2019

2019 ANNUAL REPORT

Registered and administrative office:
Via Rana, 12 - zona industriale D/6
15122 Spinetta Marengo
Alessandria
Subscribed and fully paid-in
share capital €68,906,646
Tax code and company registration
no. 10038620968

Guala Closures Group

GUALA CLOSURES GROUP

2019 ANNUAL REPORT

(Translation from the Italian original which remains the definitive version)

LETTER TO SHAREHOLDERS

Dear Shareholders,

The extreme resilience of our company's business and its great ability to deal to exceptional events was confirmed in 2019.

In particular, we refer to the US trade war with Mexico, China and the European Union, in addition to the restrictions imposed by Russia on Ukraine, the social unrest that which disrupted France, Spain, Chile and Colombia and the climate changes that caused widespread drought in southern Africa and the bushfires in Australia.

Despite all of the latter, our group closed 2019 with a growth of 11.7%, with marginality of 18.7% and a positive cash flows of the period of €14.0 million.

These results have been achieved thanks to our ability to rapidly and efficiently open new production plants in Belarus and Kenya, to integrate, as demonstrated by the rationalisation of our operations in Scotland following the acquisition of UCP and our technological innovation, which entailed the launch of new closures equipped with legible microchips (NFC) in the United States, which launched the packaging digitalisation process.

Last but not least, this is the result of the commitment, passion, honesty and creativity of all our employees, on whom more than 10,000 hours of training were invested in our sustainability programme.

Together we continue on our path to achieve the ambitious goals of our Sustainability programme, enhancing our human resources and making the group's multiculturalism a strength to increasingly improve our production processes, while fully respecting the environment.

Given the current situation on the financial markets and although we do have the reserves to distribute a reasonable dividend, the Board of Directors decided to take a prudent approach and to dedicate the entire free cash flows to lowering debt.

Marco Giovannini

Chairman and CEO

(signed on the original)

COMPANY OFFICERS

BOARD OF DIRECTORS

Chairman and CEO	Marco Giovannini
Deputy chairman	Edoardo Carlo Maria Subert
Director	Anibal Diaz Diaz
Director	Francesco Bove
Director	Filippo Giovannini
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
Director	Nicola Colavito

REMUNERATION COMMITTEE

Chairwoman	Luisa Maria Virginia Collina
Independent director	Francesco Caio
Director	Edoardo Carlo Maria Subert

BOARD OF STATUTORY AUDITORS

Chairwoman	Benedetta Navarra
Standing auditor	Piergiorgio Valente
Standing auditor	Franco Aldo Abbate
Substitute auditor	Ugo Marco Luca Maria Pollice
Substitute auditor	Daniela Delfrate

INDEPENDENT AUDITORS

KPMG S.p.A.

CONTENTS

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Guala Closures S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Guala Closures Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Guala Closures Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Guala Closures S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recognition of the Space 4 - Guala Closures business combination

Notes to the consolidated financial statements: notes "(2) Accounting policies" and "(6) Acquisition of subsidiaries, business units and non-controlling interests"

Key audit matter	**Audit procedures addressing the key audit matter**
In 2018, Space4 S.p.A. completed the acquisition of the former Guala Closures Group. After the acquisition, Guala Closures S.p.A. was merged into Space4 S.p.A., which then changed its name to Guala Closures S.p.A.. In the consolidated financial statements at 31 December 2018, the directors initially recognised the business combination provisionally, since the fair value measurement process was still ongoing. In 2019, the directors completed the process for the calculation of the fair value of the assets acquired and the liabilities assumed arising from the acquisition. The consolidated financial statements at 31 December 2019 reflect the definitive recognition of the transaction, in relation to which the directors, also assisted by specifically engaged experts, allocated €377 million to intangible assets, €34 million to property, plant and equipment, €7 million to inventories, €110 million to deferred tax liabilities and €504 million to goodwill. In measuring the fair value of the assets acquired and liabilities assumed, the directors identified assets and liabilities to which the consideration paid should be allocated and estimated the related fair values mainly through a comparable royalty model for the trademark and patents, the multiperiod excess earnings model for customer lists and the replacement cost model for plant and machinery. These models are very complex and entail the use of estimates, which, by their very nature, are uncertain and subjective about: — the performance indicators calculated by taking into account the general economic performance and that of the group's sector; — the financial parameters used to calculate the discount rate.	Our audit procedures included: — understanding the process adopted by the parent's directors to measure the fair value of the consideration transferred and the definitive fair value of the assets, liabilities and contingent liabilities of the former Guala Closures Group at the acquisition date; — analysing the report prepared by the external experts for the purposes of the PPA; — involving experts of the KPMG network in the assessment of the reasonableness of the model used to measure the fair value of the consideration transferred and the definitive fair value of the assets acquired, liabilities assumed and contingent liabilities; — checking the entries restating the 2018 corresponding balances following the purchase price allocation prepared by the directors; — assessing the appropriateness of the disclosures provided in the notes about the recognition of the business combination.

Due to the complexity of the transaction and the materiality of the assets acquired, liabilities assumed and contingent liabilities, we believe that the recognition of the above business combination is a key audit matter.

