
Other	-	27	(61)	-	(35)
Leases	-	117	-	-	117
Employee benefits	-		-	-	-
Derivatives	-	28	-	(14)	14
TOTAL	**-**	**(1,863)**	**145**	(14)	**(1,732)**

The rates applied to calculate deferred tax assets and liabilities are as follows:
IRES: 24% - IRAP: 3.9%.
No deferred tax assets have been recognized on losses carried forward since the Company has no availability of future taxable profit against which tax losses carried forward can be used.

The tax losses that can be carried forward with no time limit, also recognized by the Italian Tax authorities as a result of the response to the query raised to avoid elusive treatment, net of those used to cover the 2018 tax income estimated, total Euro 150,991 thousand. If recognized, potential deferred tax assets on total tax losses that can be carried forward would amount to Euro 36,237 thousand at 31 December 2018.

(16) Other non-current assets

Other non current assets refer the receivables from tax authorities for withholdings on bank interest income of (Euro 18 thousand).

(17) Current and non-current financial liabilities

This section provides information on the contractual terms governing the Company's bank overdrafts, borrowings and bonds.

The main outstanding financing liabilities are the following:

Credit facilities	Amount in Euro thousands	Available amount (Euro thousands)	Amount used at 31 December 2018	Residual available amount at 31 December 2018	Repayment date
Bonds Guala Closures S.p.A. - Floating Rate Senior Secured Notes due 2024	455,000	455,000	455,000	-	final payment 15/04/2024
Revolving Credit Facility due 2024	80,000	80,000	11,179	68,821	final payment 28/02/2024
Total	**535,000**	**535,000**	**466,179**	**68,821**	

Reference should be made to note 44 Commitments and guarantees to these separate financial statements for information on the relevant guarantees given.

Financial liabilities at 31 December 2017 and 31 December 2018 are shown below:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Short-term bank loans and overdrafts			
Bonds	-	-	3,937
bank loans and borrowings	-	552,396	121
Other financial liabilities	12,500	2,257	6,774
	12,500	554,653	10,832
Medium/Long-term loans			
Bonds		-	441,383
bank loans and borrowings		-	10,439
Other financial liabilities		4,187	3,091
	-	4,187	454,912
Total	**12,500**	**558,840**	**465,744**

The terms and expiry dates of the financial liabilities at 31 December 2017 and 2018, included in the statement of financial position are shown below:

	Nominal amount					
(Euro thousands)	**Total 31/12/2017**	**Due within one year**	**Between one and five years**	**More than five years**	**Current**	**Non-current**
Bonds						
Total bonds	**-**	**-**	**-**	**-**	**-**	**-**
Bank loans and borrowings:						
Total bank loans and borrowings	**-**	**-**	**-**	**-**	**-**	**-**
Other financial liabilities:						
Market warrants	12,500	12,500		-	12,500	-
Total other financial liabilities	**12,500**	**12,500**	**-**	**-**	**12,500**	**-**
TOTAL	**12,500**	**12,500**	**-**	**-**	**12,500**	**-**

(Euro thousands)	**Total 31/12/2018**	**Due within one year**	**Between one and five years**	**More than five years**	**Current**	**Non-current**
Bonds						
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	455,000	-	-	455,000	-	455,000
Interest on bonds	3,937	3,937	-	-	3,937	-
Transaction costs	(13,617)	-	-	(13,617)	-	(13,617)
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.	**445,320**	**3,937**	**-**	**441,383**	**3,937**	**441,383**
Bank loans and borrowings:						
Senior Revolving Credit Facility - Guala Closures S.p.A.	11,179	-	-	11,179	-	11,179
Transaction costs	(740)	-	-	(740)	-	(740)
Total bank loans and borrowings	**10,439**	**-**	**-**	**10,439**	**-**	**10,439**
Other accrued expenses - Guala Closures S.p.A.	121	121	-	-	121	-
TOTAL bank loans and borrowings	**10,560**	**121**	**-**	**10,439**	**121**	**10,439**
Other financial liabilities:						
Market warrants	4,338	4,338	-	-	4,338	-
Guala Closures S.p.A. finance leases	5,526	2,436	3,091	-	2,436	3,091
Total other financial liabilities	**9,865**	**6,774**	**3,091**	**-**	**6,774**	**3,091**
TOTAL	**465,744**	**10,832**	**3,091**	**451,822**	**10,832**	**454,912**

The terms and expiry dates of the financial liabilities at 31 December 2018 are shown below:

(Euro thousands)	Currency	Nominal interest rate	Expiry date	Total 31/12/2018
Bonds				
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	EUR	Euribor 3M + 3.50%	2024	455,000
Interest on bonds	EUR	n.a.	2021	3,937
Transaction costs	EUR	n.a.	2024	(13,617)
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.				**445,320**
Bank loans and borrowings:				
Senior Revolving Credit Facility - Guala Closures S.p.A.	EUR / GBP	Euribor/Libor GBP 3M + 2.50%	2024	11,179
Transaction costs	Euro	n.a.	2024	(740)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.				**10,439**
Accruals and deferrals	EUR	n.a.	2019	121
Total bank loans and borrowings				**10,560**
Other financial liabilities:				
Market warrants	EUR	n.a.	n.a.	4,338
Guala Closures S.p.A. finance leases	EUR	euribor + 1.5% (*)	2020	5,526
Total other financial liabilities				**9,865**
TOTAL				**465,744**

(*) Nominal interest rate on the property finance lease.

(18) Trade payables

The item towards third parties is detailed as follows:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Suppliers	4,428	25,997	20,656
Payments on account/Advance payments	-	33	44
Total	**4,428**	**26,030**	**20,699**

At 31 December 2018, trade payables due to third parties may be detailed by geographical segment as follows:

	31 December 2017	31 December 2018
Europe	4,428	20,636
Latin America	-	33
Oceania	-	26
Rest of the world	-	3
Total	**4,428**	**20,699**

At 31 December 2018, trade payables due to third parties may be detailed by original currency as follows:

(Euro thousands)	EUR	USD	GBP	Other currencies	Total
Trade payables – third parties	20,552	26	95	26	**20,699**

Payables toward related parties are represented by amounts due to subsidiaries and may be analysed as follows:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Guala Closures Ukraina LLC	-	1,031	499
Guala Closures Iberica S.A.	-	199	219
Guala Closures DGS Poland SA	-	78	149
Guala Closures North America Inc.	-	97	109
Guala Closures France SAS	-	78	81
GCL Pharma S.r.l.	-	64	61
Guala Closures UK Ltd	-	14	44
Guala Closures New Zealand Ltd	-	-	21
Guala Closures South Africa Inc.	-	7	12
Guala Closures Australia PTY Ltd	-	1	12
Guala Closures do Brasil LTDA	-	20	4
Guala Closures Mexico S.A. de C.V.	-	6	3
Guala Closures Bulgaria AD	-	99	2
Guala Closures De Colombia Ltda	-	1	-
Guala Closures India Ltd		8	-
Total	**-**	**1,703**	**1,215**

At 31 December 2018, payables due to subsidiaries may be detailed by geographical segment as follows:

(Euro thousands)	31 December 2017	31 December 2018
Europe	-	1,054
Rest of the world	-	121
Oceania	-	33
Latin America	-	7
Total	**-**	**1,215**

At 31 December 2018, trade payables due to subsidiaries may be detailed by original currency as follows:

(Euro thousands)	EUR	USD	GBP	Other currencies	Total
Trade payables - subsidiaries	1,082	77	44	12	**1,215**

(19) Current direct tax liabilities

Current direct tax liabilities of Euro 123 thousand at 31 December 2018 relate for Euro 89 IRAP, thousand to IRAP and € 34 thousand for IRES, at 6 August 2018, at the merger there were € 207 thousand for IRAP and € 34 thousand for IRES

(20) Current indirect tax liabilities

Current indirect tax liabilities of Euro 955 thousand at 31 December 2018 relate to other indirect taxes.

The caption may be analysed as follows:

(Euro thousands)	31 December 2017	GC S.p.A. balances at the Merger date 6 August 2018	31 December 2018
Withholdings	-	1,785	880
Conai contribution	-	65	74
Substitute tax on post-employment benefits	-	18	1
Total	**-**	**1,868**	**955**

(21) Provisions

This caption may be detailed as follows:

CURRENT PROVISIONS

(Euro thousands)	31 December 2017	31 December 2018
Provision for risks	-	710
Provision for returns	-	409
Total current provisions	**-**	**1,119**

The provision for returns reflects the value of customer returns and claims received in connection to goods sold.