Recoverability of goodwill

Notes to the consolidated financial statements: notes "(2) Accounting policies" and "(25) Intangible assets"

Key audit matter	**Audit procedures addressing the key audit matter**
Following the merger of the former Guala Closures Group into Space4 S.p.A., the group recognised goodwill of €504 million at 31 December 2019. The directors tested the reporting-date carrying amount of the Closures CGU, which includes the related goodwill, for impairment by comparing it to its recoverable amount. The directors estimated the recoverable amount based on value in use calculated using the discounted cash flow model. Impairment testing entails a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. For the above reason, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the parent's board of directors. — understanding the process adopted for preparing the 2020-2024 business plan approved by the parent's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the group to prepare the plan; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the plan and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 26 September 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Guala Closures S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Turin, 27 March 2020

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Guala Closures S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Guala Closures S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Guala Closures S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recognition of the Space 4 – Guala Closures business combination

Notes to the separate financial statements: notes "(2) Accounting policies" and "(4) Business combinations"

Key audit matter	Audit procedures addressing the key audit matter
In 2018, Space4 S.p.A. completed the acquisition of the former Guala Closures S.p.A.. After the acquisition, on 6 August 2018, Guala Closures S.p.A. was merged into Space4 S.p.A., which then changed its name to Guala Closures S.p.A.. In the separate financial statements at 31 December 2018, the directors initially recognised the business combination provisionally, since the fair value measurement process was still ongoing. In 2019, the directors completed the process for the calculation of the fair value of the assets acquired and the liabilities assumed arising from the acquisition. The separate financial statements at 31 December 2019 reflect the definitive recognition of the transaction, in relation to which the directors, also assisted by specifically engaged experts, allocated €117 million to intangible assets, €15 million to property, plant and equipment, €1 million to inventories, €584 million to equity investments, €41 million to deferred tax liabilities and €49 million to goodwill. In measuring the fair value of the assets acquired and liabilities assumed, the directors identified assets and liabilities to which the consideration paid should be allocated and estimated the related fair values mainly through a comparable royalty model for the trademark and patents, the multiperiod excess earnings model for customer lists, market multiples method for Equity investments and the replacement cost model for plant and machinery. These models are very complex and entail the use of estimates, which, by	Our audit procedures included: — understanding the process adopted by the company's directors to measure the fair value of the consideration transferred and the definitive fair value of the assets, liabilities and contingent liabilities of the former Guala Closures S.p.A. at the acquisition date; — analysing the report prepared by the external experts for the purposes of the PPA; — involving experts of the KPMG network in the assessment of the reasonableness of the model used to measure the fair value of the consideration transferred and the definitive fair value of the assets acquired, liabilities assumed and contingent liabilities; — checking the entries restating the 2018 corresponding balances following the purchase price allocation prepared by the directors; — assessing the appropriateness of the disclosures provided in the notes about the recognition of the business combination.

their very nature, are uncertain and subjective about:

- the performance indicators calculated by taking into account the general economic performance and that of the company's sector;
- the financial parameters used to calculate the discount rate.

Due to the complexity of the transaction and the materiality of the assets acquired, liabilities assumed and contingent liabilities, we believe that the recognition of the above business combination is a key audit matter.

Recoverability of goodwill

Notes to the separate financial statements: notes "(2) Accounting policies" and "(14) Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
Following the merger of Guala Closures S.p.A. into Space4 S.p.A., the company recognised goodwill of €49 million at 31 December 2019. The directors tested the reporting-date carrying amount of the Italy CGU, which includes the related goodwill, for impairment by comparing it to its recoverable amount. The directors estimated the recoverable amount based on value in use calculated using the discounted cash flow model. Impairment testing entails a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. For the above reason, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the company's board of directors; — understanding the process adopted for preparing the 2020-2024 business plan approved by the company's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the plan; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the plan and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment

testing model and related assumptions, including by means of a comparison with external data and information;

— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of the carrying amount of investments in subsidiaries

Notes to the separate financial statements: notes "(2) Accounting policies" and "(29) Impairment"

Key audit matter	**Audit procedures addressing the key audit matter**
In 2019, following the completion of the fair value measurement of the assets acquired and the liabilities assumed arising from the merger of Guala Closures S.p.A. into Space4 S.p.A., the company recognised the investments in Guala Closures International B.V. and GCL Pharma S.r.l. at €658 million and €11 million, respectively. Since the carrying amounts of the investments in subsidiaries exceed the company's share of their equities, at least once a year, the directors test their reporting-date carrying amount for impairment, to identify any impairment losses due to their exceeding their recoverable amount. The directors estimated the latter amount on the basis of the value in use, determined using the discounted cash flow model. Impairment testing entails a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of company's sector and the actual cash flows generated by the subsidiaries in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the carrying amount of the investments in subsidiaries is a key audit matter.	Our audit procedures included: — understanding the process adopted for the impairment testing of the investments in subsidiaries approved by the company's board of directors; — understanding the process adopted for preparing the 2020-2024 business plan approved by the company's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the plan; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the plan and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;

— assessing the appropriateness of the disclosures provided in the notes about the impairment test on investments in subsidiaries.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 26 September 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Turin, 27 March 2020

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

GUALA CLOSURES S.p.A.

Report of the Board of Statutory Auditors to the Shareholders' meeting, pursuant to art. 153 TUF and section 2429, paragraph 2 of the Italian Civil Code.

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also the "Board") is called to report to the Shareholders' Meeting of Guala Closures S.p.A. (hereinafter also referred to as "Guala Closures" or the "Company") on the supervisory activity carried out during the year and on the omissions and reprehensible facts found, pursuant to art. 153 of Legislative Decree 58/1998 (TUF) and art. 2429, paragraph 2, of the Civil Code. Furthermore, the Board of Statutory Auditors can make comments and proposals on the financial statements, their approval and on the matters within its responsibility. The information provided below also considers the instructions contained in CONSOB Communication 1025564/2001 and subsequent amendments and/or additions.

During the 2019 financial year, the Board of Statutory Auditors carried out its institutional duties in compliance with the Civil Code, Legislative Decrees 58/1998 (TUF) and 39/2010 and subsequent amendments and/or further additions thereof, of the statutory rules and of the instructions expressed by CONSOB, the National Commission for Companies and the Stock Exchange, also considering the rules of conduct recommended by the CNDCEC, the Italian National Council of Chartered Accountants and Accounting Experts.

Administrative Body - Appointment, term in office and operation

The Board of Directors in force at the date of this report was appointed by the Shareholders' Meeting of Guala Closures on 28 June 2018, with effect from 6 August 2018, and will remain in office until the conclusion of the Shareholders' Meeting that will be convened for approval of the financial statements for the financial period ended 31 December 2020.