The provision for risks refers to tax matters relating to the period 2015-2016. Although Guala Closures S.p.A. (the entity resulting from the inverse merger of GCL Special Closures S.r.l. into Guala Closures S.p.A. in 2012) believes that it has been in full compliance with all laws and regulations applicable at that time, it agreed to a settlement to resolve the dispute with the Italian Tax Authority. Consequently, in 2018, for the years 2013-2014, the Company paid Euro 0.8 million, with Euro 0.7 million remaining in the provision for risks, to be paid in 2019, for the remaining years 2015-2016.

NON-CURRENT PROVISIONS:

(Euro thousands)	31 December 2017	31 December 2018
Provision for supplementary agent indemnity	-	140
Provision for legal disputes	-	77
Provision for contingencies	-	9
Total non-current provisions	**-**	**226**

The provision for risks concerns a pending dispute on VAT for certain exports, that dates back to 2011. Pending disputes are not expected to be resolved within the next twelve months.

Provision for legal disputes mainly include an Allowance made in 2017, in relation to the accidents that took place in Magenta, where Guala Closures S.p.A. is involved as a party to the proceeding for the administrative infringement provided for by art. 5 letter a) and 25 septies paragraph 3 of Italian Legislative Decree 231/2001.

Changes in the provisions are as follows:

CURRENT PROVISIONS:

(Euro thousands)	31 December 2018
Opening current provisions	-
Net merger effect	1,907
Allowance of the year	207
Utilisation	(995)
Closing current provisions	**1,119**

NON-CURRENT PROVISIONS:

(Euro thousands)	31 December 2018
Opening non-current provisions	-
Net merger effect	224
Allowance of the year	2
Utilisation	-
Closing non-current provisions	**226**

(22) Financial derivative liabilities

This item includes

(Euro thousands)	31 December 2017	31 December 2018
Fair value of interest rate swaps	-	58
Total	**-**	**58**

The main features of the contracts in place at 31 December 2018 are summarized below:

- interest rate swaps

Guala Closures S.p.A. has two interest rate swaps in place to hedge floating interest rates on the property finance lease as listed below:

1. Euro interest rate swap of 7 March 2006 stipulated with Intesa Sanpaolo S.p.A. with final maturity 1 July 2019. It has a fixed exchange rate of 3.945% against the 1-month variable Euribor on a reference notional value as at 31 December 2018 of Euro 1,371 thousand.
2. Euro interest rate swap of 07 March 2006 stipulated with Unicredit Banca d'Impresa S.p.A. with final maturity 1 July 2019. It has a fixed exchange rate of 3.960% against the 1-month variable Euribor on a reference notional value as at 31 December 2018 of Euro 1,371 thousand.

These derivatives meet the formal requirements of IFRS 9 as at 31 December 2018 and have been recognized as hedging instruments.

(23) Other current liabilities

The item includes € 12,923 thousand to third parties and € 529 thousand to related parties.
This caption towards third parties includes:

(Euro thousands)	**31 December 2017**	**GC S.p.A. balances at the Merger date 6 August 2018**	**31 December 2018**
Payables for non-recurring	-	-	3,663
Payables to employees	-	3,823	2,853
Social security charges payable	2	1,223	2,239
Payables for capital expenditure	-	1,215	2,342
Other payables	51	6,639	1,826
Total	**53**	**12,900**	**12,923**

The other current liabilities to the subsidiaries at December 31, 2018, refer to payables for capex, for € 515 thousand towards Guala Closures South Africa and for € 14 thousand towards Guala in the Closures Bulgaria A.D .

(24) Employee benefits

At 31 December 2018, this caption refers to the post-employment benefits due to all company employees should they leave the Company on that date.
The liability for post-employment benefits ("TFR" – Trattamento di fine rapporto) primarily relates for employee termination, determined using actuarial techniques and regulated by Article 2120 of the Italian Civil Code. The benefit is paid when the employee concludes his relationship with the company as a lump sum, the amount of which corresponds to the total benefits accrued during the employees' service period based on payroll costs as revalued until their departure. Following the pension reform, from 1 January 2007, accruing benefits have been transferred to a pension fund or a treasury fund held by the Italian administration for post-retirement benefits (INPS). Companies with less than 50 employees can continue the scheme as in previous years. Therefore, contributions of future TFR to pension funds or the INPS treasury fund entails that these amounts will be treated as a defined contribution scheme. Amounts vested before 1 January 2007 continue to be accounted for as defined benefits to be assessed based on actuarial assumptions.
The related liability is determined using actuarial assumptions and is stated on an accrual basis in line with the service required to obtain such benefits.
These valuations are performed by independent actuarial specialist. Actuarial gains and losses deriving from actuarial valuations at the reporting date are recognized in OCI.

Changes in post-employment benefits and the main assumptions used in their measurement are detailed below:

(Euro thousands)	31 December 2017	31 December 2018
Balance at 1 January 2018	-	-
Net effect following merger		4,035
Change recognized in profit or loss - personnel expense	-	541
Change recognized in profit or loss - other (income)/expense	-	20
Change recognized in OCI	-	(52)
Benefits paid	-	(586)
Total	**-**	**3,958**

Actuarial parameter baseline:

	31 December 2017	31 December 2018
Average future inflation rate	-	1.50% pa
Discount rate	-	1.13% p.a.
Annual rate of increase in TFR	-	2.625% pa

For valuations at 31 December 2018, an annual fixed discount rate of 1.13% was considered based on the value of Iboxx indexes AA corporate duration 7 - 10 observed at the measurement date, as per the requirements of IAS 19.

The Company expects to pay approximately Euro 1.5 million of benefits to its defined benefit plan in 2019 described above.

Sensitivity analysy:

The following table shows the effects on Guala Closures S.p.A.'s post-employment benefits at 31 December 2018, that could arise on the basis of the reasonable assumption shown in the table below:

(Euro thousands)	Defined benefit obligation Increase	Decrease
Turnover rate (1% movement)	(19)	21
Average inflation rate (0.25% movement)	49	(48)
Discount rate (0.25% movement)	(77)	80

Even if the analysis does not take in account of the full distribution of cash flows expected according the plan, it provides an approximation of the sensitivity about the underlying assumptions.

(25) Equity

At 31 December 2018, Guala Closures S.p.A. is a limited company whose ordinary shares and market warrants have been traded on the Italian Stock Exchange (Mercato Telematico Azionario) organized and managed by Borsa Italiana S.p.A., within the Star Segment, since 6 August 2018.

At its incorporation date (19 September 2017), the Company's share capital of Euro 100,000 consisted of 10,000 ordinary shares without a nominal amount all held by Space Holding S.r.l.

During their extraordinary meeting of 26 September 2017, the shareholders resolved to convert all the 10,000 ordinary shares into special shares at conditions and effective from the date on which trading of the ordinary shares started on the investment vehicles section of the Italian stock exchange.

The shareholders approved a capital increase against payment in their meeting of 16 November 2017, with the issue of a maximum of 50,000,000 ordinary shares without a nominal amount for a total amount of Euro 500,000,000, including the share premium. The subscription price paid of Euro 10 per share was assigned as follows: Euro 1 for the shares' implicit carrying amount and Euro 9 to the share premium reserve. Every ten ordinary shares subscribed received four Space4 S.p.A. market warrants. Two of four these warrants were immediately traded on the investment vehicles section of the Italian stock exchange separately from the shares starting from the date on which the shares began to be traded. The right to receive the other two warrants is built into the shares and they are attached until the effective date of the Relevant Transaction.

The share premium reserve, set up with the capital increase that took place at the listing date, includes Euro 6,000,000 for the 10,000,000 market warrants that have been traded separately from the ordinary shares since the listing date with an initial subscription price of Euro 0.60 each.

On the same date, the shareholders resolved to increase the share capital against payment in their extraordinary meeting solely for Space Holding S.r.l. (Space4's promoter) for a total of Euro 12,400,000, including the share premium, by issuing a maximum of 1,240,000 special shares. The subscription price of each special share paid of Euro 10 was assigned as follows: Euro 1 for the shares' implicit carrying amount and Euro 9 to the share premium reserve. Two Space4 S.p.A. sponsor warrants were attached to each share subscribed. The automatic conversion during the listing of the 10,000 ordinary shares into special shares involved the assignment of 20,000 Space4 S.p.A. sponsor warrants.

The above resolutions led to the actual subscription and payment of the shares during the placing on the market.

Finally, the shareholders resolved to increase the share capital: (i) by a maximum of Euro 465,116.30 to cover the exercise of 20,000,000 Space4 S.p.A. market warrants through the issue of a maximum of 4,651,163 ordinary shares without a nominal amount at a price of Euro 0.10 each, allocated to their implicit carrying amount; (ii) by a maximum, including the share premium, of Euro 32,500,000 to cover the exercise of 2,500,000 Space4 S.p.A. sponsor warrants by issuing a maximum of 2,500,000 ordinary shares without a nominal amount at a price of Euro 13, with Euro 1 for the implicit carrying amount and Euro 12 for the share premium.

When the ordinary shares were placed on the market and the capital increase took place, the Company set up a reserve for capital increase costs of Euro 4,677,128, which covers both the start-up costs and the cost of listing the company on the investment vehicles section of the Italian stock exchange. The reserve also includes the commissions agreed with the banks for the placement (Euro 4,000,000).

The period during which the right of first refusal could be exercised ended on 18 July 2018. It covered 6,378,568 Space4 ordinary shares for which the withdrawal right was exercised. The Company’s shareholders exercised their first-refusal and pre-emptive rights acquiring a total of 1,700,884 shares for which the withdrawal right was exercised, while Peninsula and Quaestio, under the back-stop agreements, acquired 1,514,692 shares for which the withdrawal right was exercised. Therefore, the company purchased the remaining 3,162,992 shares for which the withdrawal right had been exercised, equal to 6.33% of Space4’s ordinary share capital for Euro 31,323,110 and subsequently cancelled them.

Finally, on 6 August, Guala Closures’ first trading day on the STAR segment, Guala Closures was merged into Space4. The merger became effective for statutory, accounting and tax purposes as of this date. On this date, the following took place:

— cancellation of all the ordinary and class B Guala Closures shares, making up its entire share capital at the merger effective date;

— allocation of ordinary shares with the same characteristics as the ordinary Space4 shares to the holders of Guala Closures shares other than Space4 at the merger effective date using an exchange ratio of 0.675381 Space4 shares to every one Guala Closures share;

— allocation of 9,367,393 market warrants (the residual two market warrants every ten ordinary shares held) to the holders of ordinary Space4 shares;

— cancellation of all Guala Closures Management Warrants outstanding at the merger effective date and allocation of 1,000,000 newly issued Space4 warrants with the same characteristics as Space4 sponsor warrants;

— a Euro 17,567 thousand capital increase to serve the merger to be subscribed by GCL Holdings S.C.A., PII G S.à.r.l and Quaestio Capital SGR;

— conversion of the first instalment of special Space4 shares (437,500 or 35% of the total number of special Space4 shares) into 1,968,750 post-merger Guala Closures shares.

Therefore, at 31 December 2018, Guala Closures S.p.A. has subscribed and paid-up share capital of Euro 68,907 thousand, consisting of 67,184,904 shares, of which 62,049,966 ordinary shares, 4,322,438 class B multiple-vote shares and 812,500 class C shares with no voting rights. Similarly, 19,367,393 market warrants, 2,500,000 sponsor warrants and 1,000,000 Management Warrants are outstanding.

Reference should be made to the statement of changes in equity for changes in, and details of, the components of equity.

The special shares to which, upon issue, 2,500,000 sponsor warrants have been attached, have the same rights as the ordinary shares, with the sole exception of the following:

— they do not have voting rights at ordinary and extraordinary shareholders' meetings;
— they do not have the right to dividends approved as ordinary dividends;
— they cannot be transferred until the last day of the twelfth month after the Relevant Transaction and, should the Relevant Transaction not take place, for the maximum duration of the company as established by article 4 of the by-laws except for (i) those transferred to the withdrawing shareholders of Space Holding S.r.l. after the liquidation procedure as payment in kind for the sale of their investment; and (ii) those transferred to the beneficiary of a proportionate demerger of Space Holding S.r.l.;
— if the Company is dissolved, they give the right to their voters to be paid their stake of liquidation equity after the ordinary shareholders;
— they give the right to receive two sponsor warrants for every special share issued;
— when certain conditions are met, the special shares are automatically converted into ordinary shares, at the ratio of 4.5 ordinary shares for each special share, without the need for their holders to express their intention to convert and without any change to be made to the amount of share capital, provided that the conversion will decrease the implicit carrying amount of ordinary shares.

The sponsor warrants attached to the special shares and assigned free of charge in the ratio of two warrants for every special share subscribed are not traded on the Italian regulated stock market or abroad.

Each sponsor warrant gives its holder the right to subscribe an exchange share if the share's official price is equal to or higher than Euro 13 for at least one day in the exercise period, which is the period between the first trading date after the Relevant Transaction's effective date and the tenth anniversary of this date.

Furthermore, on the date the merger became effective, 1,000,000 Management Warrants were issued. They can be exercised as of this date and will entitle holders to one Management Warrant share for every exchangeable management warrant, provided that the post-merger Guala Closures share's official price is equal to or higher than Euro 13 for at least one day in the exercise period, and against payment of a subscription price per share of Euro 13.

Warrants that have not been exercised at the end of this period irrevocably become ineffective and are taken to have been extinguished as explained in the related regulations to which reference is made.

At 31 December 2018, equity comprises unavailable reserves for market warrants of Euro 19,367 thousand, of which Euro 6,000 thousand was recognized as a decrease in the share premium reserve following the capital increase which took place on 21 December 2017 and the concurrent allocation of 10,000 thousand market warrants, and Euro 9,367 thousand was taken as a reduction of other reserves, following the allocation of the residual 9,367,393 market warrants (€ 1 per market warrant equal to the purchase price of the market warrants upon listing and the concurrent merger on 6 August 2018).

Except for the 3,162,992 shares for which the withdrawal right was exercised, equal to 6.33% of Guala Closures S.p.A.'s ordinary share capital, which were acquired by the company and subsequently cancelled, the company does not hold treasury shares or shares of its subsidiaries, either directly or through trustees or nominees.

The Company's objectives in capital management are to create value for shareholders, safeguard the Company's future and to support the Company's development.

The Company thus seeks to maintain a sufficient level of capitalization, while giving shareholders satisfactory returns and ensuring the Company has access to external sources of financing at acceptable terms, including via maintaining an adequate rating.

The Company monitors the debt/equity ratio on an ongoing basis, particularly in terms of net indebtedness and cash flows generated by operating activities.

The Board of Directors carefully monitors the balance between greater returns through the right level of indebtedness and the advantages of a sound financial position.

To achieve these objectives, the Company strives to continuously make its operations more profitable.

The Board of Directors monitors the return on share capital, being total equity pertaining to owners of the parent, the amount of dividends to be distributed to holders of ordinary shares.

Restrictions to the distribution of equity reserves at 31 December 2018 are set out below.

(Euro thousands)	Total amount	Available amounts	Unavailable amount		*Type of restriction*
Share capital	68,907		68,907		Capital
Share Premium Reserve	423,837	410,056	13,781	(1)	Equity-related reserve
Legal reserve	0		0		Income-related reserve
Other reserves	145,590	137,886	7,704	(2)	Equity-related reserve
Hedging reserve	43		43		Income-related reserve
Losses carried forward	(6,525)		(6,525)	(2)	Income-related reserve
Profit for the period	12,852		12,852		Profit for the period
Total	**644,704**	**547,942**	**96,763**		

(1) The Share premium reserve is unavailable for Euro 13,781 thousand, because, pursuant to article 2431 of the Italian Civil Code, it cannot be distributed until the legal reserve amounts to one-fifth of the share capital;

(2) The Other reserve are unavailable for Euro 7,704 thousand for the following reasons:

- Euro 1,179 thousand, pursuant to article 2426, paragraph 5 of the Italian Civil Code, being the amount needed to cover unamortized development expenditure;
- Euro 6,525 thousand, for losses carried forward.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(26) Net revenue

Net revenues as at 31 December 2018 towards third parties are to Euro 27,941 thousand.
Net revenue may be detailed by geographical segment as follows:

(Euro thousands)	2017	2018
Europe	-	23,540
Rest of the world	-	3,179
Asia	-	745
Latin America	-	477
Total	**-**	**27,941**

The table below illustrates net revenue by product type:

Euro thousands	2017	2018
Safety closures	-	12,089
Luxury closures (decorative)	-	19
Wine closures	-	1,578
Pharma closures	-	44
Roll-on closures (standard)	-	10,707
Other revenue	-	3,505
Total	**-**	**27,941**

The table below illustrates net revenue by outlet market:

Euro thousands	2017	2018
Spirits closures	-	16,035
Wine closures	-	1,578
Closures for oil and vinegar	-	3,392
Pharma closures	-	44
Closures for mineral waters	-	3,034
Closures for other markets	-	54
Other revenue	-	3,505
Total	**-**	**27,941**

Net revenue from subsidiaries as at 31 December 2018 are equal to Euro 19,458 thousand.
This accounts for 41.1% of total net revenues and mainly includes sales made to Guala Closures UK Ltd. (Euro 6,399 thousand), Guala Closures Iberica S.A. (Euro 3,805 thousand), Guala Closures Mexico, S.A. de C.V. (Euro 1,696 thousand), Guala Closures Ukraine LLC (Euro 1,332 thousand), Guala Closures South Africa Pty Ltd. (Euro 1,232 thousand), Guala Closures Australia Pty Ltd. (Euro 1,110 thousand), Guala Closures Chile SpA (Euro 1,034 thousand), Guala Closures New Zealand Ltd. (Euro 992 thousand), Beijing Guala Closures Co. Ltd. (Euro 563 thousand), Guala Closures France SAS (Euro 388 thousand), GCL Pharma S.r.l. (Euro 331 thousand), Guala Closures Argentina S.A. (Euro 188 thousand), Guala Closures DGS Poland S.A. (Euro 162 thousand), Guala Closures do Brasil Ltda. (Euro 119 thousand), Guala Closures North America, Inc. (Euro 83 thousand), Guala Closures India Pvt Ltd. (Euro 18 thousand), Guala Closures Bulgaria A.D. (Euro 5 thousand), and GCL International Sarl (Euro 1 thousand).