Pursuant to current regulations and the Code of Conduct for listed companies, the Board of Directors, at the meeting of 12 March 2020, verified the existence of the independence requirement of Directors Luisa Maria Virginia Collina, Lucrezia Reichlin and Francesco Caio, with the results indicated in the report on corporate governance and ownership structures, in addition to maintaining the requirements of integrity and professionalism for all the members of the Board. The Board of Statutory Auditors verified that the procedure adopted by the Board of Directors to assess the independence, good reputation and professionalism of its members is consistent with the criteria indicated by Legislative Decree n. 58/1998 ("TUF") and the Corporate Governance Code for listed companies.

Board of Statutory Auditors - Appointment, term of office and functioning

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of Guala Closures on 10 September 2018 and will remain in office until the conclusion of the

Shareholders' Meeting to be called to approve the financial statements for the financial period ended on 31 December 2020.

The Board of Statutory Auditors, in the meeting of 21 February 2020, verified the independence of its members and that they still had the legal and statutory requirements. During the meeting, the Board of Statutory Auditors, in compliance with the recommendations contained in the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts (Standard Q.1.1. Version April 2018), carried out its own self-assessment, reporting the results to the Board of Directors.

During the financial period ended on 31 December 2019, the Board of Statutory Auditors met 13 times and participated in 9 Shareholders' Meetings held on 14 February 2019 and 30 April 2019 and at 9 meetings of the Board of Directors and 9 meeting of the Control and Risk Committee and at 5 meetings of the Remuneration Committee.

In 2020, and until the date of approval of this Report, the Board met 4 times.

Adherence of the Company to the Corporate Governance Code and its actual implementation

Guala Closures adheres to the Corporate Governance Code for listed companies (the "Code") and, in compliance with it, the Remuneration Committee and the Control and Risks Committee operate within the Board of Directors, with advisory and coordination functions. Two thirds of the above committees are composed of independent directors and, for one third, of non-executive directors.

The Company evaluated the opportunity to set up an internal appointment committee, but taking into account that the list voting mechanism provided for in the Articles of Association ensures a transparent appointment procedure and a balanced composition of the Board of Directors also with reference to the presence of an adequate number of independent directors, it has deemed it not necessary to set up an appointment committee. To such purpose, the Board of Statutory Auditors verified that, as required by the Code, such choice was motivated by the Company in the Report on Corporate Governance and Ownership Structure.

In any case, the Board of Statutory Auditors supervised that the Company correctly applied the corporate governance rules established in the Code or, in the event of deviation from the recommendations therein, that an adequate reason on the point was to provided in the Report on corporate governance.

Compliance with the law and the articles of association - Principles of correct administration

The Board supervised compliance with the law and the memorandum of association and compliance with the principles of correct management, both in the performance of its activities, including participation in the meetings of the Board of Directors and of the Board Committees, and during the meetings held with The *management* and with the Managers of the various Areas and Functions of the Company.

Participation in the meetings of the Board of Directors made it possible to obtain periodically from the Directors information on the activity carried out and on the most significant economic, equity and financial transactions resolved during the financial period. Based on the information available, the Board can reasonably affirm that these operations are compliant with the law and the Articles of Association and are not manifestly imprudent, risky or such as to compromise the integrity of the corporate assets.

Among the significant events for the Company and Guala Closures Group during the financial year - as stated in the Report on operations to which reference should be made for further details - the Board would like to point out:

- The Purchase Price Allocation (PPA) process of the company reorganization of 2018 and in compliance with IFRS 3 provisions - the PPA process, completed within one year from the acquisition date as required by IFRS 3, has had its accounting effects starting from the interim consolidated financial statements as at 30 June 2019. To this regard, the Board of Statutory Auditors supervised the criteria and methods applied to this PPA process the Company assigned to external consultant Deloitte Financial Advisory S.r.l..
- Payment of the deferred consideration for the purchase of Axiom Propack Pvt Ltd and merger by incorporation of the latter into Guala Closures India.
- Reorganization of Guala Closures France SAS following the change in the local regulations regarding the taxation of closures.
- Approval of the long-term incentive plan which took place on 15 May 2019.
- Reorganization of the Beijing Guala Closures company following the leased property owner's notice of his intention to terminate the contract on 31 December 2019.
- Rationalization of the PET sector with the sale of Guala Closures Iberica unit in part to a third-party company and in part to Guala Closures UCP which already operated in this sector.
- Legal action brought by Geo - Tag LLC according to which, among other things, the closure called e - wak would violate a patent of the plaintiff.
- Liquidity Provider contract signed with Mediobanca.
- Establishing of a company in Belarus, by Dutch subsidiary Guala Closures International BV.
- Capital stock reduction of Guala Closures Bulgaria AD.
- Admission to the Borsa Italiana's FTSE Italia Mid Cap index.
- Accident at Guala Closures Ukraine LLC occurred on 28 September 2019 during the operations for detecting the level of emissions of the plant assigned to an external company.
- In November 2019, opening of the new Guala Closures East Africa plant in Kenya.

During the meetings of the Board of Directors, the Board, among other things, verified that the delegated subjects reported, pursuant to art. 150, paragraph 1, of the TUF, on the transactions carried out according to the powers assigned to them.

Except for the transaction with the related party TAN Advisory S.r.l. examined for information by the Board of Directors of Guala Closures S.p.A. on 13 November 2019, during the year no transactions in which the directors were bearers of their own interest or of third parties have been found.

The frequency of the meetings of the Board of Directors, the information provided during the meetings and, in general, the set of information flows put in place, are in our opinion substantially adequate with respect to the legal, statutory and applicable regulations, without prejudice to the implementation and formalization activity of internal processes undertaken by Guala Closures after the listing.

On 12 March 2020 the Board of Directors of Guala Closures approved, with reference to the 2019 financial period, the Report on corporate governance and ownership structure pursuant to art. 123 bis of the TUF.

Atypical or unusual operations

The financial statements documents, the information received during the meetings of the Board of Directors and those received from the Chairman and Chief Executive Officer, from the *management*, from the *Internal Audit* Manager and the Statutory Auditor did not highlight the existence of atypical and/or unusual transactions, including inter-group transactions or with related parties.

Transactions between Group Companies and with Related Parties

Intercompany transactions or transactions with related parties, of greater economic, equity and financial importance, are shown in the Report on Operations and in the specific section of the Notes to the Financial Statements with an indication of ongoing assets, liabilities and guarantees and commitments as at 31 December 2019, together with the relevant certifications (pursuant to art. 5 of the CONSOB Regulation containing provisions on transactions with related parties adopted by resolution no. 17221/2010 and further amendments thereof, regulated by the *"Information to the public on transactions with related parties"*) broken down by the different types of related parties pursuant to IAS 24.

During the year, the Board of Statutory Auditors participated in the meetings of the Control and Risk Committee, which was also conferred with the functions of Related Parties Committee, and in particular at the meeting held on 13 November 2019, which - in compliance with the provisions of art. 7 of the Procedure for Related Party Transactions (" *RPT Procedure* ") approved by the Board of Directors of the Company on 8 March 2019 - examined and expressed its favourable opinion on the transaction concluded by the subsidiary GCL International S.à.rl with TAN Advisory S.r.l., which was qualified as a related party pursuant to art. 2, letter (f), of the Company's RPT Procedure, as Dott. Filippo Giovannini, director of Guala Closures S.p.A., is also Chairman of the Board of Directors and legal representative of TAN Advisory S.r.l., as well as direct and indirect owner of an equity investment equal to 17.43% in TAN Holding S.r.l. which holds 100% of the share capital of the aforementioned TAN Advisory S.r.l..

The Related Party Transactions Procedure, previously approved by the Board of Directors and the Shareholders' Meeting of the Company on 27 September 2017 and subsequently modified and definitively approved by the Board of Directors on 29 January 2018, was then again amended and integrated with resolution of the Board of Directors of 8 March 2019, subject to the opinion of the independent directors and after consultation with the Board of Statutory Auditors.

For detailed information on individual intercompany transactions and transactions with related parties relating to the 2019 financial year - transactions of greater significance, ordinary transactions and market conditions - please refer to the relevant sections of the Report on Operations and the Notes to the Financial Statements.

Handling of Privileged Information

The Board of Directors of the Company, with resolution of 8 March 2019, modified and approved the MAR Code (*Market Abuse Regulation*), of which a first version had been approved by the BoD on 18 December 2018, which established the register of relevant information, in addition to that of privileged information, in compliance with EU regulations relating to market abuse pursuant to Regulation (EU) no. 596/2014, implemented in Italy with Legislative Decree n. 107 of 10 August 2018.

The Company's MAR Code has incorporated the rules relating to the treatment of *internal dealing* transactions, which governs the management, processing and communication of information relating to transactions on the listed debt shares and instruments of Guala Closures and on derivatives and financial instruments connected to them by relevant persons and by persons closely associated with them.

The Board of Statutory Auditors supervised compliance with the procedural rules adopted by the Company, as well as compliance with the provisions on transparency and public information.

Remarks on the adequacy of the organizational structure

The Board of Statutory Auditors supervised the adequacy of the organisational structure and its correct functioning in the context of various meetings with the top management and with the Managers of the various areas and functions and acknowledged:

- The review and update the *Job Description* relating to the first *Corporate* lines
- The start of the process of collecting the subsidiaries organisation charts

The Board of Statutory Auditors met with the Head of the Group's HR function and took note of the specific initiatives planned by the Company in order to strengthen the company organization also in response to the needs arising from the listing, among which we highlight:

(Already completed in 2019 financial year)

- The strengthening of the *General Management* area, through the introduction of a *Group Operations Analysis Manager*
- The strengthening of the *Investor Relationship* structure
- The strengthening of the *Corporate Secretary* function

(To be completed in 2020 financial year)

- The enhancement of the *Corporate* SAP structure, in order to support the implementation and dissemination of this data processing system at Group level
- The introduction from January 2020, of a Group Manager for health and safety at work ("*HSE Manager*") with the aim of coordinating and monitoring the policies and activities of subsidiaries in this area
- The strengthening of the *Finance* function
- The creation of an inter-functional ethical-social committee, composed of the following function managers: *Group HR Manager*, *Group Continuous Improvement Manager*, *Group Quality Manager* and *Chief Legal Officer* aimed at developing sensitivity and awareness on the topic across the organization

The Board, considering the organisational strengthening initiatives implemented during the year and those in the process of being implemented, considers the Company's organisational structure substantially adequate, without prejudice to the requirement to complete within the required time frame (i) the collection of administration documents of subsidiaries in order to carry out an analysis of the homogeneity of names used and formal adequacy of the organisation charts of local structures, (ii) the analysis of the organisational roles identified within the system of delegations and powers.

Remarks on the adequacy of the internal control and risk management system

The Board of Statutory Auditors preliminary reports that the Company, with a resolution of the Board of Directors dated 8 March 2019, adopted an *Group Internal Audit* function, *outsourced* (pursuant to Article 7.C.6 of the Corporate Governance Code) to Dott.ssa Elisabetta Ubertini, Senior Director of RC Advisory, who has been vested with functions substantially compliant with those provided for by the Corporate Governance Code and by activating the Risk Management process for the same Function.

With regard to the choice of the Company to outsource the *Internal Audit* function, the Board of Auditors expressed a favourable opinion, although it is hoped that this function will be internalized in a second phase of the strengthening process of the internal control system of Guala Closures.