Net revenue from sales transactions concluded with related parties may be analysed by geographical segment as follows:

(Euro thousands)	**2017**	**2018**
Europe	-	12,423
Latin America	-	3,038
Oceania	-	2,102
Asia	-	580
Rest of the world	-	1,315
Total	**-**	**19,458**

(27) Other operating income

This caption other operating income towards third parties includes:

(Euro thousands)	2017	2018
Sundry recovery/repayments	-	31
Windfall profits	-	19
Gains	-	2
Other	-	1,105
Total	**-**	**1,157**

"Other" as at 31 December 2018, for Euro 1,105 thousand, refers to premiums from suppliers for Euro 536 thousand, client contributions for research, development and engineering for customised products for Euro 369 thousand and Euro 200 thousand for the use of the provision for doubtful debt.

Other operating income from subsidiaries as at 31 December 2018 amounts to Euro 7,517 thousand.
It represents 86.7% of total other operating income and mainly relates to the following:

a) the service agreement for the recharge to subsidiaries of costs incurred by Guala Closures S.p.A. on behalf of other group companies for accounting, financial, treasury, purchasing, personnel management and data management services and for the cost of insurance paid in Italy, for a total of Euro 4,434 thousand;
b) charge-backs for staff costs (in particular Guala Closures Iberica S.A. (Euro 109 thousand), Beijing Guala Closures Co. Ltd. (Euro 61 thousand), Guala Closures India Pvt Ltd. (Euro 20 thousand), Guala Closures South Africa Pty Ltd. (Euro 18 thousand), and Guala Closures North America (Euro 17 thousand));
c) charge-backs of transport costs (mainly Guala Closures Mexico, S.A. de C.V. (Euro 54 thousand), Guala Closures Argentina S.A. (Euro 13 thousand), Beijing Guala Closures Co. Ltd. (Euro 9 thousand), Guala Closures Chile SpA, (Euro 2 thousand), and Guala Closures Francia SAS (Euro 1 thousand));
d) royalties of Euro 622 thousand from Guala Closures India Pvt Ltd., Euro 468 thousand from Guala Closures Mexico, S.A. de C.V., Euro 251 thousand from Guala Closures Australia Pty Ltd., Euro 256 thousand from Guala Closures Iberica S.A., Euro 238 thousand from Guala Closures UK Ltd., Euro 156 thousand from Guala Closures South Africa Pty Ltd., Euro 115 thousand from Guala Closures Argentina S.A., Euro 118 thousand from Guala Closures New Zealand Ltd., Euro 111 thousand to Guala Closures de Colombia Ltda. and Euro 44 thousand Beijing Guala Closures Co. Ltd., Euro 43 thousand to Guala Closures do Brasil Ltda. and Euro 5 thousand to Guala Closures North America, Inc.;
e) charge-backs of costs for insurance (in particular, Guala Closures UK Ltd (Euro 17 thousand), Guala Closures Iberica S.A. (Euro 13 thousand), Guala Closures DGS Poland S.A. (Euro 12 thousand), Guala Closures Australia Pty Ltd, (Euro 7 thousand), Guala Closures New Zealand Ltd. (Euro 4 thousand), Guala Closures Francia SAS (Euro 4 thousand), and Guala Closures Bulgaria AD (Euro 2 thousand));
f) technical consultancy of Euro 30 thousand charged to GCL International Sarl, Euro 15 thousand Guala Closures Iberica S.A., Euro 2 thousand Guala Closures UK Ltd., and Euro 1 thousand GCL Pharma Srl;

(28) Internal work capitalised

This caption includes the internal costs capitalized of Euro 1,270 thousand in 2018. The work performed by the entity and capitalised mainly includes Euro 272 thousand of capitalised development expenditure related to new closures, and Euro 487 thousand of extraordinary maintenance carried out on property, plant and equipment and upgrading of the production capacity of Guala Closures S.p.A. and foreign companies amounting to Euro 511 thousand.

(29) Costs for raw materials

This caption is related to costs for raw material towards third parties and includes:

(Euro thousands)	2017	2018
Raw materials and supplies	-	17,086
Consumables and maintenance	-	671
Packaging	-	879
Fuels	-	103
Change in inventories	-	2,717
Total	**-**	**21,457**

Costs of raw materials purchased from subsidiaries as at 31 December 2018 amounts to Euro 2,820 thousand.
These make up 11.6% of total costs for raw materials and mainly relate to purchases from Guala Closures Ukraine LLC (Euro 1,557 thousand), Guala Closures Iberica S.A. (Euro 464 thousand), Guala Closures DGS Poland S.A. (Euro 420 thousand), Guala Closures France SAS. (Euro 203 thousand), Guala Closures Bulgaria A.D. (Euro 93 thousand), Beijing Guala Closures Co. Ltd. (Euro 44 thousand), GCL Pharma S.r.l. (Euro 16 thousand), Guala Closures UK Ltd. (Euro 14 thousand), and GCL International S.a.r.l (Euro 3 thousand). These transactions are part of ordinary operations and are agreed on an arm's length basis.

(30) Costs for services

This caption is related to costs for services towards third parties and includes:

(Euro thousands)	2017	2017
Legal and consulting fees	-	8,870
Administrative services	40	1,640
Electricity / Heating	-	1,643
Transport	-	1,547
External processing	-	1,243
Maintenance	-	963
Sundry industrial services	-	917
Travel	-	704
Technical assistance	-	582
Insurance	-	472
Entertainment expenses	-	181
Patents	-	135
External labour / porterage	-	134
External cleaning	-	122
Commissions	-	103
Expos and trade fairs	-	91
Other	-	90
Telephone costs	-	72
Advertising costs	-	72
Supervision	-	13
Total	**40**	**19,592**

The fees to the Board of Directors are:

(Euro thousands)		Costs recognized in the year									
	Emoluments for other offices (Control and Risks Committee - Remuneration Committee)	Fees for position assumed	Incentive	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	Other benefits	Total	"TFR" payable as at 31/12/2018	Other liabilities as at 31/12/2018	Cash flows for the period
Total key management	**28**	**213**	**-**	**152**	**11**	**14**	**-**	**419**	**85**	**9**	**395**

Costs for services for subsidiaries at 31 December 2018 came to Euro 462 thousand.
These costs are mainly commission paid to Guala Closures North America, Inc. (Euro 142 thousand) and Guala Closures Ukraine LLC (Euro 32 thousand), technical consultancy paid to GCL Pharma S.r.l. (Euro 85 thousand), external production services paid to GCL Pharma S.r.l. (Euro 26 thousand) and transport paid to Guala UK Ltd. (Euro 110 thousand). These transactions are part of ordinary operations and are agreed on an arm's length basis.

(31) Personnel expense

This caption includes:

(Euro thousands)	2017	2018
Wages and salaries	2	6,751
Social security contributions	-	2,256
Expense/(income) from defined benefit plans	-	541
Other costs	-	687
Total	**2**	**10,234**

Reference should be made to note 24) Employee benefits for details on the expense and defined benefit plans.

At 31 December 2018, the Company had the following number of employees:

Number	31 December 2017	31 December 2018
Blue collars	-	295
White collars	-	143
Managers	-	16
Total	**-**	**454**

The average number of employees for the period was 434, including 15 managers, 41 junior managers, 101 white collars and 277 blue collars.

Personnel expense to related parties includes costs for the Company's key managers who are also the Company's directors and amounts to Euro 214 thousand in 2018.