That being said, during the 2019 financial year, the Company completed on schedule the initial project to strengthen the internal control and risk management system launched after the listing, and more specifically:

i) The recognition process of individual *Business Units* of the Company and the summary mapping of powers had been completed.
ii) The *set-up* of the *Internal Audit* function was completed.
iii) The ERM (*Enterprise Risk Management*) process was completed.
iv) The 2019 *Risk Assessment* conducted according to the "*Top-Down* " method, was established, that is the identification of the Group's corporate risks through the assessments of the parent company's first lines of *management*.
v) The preparation process of *governance* procedures and of the Accounting Control Model *pursuant to* Law 262/2005 (including the Group Control Manual 262 describing the control activities to oversee the administrative-accounting processes), was completed.
vi) The Audit Plan for the 2019-2021 three-year period was established, which provides for specific operational audits on the main company processes relating to the Company and the Group, with priority levels according to the level of risk identified in the *Risk Assessment* and General Audit interventions on foreign subsidiaries for the most relevant processes. The Company's three-year audit plan, approved in May 2019, was also updated in December 2019, following the update of the *Risk Assessment* also carried out with a "*Bottom-up*" logic or involving, in addition to Parent company functions, also the General Managers and Controllers of the Group's subsidiaries, thus providing for the inclusion of specific *audits* also with reference to the Company's foreign subsidiaries.

Various activities were also launched in 2019 with the aim of further strengthening the Group's internal control and risk management system in the following areas:

- *Governance* - by mapping the system of delegation and powers for each Group company, in order to verify their adequacy, completeness and actual updating, as well as to define a *standard* model of powers as a reference for subsidiaries, declined based on a few "*clusters*".
- *Organization* - through the initial review of the *Job Description* relating to the first *Corporate* lines and the collection of the organisation charts of subsidiaries, in order to make them homogeneous and updated as well as to check their consistency with the system of delegations and powers.
- *Health & Safety* - through (i) the mapping of the H&S risk control and management systems of the production subsidiaries, (ii) the identification of the Group H&S Manager, (iii) the definition of a

verification plan to be developed in 2020 and 2021 by the Group H&S Manager and independent level III control over a sample of companies by the *Internal Audit* and *Risk Management* function.

- *Compliance* - with the issuing of the procedures relating to Related Party Transactions and *Market Abuse* and implementing the related activities in terms of information flows to and from the Corporate and Subsidiary functions as well as through targeted and operational training to support the various parties involved both with the Parent Company and Subsidiaries.
- IT - through (i) mapping of information systems to support the administrative-accounting processes and identification of the optimization path of those considered most relevant, (ii) automation without possibility of manual modification of data transfer from the local accounting system to the *Reporting Package* (Hyperion) one, (iii) creation of a central *Repository* for the different *Corporate* functions aimed at strengthening the mutual flow of information.

Notwithstanding the monitoring of the project progress to strengthen the internal control and risk management system, the Board, through periodic meetings with the Head of the *Internal Audit* function, also supervised the audit activities planned for 2019 and the progress of works of the aforementioned *Audit* Plan, by acquiring complete information on the audits *carried* out during the year, acknowledging that:

- the activity carried out, compared to the provisions of the 2019 Audit Plan, has suffered some delays deriving from the need for full alignment by the structures, with the dynamics of the *internal auditing activity*.
- the queues of interventions that are still open will be absorbed in the first months of 2020, the Audit Plan of which will not change in any case.
- The internal control and risk management system is defined as "substantially appropriate".

During the meeting held on 21 February 2020, the Board of Statutory Auditors examined the 2020 *Risk Assessment*, noting that:

- In accordance with the recent requirements defined by January 2020 Borsa Italiana Corporate Governance Code, recommendations and relevant notice, introduced with a view to "sustainability" are already being implemented to strengthen attention on risk issues related to three central factors for sustainability (*Environmental, Social and Governance*, already included in some categories of the previous Risk Model 2019) and for declining the specific management and monitoring systems put in place to mitigate the impacts, considering specific environmental, social, *governance* and *stakeholder* metrics. More specifically:
    - a new *ad hoc* risk area has been created.
    - in addition to the pre-existing assessment scales for the plan period in terms of probability, economic and financial impacts and qualitative impacts, also sustainability impacts and a specific declination of the risk mitigation system have been defined, with a methodological update.
- more generally, the 2020 *Risk Assessment*, as already mentioned above, also involved the Group's subsidiaries, according to a *bottom-up* approach, which showed an increase in the number of risks assessed, in part due to new issues emerging at Corporate level and in part to other issues identified locally by some subsidiaries. The assessments made by the subsidiaries were then weighted to define their relevance/impact at Group level.

On 28 September 2019 at Guala Closures Ukraine LLC subsidiary, an accident (an explosion) occurred during plant emissions levels detection operations carried out by an external company, LLC Ecosystem, in which 8 people were involved, 3 of which in more serious conditions.

The event appears to be attributable to LLC Ecosystem itself, direct material damages, of an amount not however significant for the Group's consolidated financial statements, are covered by the insurance stipulated locally. At present, the Board of Statutory Auditors has not been informed about the notification of official documents by the judicial authority. The assessments made by the appointed lawyers and made available to the Board, would seem to exclude sanctioning measures against the Guala Closures Ukraine subsidiary.

The Board of Statutory Auditors, in reiterating the centrality of the issue of safety at work and the recommendation to the Company to adopt a Group policy on *Health & Safety*, which applies to all subsidiaries, welcomed the strengthening initiatives undertaken by the Company relating to the appointment of a Group H&S Manager (already occurred in the first few months of 2020), the launch of a project to verify the safety procedures applied by all subsidiaries, the development of a Group Policy and related standard management and control tools on workplace safety.

The financial statement dossier contains some information relating to the actions taken following the Covid - 19 (coronavirus) epidemic and, as specified therein, the diversified geographical presence suggests to the administrative body that the Group can withstand any economic repercussions, while considering premature any forecast on the possible impacts on the coming months.