(32) Other operating expense

This caption includes:

(Euro thousands)	2017	2018
Other costs for the use of third party assets	-	315
Provisions	-	212
Taxes and duties	-	139
Rent and leases	-	115
Other charges	-	5
Total	**-**	**785**

(33) Financial income

This caption is related to financial income towards third parties and includes:

(Euro thousands)	2017	2018
Fair value of Market Warrants	-	17,529
Exchange gains	-	149
Interest income	27	701
Total	**27**	**18,379**

Financial income from subsidiaries as at 31 December 2018 amounts to Euro 4,541 thousand. This income represents 19.8% of total financial income and comprises interest accrued on loans granted to group companies and default interest charged to some of them. More specifically, interest income was debited to Guala Closures International B.V. (Euro 4,316 thousand).
Instead, late payment interest was charged to Guala Closures Chile SpA (Euro 88 thousand), Guala Closures South Africa Pty Ltd. (Euro 46 thousand), Guala Closures Argentina S.A. (Euro 43 thousand), Guala Closures Mexico, S.A. de C.V. (Euro 36 thousand), Guala Closures Japan KK (Euro 10 thousand) and Guala Closures do Brasil LTDA (Euro 1 thousand).

(34) Financial expense

This caption is related to financial expense towards third parties and includes:

(Euro thousands)	2017	2018
Interest expense	-	7,457
Exchange losses	-	195
Fair value of Market Warrants	6,500	-
Other financial expense	-	170
Total	**6,500**	**7,822**

The reduction in financial expense on 2017 was due to the reversal of trend of the fair value of warrants.

This caption Financial expense related parties includes:

(Euro thousands)	2017	2018
Exchange losses	-	81
Total	**-**	**81**

(35) Dividends

This caption includes dividends from Guala Closures International B.V. for Euro 7,000 thousand.

(36) Income and expenses on financial assets/liabilities

The following table shows income and expense on financial assets/liabilities, specifying which are recognized in profit or loss and which directly to other components of the profit or loss and other comprehensive income:

(Euro thousands)	2017	2018
Recognitions in the income statement		
Bank interest income	27	701
Fair value Market warrants	-	17,529
Exchange gains	-	149
Total financial income	**27**	**18,379**
Interest expense on financial liabilities measured at amortized cost	-	(7,457)
Exchange losses	-	(195)
Impact on the income statement of derivatives	(6,500)	-
Fair value Market warrants	-	(170)
Total financial expense	**(6,500)**	**(7,822)**
Net financial expense	**(6,473)**	**10,557**
Recognized directly to other components of the profit or loss and other comprehensive income:		
Effective portion of fair value gains (losses) of cash flow hedge	-	43
of which cash flow hedges	**-**	**43**

(37) Income taxes

This caption includes:

(Euro thousands)	2017	2018
Current taxes	-	(268)
Deferred tax assets	-	145
Total	**-**	**(123)**

Changes in deferred tax liabilities recognized directly into other elements of the statement of other comprehensive income:

(Euro thousands)	31 December 2018
Change in deferred tax on delta fair value cash flow hedges	(14)
Total	**(14)**

Reconciliation between the theoretical and effective tax charge

The difference between the theoretical and effective tax charge is mainly related to non-taxable revenue and non-deductible costs.

(Euro thousands)	2017	2018
Profit (Loss) before tax	**(6,577)**	**12,975**
Income tax using the domestic tax rate (2017: 24%; 2018: 24%)	**-**	**(3,114)**
Non-deductible expenses	-	(1,401)
Tax exempt income	-	2,035
Tax incentives	-	289
Recognition and use of previously unrecognized tax losses	-	2,226
Total increase	**-**	**3,149**
Effective tax	**-**	**35**
Other taxes	-	(158)
Total period tax	**-**	**(123)**

The Regional Office of the Italian Tax Authority of Piedmont has recognized the continuation of the tax consolidation agreement pursuant to Articles 117 to 128 of Italian Presidential Decree no. 917 of 22 December 1986, in place by the acquired company with its subsidiary GCL Pharma S.r.l.

Other taxes include the potential reimbursement of taxes paid abroad for which there is no certainty about their recoverability based on the forecast taxable income.

(38) Explanatory notes to the separate statement of cash flow

The following is a reconciliation of liabilities arising from financing activities for the year ended 31 December 2018:

Euro thousands	
Total Debt at 1 January 2018	**12,500**
Derivative (assets)/liabilities and related items at 1 January 2018	**0**
Total Liabilities from financing activities at 1 January 2018	**12,500**
Cash effect (*)	
Proceeds from new borrowings and bonds	916,224
Repayment of borrowings and bonds	(1,002,396)
Repayment of finance leases	(965)
Interests paid	(2,950)
Transaction costs paid for the issue of new debenture loans and revolving credit facility	(14,633)
Non- Cash effect	
Changes in in debt from mergers with Guala Closures S.p.A.	558,839
Assets (liabilities) for derivatives and related Guala Closures S.p.A. as at the date of acquisition	115
Issuance of new market warrants	9,367
Changes in Fair value of Market Warrants	(17,529)
Interests and other financial expense	6,634
Foreign exchange effect	(45)
Changes in Fair value of derivatives	(203)
Transaction costs amortization	993
Other changes	(295)
Total Liabilities from financing activities at 31 December 2018	**465,656**
Derivative (assets)/liabilities and related items at 31 December 2018	(88)
Total Debt at 31 December 2018	**465,744**

(*) In relation to Cash effect, reference should be made to the separate statement of cash flows on page 205

(39) Net financial indebtedness

Here follows the detail of Net financial indebtedness respectively at 31 December 2017 and 31 December 2018 calculated in accordance with ESMA/2013/319 recommendations:

	(in thousands of Euro)	31 December 2017	31 December 2018
A	Cash	-	-
B	Other cash and cash equivalents	512,206	16,108
C	Securities held for trading	-	-
D	**Cash (A+B+C)**	**512,206**	**16.108**
E	**Current financial assets**	**-**	**989**
F	Current bank loans and borrowings	0	-
G	Current portion of non-current indebtedness	0	4.058
H	Other current loans and borrowings	0	2,436
I	**Current financial indebtedness (F+G+H)**	**-**	**6,494**
J	**Net current financial indebtedness (I-E-D)**	**(512,206)**	**(10.603)**
K	Non-current bank loans and borrowings	0	10.439
L	Bonds issued	0	441,383
M	Other non-current liabilities	0	3,091
N	**Non-current financial indebtedness (K+L+M)**	**0**	**454,912**
O	**Net financial indebtedness as per ESMA's recommendation (J+N)**	**(512,206)**	**444,309**

The Company monitors the performance of its financial indebtedness using a parameter which includes the amounts shown in the above table, non-current financial assets and the market value of the market warrants, recognized under current financial liabilities.

In the annex to the Directors' report, the Company gives a breakdown of net financial indebtedness, including non-current financial assets and the market value of the market warrants, recognized under current financial liabilities.

The table below shows the reconciliation of the total net financial indebtedness shown in the annex A) to the Directors' report and the structure of net financial indebtedness as per the ESMA's recommendation:

	(in Euro thousands)	31 December 2017	As at 31 December 2018
O	Net financial indebtedness as per ESMA's recommendation	(512,206)	444,309
P	Non-current financial assets	-	(218,675)
Q	Market warrants	12,500	4,338
R	**Total net financial indebtedness (O-P+Q)**	**(499,706)**	**229,973**

The change in net financial indebtedness at 31 December 2018 compared to 31 December 2017 is mainly due to the cash flows used to finance the purchase of the investment in Guala Closures Group, the withdrawal of a number of previous shareholders and the inclusion of the debt of the acquired group.

OTHER INFORMATION

(40) Fair value of financial instruments and sensitivity analysis

(a) Accounting classifications and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, as of 31 December 2017 and 31 December 2018. They do not include fair value information for financial assets and financial liabilities not measured at fair value as their carrying amount is a reasonable approximation of fair value. There were no movements from one level to another in 2018.

31 December 2017			**Carrying amount**					**Fair value**		
Euro thousands	**Note**	**Designated at FVTPL**	**Fair value - hedging instruments**	**Financial assets at amortized cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value (*)										
Cash and cash equivalents	4			512,206		512,206				**-**
		-	**-**	**512,206**	**-**	**512,206**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value										
Market warrants					(12,500)	**(12,500)**	(12,500)			
				-	**(12,500)**	**(12,500)**	**(12,500)**	**-**	**-**	**-**
Financial liabilities not measured at fair value (*)										
Trade payables - third parties	18				(4,490)	**(4,490)**				
		-	**-**	**-**	**(4,490)**	**(4,490) -**	**-**	**-**	**-**	**-**

(*) The Company has not disclosed the fair values of some financial instruments such as cash and cash equivalents and trade payables, because their carrying amounts are a reasonable approximation of fair values.

31 December 2018			Carrying amount							Fair value			
Euro thousands	Note	Fair value - held for trading	Designated at FVTPL	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Currency swaps held for trading	10	146							**146**		146		**146**
		146	**-**	**-**	**-**	**-**	**-**	**-**	**146**	**-**	**146**	**-**	**146**
Financial assets not measured at fair value (*)													
Trade receivables - third parties	6					12,765			**12,765**				**-**
Trade receivables – related parties	6					28,094			**28,094**				**-**
Financial assets - related parties	5					219,570			**219,570**		229,701		**229,701**
Cash and cash equivalents	4					16,108			**16,108**				**-**
Financial assets - third parties	5				38				**38**		38		**38**
		-	**-**	**-**	**38**	**276,537**	**-**	**-**	**276,574**	**-**	**229,739**	**-**	**229,739**
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	22			(58)					**(58)**		(58)		**(58)**
Market warrants	17							(4,338)	**(4,338)**	(4,338)			**(4,338)**
		-	**-**	**(58)**	**-**	**-**	**-**	**(4,338)**	**(4,397)**	**(4,338)**	**(58)**	**-**	**(4,397)**
Financial liabilities not measured at fair value (*)													
Bank-backed loans	17							(10,560)	**(10,560)**		(10,742)		**(10,742)**
Secured bond issues	17							(445,320)	**(445,320)**		(463,777)		**(463,777)**
Finance lease liabilities	17							(5,526)	**(5,526)**		(5,603)		**(5,603)**
Trade payables – third parties	18							(20,699)	**(20,699)**				**-**
Trade payables - related parties	18							(1,215)	**(1,215)**				**-**
		-	**-**	**-**	**-**	**-**	**-**	**(483.320)**	**(483,320)**	**-**	**(480,122)**	**-**	**(480,122)**

(*) The Company has not disclosed the fair values of some financial instruments such as Cash and cash equivalents, trade receivables, financial assets and trade payables, because their carrying amounts are a reasonable approximation of fair values.

(b) Measurement of fair values

(i) Valuation techniques and significant no-directly observable inputs

Market warrants are measured at fair value through profit or loss and classified under other financial liabilities. Fair value is calculated based on the market price at period end, considering the price of the STAR segment of the stock exchange, ISIN: IT0005311813.

Therefore, the following changes in fair value could significantly affect the Company's performance:
— a rise in the market warrants' fair values could lead to an increase in the Company's liabilities and financial expense;
— a reduction in the market warrants' fair values could lead to a decrease in the Company's liabilities and an increase in financial income.
These financial income and expense are accounting changes that do not lead to cash inflows or outflows.

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant no-directly observable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant no-directly observable inputs and fair value measurement
Forward interest rate swaps and forward currency contracts	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions of similar instruments.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Secured bond issues Intercompany loans Finance lease liabilities	Discounted cash flows	Not applicable.

Even if the secured bonds issued is quoted on the OTC market, such as Euro-MTF in Luxembourg, no relevant transaction was recorded during the year and so such financial instrument was classified as level 2.

(c) Financial risk management

The Company is exposed to the following risks as a result of its operations:

- credit risk;
- liquidity risk;
- interest rate risk;
- currency risk;
- other price risk.

The Board of Directors has the overall responsibility for establishing and monitoring the Company's system of risk management.
The proxy system ensures that the risk management guidelines are implemented and regularly monitored.
The finance department is responsible for the monitoring and, in carrying out such activities, it uses information generated by the internal control system.

Credit risk

This is the risk that a customer or the counterparty to a financial instrument is unable to meet an obligation, leading to a financial loss. These risks arise mainly in relation to trade receivables and financial investments.
The Company's exposure to credit risk depends largely on each customer's specific characteristics. The demographics of the Company's customer portfolio, including the segment insolvency risk and country risk, have an impact on the credit risk.

The Company accrues an allowance for impairment equal to estimated losses on trade and other loans and receivables. It comprises both the recognition of impairment losses for material individual amounts and the recognition of collective impairment losses for similar groups of assets to cover losses already incurred but not identified. The collective impairment losses are calculated on the basis of historical payment statistics.
The Company's trade receivables are mainly with primary operators on the alcoholic and soft drinks market. Most of its trading relationships are with long-standing customers. The Company's historical figures indicate a very modest amount of impairment losses. The risk is fully covered by the corresponding allowance for impairment recognized in the separate financial statements.
There are no cases of particularly concentrated credit risk in geographical terms.

At 31 December 2018, trade receivables may be analysed by geographical segment as follows:

(Euro thousands)	31 December 2017	31 December 2018
Europe	-	10,946
Asia	-	303
Latin America	-	305
Rest of the world	-	1.211
Total	**-**	**12,765**

At 31 December 2018, trade receivables may be analysed by due date as follows:

(Euro thousands)	Gross 31 December 2018	Write-down 31 December 2018	Net 31 December 2018
Not yet due	10,754		10,754
0-30 days overdue	1,332		1,332
31-90 days overdue	646		646
Over 90 days overdue	656	(623)	33
Total	**13,388**	**(623)**	**12,765**

The Company believes that the unimpaired amounts that are overdue by more than 90 days are still collectible, based on historical payment behaviour and extensive analyses of the underlying customers' credit ratings. Based on historical default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not yet due or overdue by up to 90 days.

At 31 December 2018, trade receivables may be analysed by original currency as follows:

(Euro thousands)	EUR	USD	Other currencies	Total
Trade receivables - third parties	11,574	1,190	-	**12,765**

An analysis of the credit quality of trade receivables is showed below

Euro thousands	31 December 2018
- Four or more years' trading history with the Company	9,941
- From one to four years' trading history with the Company	2,337
- Less than one year' trading history with the Company	486
Total	**12,765**

At 31 December 2018, receivables due from subsidiaries may be analysed by geographical segment as follows:

(Euro thousands)	31 December 2017	31 December 2018
Latin America	-	13,479
Europe	-	7,690
Asia	-	1,389
Oceania	-	1,274
Rest of the world	-	4,262
Total	**-**	**28,094**

At 31 December 2018, receivables due from subsidiaries may be analysed by due date as follows:

(Euro thousands)	Gross 31 December 2018	Write-down 31 December 2018	Net 31 December 2018
Not yet due	7,930		7,930
0-30 days overdue	1,735		1,735
31-90 days overdue	3,398		3,398
Over 90 days	15,029		15,029
Total	**28,094**		**28,094**

The Company calculates default interest at 1-month Euribor plus a spread of 3% on overdue receivables from subsidiaries and payment deadlines are dictated by the dynamics of payment management within the Group.

At 31 December 2018, receivables due from subsidiaries may be analysed by original currency as follows:

(Euro thousands)	EUR	USD	GBP	Other currencies	Total
Trade receivables - subsidiaries	26,667	71	1,355		**28,094**

Liquidity risk

This risk regards the Company's ability to meet its obligations arising from financial liabilities.
The Company's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiry dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions.
The Company generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects arising from extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above. The aim of the Company's financing strategy is to maintain a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk. Historically, the Company has always met its obligations on time and was able to re-finance the indebtedness in advance before it expires.
Reference should be made to the tables in note 17) Current and non-current financial liabilities - for information on the Company's loans, credit lines and facilities at the reporting date.

Exposure to liquidity risk

The following are the outstanding contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

		Contractual cash flow			
Euro thousands	Carrying amount	Within one year	From one to five years	After five years	Total contractual cash flows
Non-derivative financial liabilities					
Secured bank loans	10,560	998	3,884	11,242	16,124
Secured bond issued	445,320	15,925	63,700	459,645	539,270
Market warrants	4,338	4,338	-	-	4,338
Finance lease liabilities	5,526	2,436	3,091	-	5,526
Trade payables – third parties	20,699	20,699			20,699
Trade payables - related parties	1,215	1,215			1,215
Total	**487,659**	**45,611**	**70,674**	**470,887**	**587,172**
Derivative financial liabilities					
Interest rate swaps used for hedging	58	60	-	-	60
Total	**58**	**60**	**-**	**-**	**60**

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis will materialise significantly earlier, or at significantly different amounts.

Interest rate risk

This risk relates to volatility of the market rates which determine the interest expense paid on outstanding loans.
The Company is exposed to interest rate risk as almost the full amount of its financial liabilities is subject to the payment of interest at floating rates subject to short-term repricing.
The Company's policy is to hedge a small portion of the payable amount subject to interest rate risk due to the current low level of interest rate. Interest rate swaps are used to hedge the risk which enable the interest rate to be set at fixed amounts.

Effective interest rate and repricing analysis

The following table shows the effective interest rate at the reporting date and for the period in which the related rate may be reviewed for interest-bearing financial assets and liabilities.