Lastly, during its meetings, the Board of Statutory Auditors (i) met with the Company's Supervisory Body ("SB") which reported to the Board on the supervisory activity carried out pursuant to Legislative Decree 231/2001 (ii) examined the "*Report on the activities carried out by the Supervisory Body (SB) pursuant to Legislative Decree 8 June 2001, no. 231, as of 31 December 2019*" and submitted every six months by the Supervisory Body, from the results of which no significant violations emerged.

The Company, with a BoD resolution of 15 May 2019, updated the organization and management model envisaged by Legislative Decree no. 231/2001 by introducing a structured sanctioning system with more defined levels in the body of procedures in line with *Health & Safety* regulations.

On the basis of the documentation examined, the information received and the checks carried out during its supervisory activity, the Board of Statutory Auditors considers the strengthening process initiated by the Company, including in the Internal Control System, substantially appropriate, without prejudice to the opportunity to complete the planned activities in accordance with the identified methods and timing.

Supervisory activities pursuant to art. 19 of Italian Legislative Decree 39/2010 - Relations with Independent Auditors

Art. 28 of Directive 2014/56/EU amended directive 2006/43/EC relating to statutory auditing and was implemented in Italy with Legislative Decree 135/2016, with which Legislative Decree 39/2010 was updated. The (EU) Regulation 537/2014 of 16 April 2014, art. 10 (hereinafter also the "Regulation") defines the specific requirements of the audit report for public interest entities.

The separate and consolidated financial statements of Guala Closures as at 31 December 2019 are subject to legal audit by the independent auditing firm KPMG pursuant to Legislative Decree No. 39 of 27 January 2010 and in execution of the shareholders' resolution of 26 September 2017. The accounts prepared for the purpose of consolidating the other Group companies are also subject to audit by KPMG S.p.A. or by other companies in the KPMG network, except for Guala Closures BY LLC, Guala Closures

Deutschland GmbH, Guala Closures Japan KK and Guala Closures North America Inc .. As regards the latter, the accounts prepared for consolidation purposes have been audited by another auditor.

The Board of Statutory Auditors, identified by art. 19 of Legislative Decree 39/2010 in its reformulated version as a result of the statutory audit reform implemented by Legislative Decree 135/2016 as the "*Committee for internal control and statutory audit* ", has monitored the financial disclosure process , on the statutory audit activity and on the independence of the Statutory Auditor, in particular as regards the provision of non-auditing services.

In fact, the Board has scheduled a series of specific meetings in the various stages of the audit, during which it examined:

- The 2019 Transparency Report 2019
- The resources and hours planned for the 2019 statutory audit
- The 2019 *scope of work* , *materiality* and *significant risks* 2019
- The 2019 Audit Plan

The Board of Statutory Auditors analysed the methodological system adopted by the Auditor and acquired the necessary information as the audit was ongoing, constantly interacted on the audit approach used for the various significant areas of the financial statements, shared the issues related to corporate risks and received updates on the progress of the audit and on the main aspects for the attention of the Auditor.

The Board of Statutory Auditors has examined the following reports drawn up by the Statutory Auditor KPMG S.p.A.:

- Audit reports issued on 27 March 2020 pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of the (EU) Regulation no. 537/2014.
- The Supplementary report released on 27 March 2020, pursuant to art. 11 of the Regulation to the Board of Statutory Auditors as the Committee for internal control and auditing.
- The annual confirmation of independence issued on 27 March 2020 pursuant to art. 6 of Legislative Decree 2) lett. a) of the Regulation and pursuant to paragraph 17 of the ISA Italia 260.

The aforementioned reports on the audit of the Group's financial statements and consolidated financial statements show that both documents provide a true and correct representation of assets and financial position of Guala Closures S.p.A. and of Guala Closures group as at 31 December 2019, as well as the financial result and cash flows for the year ended on that date in accordance with the *International Financial Reporting Standards* adopted by the European Union.

Moreover, according to the Auditor's opinion, the Management Report and some specific information contained in the Report on Corporate Governance and the ownership structures indicated in art. 123-bis paragraph 4, of Legislative Decree 58/98 (TUF), are consistent with the financial statements of Guala Closures S.p.A. and with the consolidated financial statements of Guala Closures group as at 31 December 2019 and have been prepared in compliance with the law. With reference to the possible identification of significant errors in the Management Report (art. 14, paragraph 2, letter e) Legislative Decree 39/2010, the Auditor declared that he had nothing to observe.

The reports on the auditing of the separate and consolidated financial statements, as required by ISA 701, show the illustration of the key aspects which, in the auditor's professional judgement, were most significant in the accounting auditing of the separate and consolidated financial statements for the year being examined.

Consolidated Financial Statements:

- Goodwill recoverability
- Accounting recognition of the Space4 - Guala Closures business combination

Separated Financial Statements:

- Goodwill recoverability
- Accounting recognition of the Space4 - Guala Closures business combination
- Recoverability of the value of investments in subsidiaries

On the aforementioned key aspects, for which the Auditor's reports illustrate the relative audit procedures adopted, the Auditor does not express a separate opinion, as they have been addressed in the audit and in the formation of the opinion on the financial statements as a whole. The aforementioned key aspects were the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditors.

From the Supplementary report, pursuant to art. 11 of (EU) Regulation no. 537/2014, in relation to the financial reporting process no significant deficiencies in the internal control system have been found which are worthy of being brought to attention in this report, as well as from the declaration on independence (article 6 of the aforementioned EU Regulation), there are no situations which can compromise independence.

As already said, the Board held several periodic meetings, in accordance with art. 150, paragraph 3, of the Consolidated Law on Finance and of the provisions introduced by Legislative Decree no. 39/2010, with the Auditing Company - examining the 2019 audit plan, verifying its adequacy, following its execution and exchanging data and relevant information in a timely manner for the performance of their respective duties - with no particular remarks to be communicated having been highlighted or facts deemed reprehensible that required the formulation of specific reports pursuant to art. 155 paragraph 2 of the TUF

Considering the above, the Board of Statutory Auditors considers the interaction process with the Independent Auditors to be adequate and transparent. It also believes that the improvement of the " *two-way dialogue* " between the Independent Auditors and the bodies responsible for *governance* on the financial statements risk areas and the procedures identified to oversee them, has further supported the role and responsibility of the parties involved in the preparation process of financial statements and auditing activities . The Explanatory Notes disclose the fees for the statutory audit of the accounts as well as the fees for the services rendered to Guala Closures other than the audit performed during the financial period ended 31 December 2019, by the auditing company and the network entities to which the independent auditors belong. To this regard, it is represented that on 14 January 2019, the Board of Statutory Auditors formulated its justified proposal pursuant to article 13 of Legislative Decree no. 39/2010 in relation to the request for adjustment of the remuneration submitted by the Independent Auditors to Guala Closures on 29 October 2018, an adjustment request subsequently accepted by the Company by resolution of the Shareholders' Meeting of 14 February 2019.

Below are the fees paid to KPMG S.p.A. and to the companies in its network, as indicated in the notes to the consolidated financial statements as at 31 December 2019:

Accounting Audit (€ / 000)

KPMG S.p.A.	Parent Company	354
KPMG S.p.A.	Italian subsidiaries and branches	35
KPMG (network)	Foreign subsidiaries	1,049
Other auditing companies	Foreign subsidiaries	36

Other services rendered (€/000)

KPMG S.p.A.	Parent Company	Auditing Non-financial statement	60
KPMG S.p.A.	Parent company	Other certification services	25
KPMG S.p.A.	Parent company	Other services	4
KPMG (network)	Foreign subsidiaries	Other services	11

The total of the fees paid to KPMG S.p.A. and to the companies of its *network* relating to 2019 is € 1,538 thousand while the total fees paid to other auditing companies relating to 2019 is € 36 thousand, for a total amount paid as fees for the year 2019 of € 1,574 thousand.

With reference to the assignment of further tasks to the Independent Auditors, the Board of Statutory Auditors reports that, following its positive opinion, the Company with resolution of the Board of Directors of 27 March 2019 approved its Internal Procedure for the assignment of Tasks to the Independent Auditors. To this regard, the Board notes that before issuing its favourable opinion, it verified that the above Procedure:

- Promptly defines the general principles and operating procedures regarding the assignment of tasks for the provision of statutory auditing services and other services provided by Italian or foreign companies of Guala Closures Group, in accordance with current regulations.
- Provides that the rules on the independence of the auditor governed by the procedure apply to all auditors monitored (i.e. the main auditor and any secondary auditors) and to their respective *networks* and connected subjects.
- Correctly describes the types of services that can be provided.
- Provides - on the occasion of the proposal for the provision of a non-audit service by the auditor or his *network* - adequate procedures and information flows to allow the Board to understand the reasons for the proposal and therefore express its informed consent.
- Also pursuant to section 4 of EU Regulation no. 537/2014, limits to 70% of the average of the fees for the statutory audit carried out for the Company and received in the previous three years, those fees for services other than the statutory audit rendered not only by the appointed statutory auditor but also by its *network*.

The Board of Statutory Auditors specifies that in the 2019 financial year the Company entrusted the audit firm KPMG with the following assignment relating to an *audit related* service: auditing of the " *Service Agreement - Intercompany Rechargeable Cost Calculation Scope of work ISA 805 - Special Considerations*" .

This service, both by type and by amount, is among those pre-approved by the Board of Statutory Auditors on the occasion of the approval of the " *Internal Procedure for the assignment of the Assignments to the Auditing Company* ".

Supervisory activities on the financial reporting process - Observations on the adequacy of the administrative-accounting system

For the purpose of supervising the financial reporting processes, the Board of Statutory Auditors, in addition to the aforementioned in-depth analyses carried out with the auditing company, from which no significant deficiencies and/or critical issues were found in the Company's internal control system as regards administrative and accounting processes, periodically met with the Financial Reporting Manager in charge of preparing the accounting documents, with the Company functions responsible for accounting controlling and the Group *Internal Audit* and *Risk Management function* to which the Manager in charge delegated the *risk scoping* and verification activities as provided by law no. 262/2005.

The administrative and accounting procedures aimed at preparing the separate and consolidated financial statements, have been prepared under the direction and responsibility of the Financial Reporting Manager in charge of preparing the accounting documents, who, together with the Chief Executive Officer, has certified their adequacy and the actual application.

The Financial Reporting Manager, during the periodic meetings:

- Did not report to the Board of Statutory Auditors significant deficiencies in the administrative and accounting control processes of the Company that could compromise this judgement of adequacy and effective application of the administrative-accounting procedures, for the purpose of the correct representation of the economic, asset and financial position of the management events in accordance with the international accounting standards.
- Has informed the Board of Statutory Auditors of the strengthening and formalising process of the administrative and accounting system of the Company also at Group level, which in particular currently envisages, as described in the Accounting Control Model pursuant to Law 262/2005:
  - A "*cascade*" system of internal certificates of conformity by all Group companies.
  - A Group Accounting Manual, updated in 2019, containing the current accounting standards and the criteria and operating procedures to be adopted in the evaluation of some financial statement items that are significant for complexity and/or relevance, so as to formalise in a single document the accounting practices of the Companies and facilitate uniformity of application by the subsidiaries.
  - A Manual called "*Group Controls Manual*" ("Manual 262"), relating to the obligations referred to in Law 262/2005, as approved by the Board of Directors on 15 May 2019 and sent to all subsidiaries .

Among the further improvement initiatives implemented by the Company in terms of administrative-accounting controls for the year 2020, within the Group *Repository* we note the implementation of a specific section for the *testing* activity of the Financial Reporting Manager, in order to make the remote verification of the actual and effective application of the controls provided for in Manual 262 on subsidiaries, more efficient and timely.

The Financial Reporting Manager and the Chief Executive Officer signed the certifications relating to the separate and consolidated financial statements as at 31 December 2019, as required by art. 81 of the Issuers Regulation issued by CONSOB with Resolution no. 11971/1999 and subsequent amendments and additions.