Euro thousand	**Effective interest rate - December 2018**	**Total 31/12/2018**	**Up to 6 months**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**Beyond 5 years**
Bonds							
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	4.00%	455,000	455,000	-	-	-	-
Accruals and deferrals Guala (interest on bonds)	n.a.	3,937	3,937	-	-	-	-
Transaction costs	n.a.	(13,617)	(13,617)	-	-	-	-
TOTAL bonds FRSSN 2024 - Guala Closures S.p.A.		**445,320**	**445,320**	**-**	**-**	**-**	**-**
Bank loans and borrowings:							
Senior Revolving Credit Facility - Guala Closures S.p.A.	2.50%	11,179	11,179	-	-	-	-
Transaction costs	n.a.	(740)	(740)	-	-	-	-
Tot. New Super Senior Revolving Facility		**10,439**	**10,439**	**-**	**-**	**-**	**-**
Accruals and deferrals	n.a.	121	121	-	-	-	-
Total bank loans and borrowings		**121**	**121**	**-**	**-**	**-**	
Other financial liabilities:							
Market warrants	n.a.	4,338	4,338	-	-	-	-
Finance leases	n.a.	5,526	5,526	-	-	-	-
Total other financial liabilities		**9,865**	**9,865**	**-**	**-**	**-**	**-**
TOTAL		**465,744**	**465,744**	**-**	**-**	**-**	**-**

Sensitivity analysis

Financial liabilities' fair values were calculated by an external actuary using the following methodology:

- the cash flows generated by the outstanding payables are identified both in terms of interest and principal. These cash flows are calculated with reference to the interest rates and the repayment plan;
- the individual cash flows are discounted using risk-free rates ruling on the measurement date. The bootstrap method is applied to the swap rates for each expiry date of the corresponding cash flow based on the resulting time curve;
- furthermore, the individual cash flows are discounted using an additional rate, based on the Company's credit standing, calculated as the weighted average of the spreads applied to the different financing agreements. The spreads applied to the financing agreements are deemed to objectively represent the Company's credit standing and subsequent significant changes should not arise given its current financial position.

The following table shows the sensitivity analysis for the cash flows from these financial liabilities and the related hedging derivatives at 31 December 2018:

Euro thousands	**Increase of 100bp**	**Decrease of 100bp**
Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	(21,024)	4,185
Senior Revolving Facility Agreement - gross of transaction costs	(516)	106
Intercompany loan International	(5,725)	437
Intercompany loan UCP	(5)	5
Intercompany loan Argentina	(12)	1
Intercompany loan Cile	-	-
Intercompany loan Japan	(5)	-
Sensitivity of cash flows (net)	**(27,287)**	**4,734**
Finance leases	(32)	31
Related interest rate swaps	8	(5)
Sensitivity of cash flows (net)	**(24)**	**26**

The following methodology is used to perform the sensitivity analyses: a change is assumed in the interest rate used to calculate the interest (+/- 100 basis points), which indicates the change in the overall liability. Accordingly, negative amounts indicate an increase in the fair value of the liability and vice versa for positive amounts.

Currency risk

This risk relates to the effect of fluctuations in exchange rates on sales and purchases in currencies other than the functional currencies of the various group entities.

The Company is exposed to currency risk, particularly in relation to fluctuations of the USA dollar and British pound sterling.

Interest on loans is denominated in the currency of the cash flows generated by the Company's underlying transactions.

Guala Closures manages the currency risk using hedges that provide for the forward purchase or sale of foreign currency when significant differences are noted between cost and revenue in foreign currency. As at 31 December 2018, hedge contracts are in place for trade receivables held in pound sterling.

Sensitivity analysis
As of 31 December 2018, a strengthening of the USD and GBP against the Euro, as indicated below, would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on exchange rate fluctuations that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis, although the changes in exchange rates differed to those expected, as indicated below.

	Appreciation		Depreciation	
2018	**Assets**	**Profit or loss**	**Liabilities**	**Profit or loss**
USD (10% change)	116	116	(95)	(95)
GBP (10% change)	1,196	1,196	(978)	(978)
AUD (10% change)	(1)	(1)	1	1

Other price risk

a) As a result of the nature of its activities, the Company is exposed to the risk of fluctuations in the purchase price of raw materials, particularly plastics and aluminium.
The risk of fluctuations in the purchase price of plastics has not been hedged as these raw materials were not listed on international markets (the London Metal Exchange). Current developments in the listing of plastics on the international market and corresponding hedging instruments will, however, allow us to hedge this risk in the future.
The risk of fluctuations in the purchase price of aluminium is partly hedged through derivatives which set the forward purchase price.

b) Regarding the fair value of the Market Warrants, it is specified that the book value as at 31 December 2018 was given by the number of market warrants in issue (19,367,393) valued at the official unitary prices of Borsa Italiana S.p.A. (Euro 0.224).
The table below shows the impact of a 10% increase or decrease in the official market value:

Euro thousands	**Increase/ (Decrease) of the listing**	**Favorable effect (unfavorable) on the result of the period**
Change in the listing of the unit value of the Market Warrants	10%	(434)
	(10%)	394

(41) Related party transactions

In connection to related parties transactions, please make reference to the following notes for information on transactions with subsidiaries: 4) “Current and non-current financial assets”; 6) “Trade receivables”; 11) “Other current assets”; 18) “Trade payables”; 26) “Net revenue”; 27) “Other operating income”; 29) “Costs for raw materials”; 30) “Costs for services”; 31) “Personnel expense”; 33) “Financial income”; 34) “Financial expense” and 35) “Dividends”.

Transactions with the key management personnel are set out below:

(Euro thousands)		Costs recognized in the year									
	Emoluments for other offices (Control and Risks Committee - Remuneration Committee)	Fees for position held	Incentives	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	Other benefits	Total	TFR payable as at 31/12/2018	Other liabilities as at 31/12/2018	Cash flows for the period
Total key management		**17**	**-**	**152**	**11**	**14**	**-**	**194**	**85**	**-**	**180**

Furthermore, in relation to the services rendered by executives with strategic responsibilities who also act as executives of the subsidiary GCL International S.à r.l, in 2018, the Company received a charge-back of approximately € 2.5 million which was mainly charged back to other Group companies.

Following the sale of pre-merger Guala Closures to Space4 S.p.A. and the simultaneous reorganization of the Luxembourg companies, which previously controlled pre-merger Guala Closures, the incorporated under the Luxembourg law company GCL Holdings S.C.A. has become wholly owned by Managers and by their relatives and controlled by law by Marco Giovannini.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from August 6 (effective date of the merger), it had four members appointed by it on the Board of Directors of Guala Closures SpA, as well as two independent members with an appointment jointly held with Space Holding SpA;
- starting from 10 September 2018 two permanent members and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of GCL Holdings S.C.A.
- starting from 31 July 2018 GCL Holdings S.C.A. holds 14.24% of the share capital of Guala Closures S.p.A. and, as a result of the 4,322,438 B multi-voting shares, it holds 24.28% of the voting rights.
- the transactions with GCL Holdings S.C.A. were carried out under normal market conditions.

Also Space Holding S.p.A. can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had two members appointed by it on the Board of Directors of Guala Closures S.p.A. (of whom one independent) and two independent members with appointment exercised jointly to GCL Holdings S.C.A.;

- starting from 10 September 2018 one permanent member and one alternate member of the board of statutory auditors of Guala Closures S.p.A. were appointed under recommendation of Space Holding S.p.A.;
- starting from 31 July 2018, Space Holding holds 4.70% of the share capital of Guala Closures S.p.A. and, also due to the 805,675 C shares without voting rights, it holds 3.14% of the voting rights.
- the transactions with Space Holding S.p.A. were carried out under normal market conditions.

Peninsula Capital II sarl (as a general partner of Peninsula Investments II S.C.A. that controls PII G S.à r.l.) can be considered a related party.
The transactions and relationships between this company and the Group at 31 December 2018 are summarized below:

- from 6 August (effective date of the merger), it had a member appointed by it on the Board of Directors of Guala Closures S.p.A.
- starting from 31 July 2018 Peninsula holds 9.84% of the share capital of Guala Closures S.p.A. holding voting rights of 8.92%.
- the transactions with Peninsula were carried out under normal market conditions.

TAN Advisory S.r.l. can be considered a related party as it is the management company of the TAN Group, 100% controlled by Tan Holdings S.r.l., which, in turn, is held by Filippo Giovannini for a direct investment of 11.49% and an indirect investment through Tan International S.r.l. of 5.24%; in addition to this Tan Advisory S.r.l. is a direct subsidiary for 5.83% of SWAN S.r.l., a company held entirely by Giovannini family and in which Marco Giovannini exercises legal control, with 52% of the share capital.

Some managers of Guala Closures S.p.A. are also shareholders of the shareholder GCL Holdings S.C.A. (see Information prospectus for listing on the stock exchange).

Witch specific reference to the new related party transaction procedure, please refer to www.gualaclosures.com – section Investor Relations.

There are no significant transactions with other related parties in addition to those indicated.

(42) Contingent liabilities

In relation to the potential tax liabilities, please refer to the note 21) “Provisions”.
At the date of publication of these separate financial statements, there were no additional significant contingent liabilities in relation to which the Company can currently foresee future expenditure.

(43) Operating leases and rents

The Company leases a number of warehouse and factory facilities under operating leases or rents. The leases or rents typically run for a period of 4-6 years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

Future minimum lease payments

At the reference dates, the future minimum lease payments under non-cancellable leases and rents were receivable as follows.

(Euro thousands)	2017	2018
Due within one year	-	855
Due between one and five years	-	1,119
Due from more than five years	-	170
Total	**-**	**2,145**

Amounts recognized in profit or loss

Euro thousands	2017	2018
Lease expense	-	716
Total	**-**	**716**

(44) Commitments and guarantees

The Company's commitments and guarantees given at 31 December 2018 comprise:

- Pledge over Guala Closures International B.V. shares held by Guala Closures S.p.A.;
- Pledge over receivables of Guala Closures S.p.A. arising under certain intercompany loan agreements and Guala Closures S.p.A.

The other guarantees given by the Company at 31 December 2018 are as follows:

Euro thousand	31 December 2018
Third party assets held by the Company	4,834

(45) Fees of the Statutory Auditors

The Statutory Auditors’ fees are detailed below:

Euro thousands	Costs recognized in the year						Payables as at 31 December 2018	Cash flows in the year
	Fees for position held	Incentives	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	**Total**		
Board of statutory auditors	88	-	-	-	-	**88**	16	71

(46) Significant subsequent events occurred after the year end date

On 27 November 2018, the Company submitted a request to the Agreement Office of the Italian Tax Authority of Piedmont for the continuation of the tax consolidation in place by the acquired company with its subsidiary GCL Pharma S.r.l. and the de-application of the limits established by Art. 172, paragraph 7 of the Consolidated Law on Income Tax to tax losses realised before the merger.
On 28 February 2019, the Agreement Office of the Italian Tax Authority of Piedmont confirmed the interpretation in the question raised and recognized the continuation of the tax consolidation in place by the acquired company with its subsidiary GCL Pharma S.r.l. and the disapplication of the limits established by Art. 172, paragraph 7 of the Consolidated Law on Income Tax to tax losses realised before the merger.

In relation to the fatal incident that took place on 30 January 2017 at the Magenta (MI) plant of Guala Closures pre-merger, thereafter merged by acquisition into the Company, the heirs of the deceased were fully reimbursed in July 2018; compensation was paid 80% by the insurance of Guala Closures pre-merger and the remaining 20% by the Prevention and Protection Service Manager appointed at the time of the incident, Luigi Cichero.
With respect to the involvement of Guala Closures S.p.A. in the criminal proceedings pursuant to Italian Legislative Decree no. 231/01, the Company filed an application for settlement which foresees the payment of a penalty equal to Euro 50 thousand fine. The public prosecutor has already expressed their positive opinion thereon and the first hearing has been scheduled for 16 April 2019, at which point the proceedings will be settled in accordance with Art. 444 of the Italian Code of Criminal Procedure.

Shareholders’ Meeting for the approval of the buy-back of own shares

On 14 February 2019, the ordinary shareholders' meeting was held of Guala Closures S.p.A., resolved:

a) to authorise the Board of Directors, in accordance with Articles 2357 *et seq.* of the Italian Civil Code and 132 of the Consolidated Finance Act, to carry out deeds of purchase of ordinary shares in the Company (therefore, with the exclusion of special shares B and special shares C), for the purpose included in the explanatory report of the Board of Directors, up to the maximum limit that, considering the ordinary shares of Guala Closures as held over time in the Company’s portfolio, shall be no more than 3% (three percent) of the ordinary shares issued as at the meeting date (equal to approximately 1,861,500 ordinary shares) to be carried out, even in different steps, within eighteen months of the date of the meeting authorisation.

Information pursuant to Art. 1, paragraph 125 of Italian Law no. 124 of 04 August 2017

Paragraphs 125, 127 - Contributions, grants, economic advantages received

It is acknowledged that, during the year in question, the Company received the following grants, contributions, remunerated appointments and in any case economic benefits from public administrations and subjects pursuant to the first sentence of paragraph 125 of Art. 1 of Italian Law no. 124/2017:
- From FINPIEMONTE a contribution of Euro 5,560.54 for the ECIPOL project. It is an industrial research and experimental development project that aims to reuse agricultural production waste in plastic formulations in industrial sectors such as, in particular, packaging (cosmetics and beverage) and bioconstruction.

Paragraphs 126, 127 - Deeds of concession of grants, contributions, economic advantages

It is acknowledge that during the year in question, the Company did not formalise any concession of grants, contributions, subsidies and the attribution of economic benefits to natural persons and public and private entities.

(47) Proposals of the Board of Directors to the shareholders meeting

We propose to the ordinary shareholders meeting, in ordinary shareholders' meeting to allocate the net profit attributable to the shareholders of the Company of € 12,851,915 as follows:
- 5% to the legal reserve for € 642,596;
- € 23,234 in the Reserve for unrealized exchange gains;
- € 12,186,085 to the extraordinary reserve

On behalf of the Board of Directors
Chairman and CEO
Marco Giovannini
(signed on the original)

19 March 2019

Annexes to the separate financial statements of Guala Closures S.p.A.

Annex A)
List of investments in indirectly controlled subsidiaries at 31 December 2018

Annex B)
Attestation of the Chief Executive Officer and the Financial Reporting Manager

ANNEX A)

List of investments in indirectly controlled subsidiaries at 31 December 2018

Company name	Registered office	Currency	Share capital	Investment percentage
EUROPE				
Guala Closures UK Ltd	Great Britain	GBP	134,000	100%
United Closures and Plastics Ltd.	Great Britain	GBP	3,509,000	100%
GCL International Sarl	Luxembourg	EURO	12,000	100%
Guala Closures Iberica, S.A.	Spain	Euro	4,979,964	100%
Guala Closures France SAS	France	Euro	2,748,000	70%
Guala Closures Ukraine LLC	Brazil	UAH	90,000,000	70%
Guala Closures Bulgaria AD	Bulgaria	BGN	10,420,200	70%
Guala Closures DGS Poland S.A.	Poland	PLN	595,000	70%
ASIA				
Guala Closures India Pvt Ltd	India	INR	170,000,000	95.0%
Axiom Propack Pvt Ltd	India	INR	188,658,000	95.0%
Beijing Guala Closures Co. Ltd	China	CNY	20,278,800	100%
Guala Closures Japan KK	Japan	JPY	65,962,000	100%
LATIN AMERICA				
Guala Closures de Mexico, S.A. de C.V.	Mexico	MXP	94,630,010	100%
Guala Closures Servicios Mexico, S.A. de C.V.	Mexico	MXP	50,000	100%
Guala Closures Argentina S.A.	Argentina	ARS	208,633,770	100%
Guala Closures do Brasil LTDA	Brazil	BRL	10,736,287	100%
Guala Closures de Colombia Ltda	Colombia	COP	8,691,219,554	93.20%
Guala Closures Chile S.p.A.	Chile	CLP	1,861,730,369	100%
OCEANIA				
Guala Closures New Zealand Ltd	New Zealand	NZD	5,700,000	100%
Guala Closures Australia Holdings Pty Ltd	Australia	AUD	34,450,501	100%
Guala Closures Australia Pty Ltd	Australia	AUD	810	100%
AFRICA				
Guala Closures South Africa Pty Ltd	South Africa	ZAR	60,000,000	100%
Guala Closures East Africa Pty Ltd.	Kenya	KES	30,300,000	100%
REST OF THE WORLD				
Guala Closures North America, Inc.	United States	USD	60,000	100%

ANNEX B)

Statement of the CEO and manager in charge of financial reporting

Certification of the separate financial statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

4. The undersigned Marco Giovannini and Anibal Diaz, respectively the Chief Executive Officer and Manager appointed to prepare the company's accounting documents for Guala Closures S.p.A. (the “Company”) hereby certify, also in due consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in respect of the business characteristics and also taking into account the characteristics and effects of the corporate transaction completed on 6 August 2018 with the merger by acquisition of “Guala Closures S.p.A.” (tax code, VAT number and registration number with Alessandria Companies House 13201120154) into the Company (previously named “Space4 S.p.A.” and there took on today’s name of “Guala Closures S.p.A.”) and the simultaneous listing of the Company’s shares on the Telematic Share Market (MTA) - STAR segment, organised and managed by Borsa Italiana S.p.A.; and
   - the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during the period from 1 January 2018 to 31 December 2018.
5. No significant issues arose.
6. Moreover, they state that:

   3.3 the separate financial statements:

   d) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   e) are consistent with the accounting records and entries;

   f) are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and of the companies included in the scope of consolidation.

The Directors’ report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

19 March 2019

Marco Giovannini
The CEO
(signed on the original)

Anibal Diaz
The manager in charge of financial reporting
(signed on the original)