Lastly, the Board took note of the outcome of the *testing* activities on the controls *pursuant to* Law 262/2005 carried out in 2019 by the *Internal Audit* function, which did not reveal any significant deficiencies in the Company's accounting control system, although highlighting some improvement aspects on which the Board will verify in the future that the Company promptly adopts the related corrective actions.

Considering the information received and the checks carried out, as well as having received from the CFO of the Company express confirmation of the adequacy of the accounting controls system in place, the Board considers the administrative-accounting system of Guala Closures substantially consistent with the provisions of current regulations.

Adequacy of instructions given to subsidiaries

The Board monitored the instructions given by the Company to the subsidiaries pursuant to art. 114 par. 2 of the TUF. In particular, the Board of Statutory Auditors acknowledged:

- As regards the *steering* procedures and the information flows in place with the subsidiaries, that the main feature of the Group is the presence in the administrative bodies of subsidiaries of key figures of the Parent Company and that the introduction of the Group Repository has made the exchange of information and communications between Guala Closures and its subsidiaries more efficient.
- That each subsidiary (except for those located in Germany, Belarus, Japan and the US) is in any case subject to auditing by auditing companies of the KPMG *network*.
- That further bodies and/or synthesis moments aimed at strengthening the parent company's steering towards its subsidiaries are:
  - The COMEX: a group organization, in which all the heads of corporate functions participate, as well as some general managers, during which information is exchanged within the Group, addressing operational and financial issues. The committee meets monthly.
  - The *extended* COMEX: which meets in Alessandria in general every six months (January/February and July) which is attended by all General Managers of the various subsidiaries, sometimes accompanied by sales managers and controllers.
- That specific meetings set for budget, budget review and forecast are organised locally, and take place respectively in April (3 *actual* months + 9 *forecast* months) and in October/November (9 *actual* months + 3 *forecast* months).
- That, each month, the individual general managers of subsidiaries provide the Parent Company with information regarding the operating performance of the *business*.

The Board of Statutory Auditors participated in the Company's Extended COMEX held on 17 July 2019.

Non-Financial Statement (included in the Annual Financial Report management report)

The Board of Statutory Auditors, having taken note of the Legislative Decree 254/2016 concerning the communication of non-financial information and the Implementation Regulation issued by the CONSOB with resolution dated 18 January 2018, in performing its function supervised the compliance with the provisions contained therein in relation to the preparation of the Consolidated Non-financial Statement (hereinafter also "CNS"), approved by the Board of Directors on 12 March 2020.

It also took note of the report issued by the Independent Auditors on 27 March 2020, which states that no elements were received that suggest that the Guala Closures group's CNS for the year ended on 31 December 2019 was not drafted, in all significant aspects, in compliance with the requirements of articles 3 and 4 of Legislative Decree 254/2016 and the *"Global Reporting Initiative Sustainability Reporting Standards"*.

Complaints *pursuant to* art. 2408 of the Italian Civil Code - Reports - Opinions issued pursuant to the law and the Corporate Governance Code

In 2019, the Board did not receive any complaint *pursuant to* art. 2408 of the (Italian) civil code.

On the basis of the activity carried out and the information obtained, no omissions, reprehensible facts or significant irregularities were required to be reported to the Supervisory Authorities or mentioned in this Report.

During the financial period and up to the date of approval of this report, the Board of Statutory Auditors issued opinions and expressed observations that current legislation and the Corporate Governance Code assign to its competence. Furthermore, the Board of Statutory Auditors reports that it has:

- Examined and positively assessed the text of the Related Party Transaction Procedure pursuant to the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010, also considering the instructions and clarifications provided by CONSOB with communication no. DEM/10078683 of 24 September 2010.
- Expressed its positive opinion in relation to the outsourcing assignment of the *Internal Audit* function to Dott.ssa Elisabetta Ubertini, *Senior Director* of RC Advisory, and also assessed the adequacy of the allocation of resources assigned to the performance of her responsibilities and adequacy of her remuneration.
- Examined the Remuneration Policy for the 2020 financial year, as proposed by the Remuneration Committee in the meeting held on 12 March 2020, as well as the Report on the remuneration policy and salaries paid approved by the Board of Directors in the meeting of 12 March 2020, verifying that it contains the information required by art. 123 ter of the TUF and pursuant to art. 84 quater of CONSOB regulation 11971/1999.
- Examined and positively assessed the Procedure for the assignment of tasks to the Independent Auditors approved by the Board of Directors in the meeting of 27 March 2019.

Final observations

The Board of Statutory Auditors, on the basis of the supervisory activity performed, did not find significant irregularities or omissions and/or reprehensible facts, nor did it become aware of operations not based on compliance with the principles of correct administration, resolved and implemented not in compliance with the Law and the Articles of Association, not meeting the interests of Guala Closures, in contrast with the resolutions passed by the Shareholders' Meeting, manifestly imprudent or risky, such as to compromise the integrity of the corporate assets.

The Board of Statutory Auditors does not deem it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to art. 153, second paragraph, of the TUF.

Having acknowledged the results expressed by the financial statements and the content of the Management Report accompanying it, the contents of the certification of the separate and consolidated financial statements, signed by the Chairman and Chief Executive Officer and by the Financial Reporting Manager, and considering the contents of the Reports drawn up by the Statutory Auditor, the Board of Statutory Auditors has not found, for the matters under its responsibility, any impediments to the approval of the financial statements closed on 31 December 2019 and to the proposal to allocate the profit for the financial period formulated by the Board of Directors.

Rome, 27 March 2020

On behalf of the Board of Statutory Auditors

The President

Benedetta Navarra

1. Directors' report

Definitions

The following definitions are provided to make it easier to understand the comparative 2018 figures:

- Lux BU: the business unit transferred by GCL Holdings S.C.A. (the former parent of Guala Closures S.p.A.) to GCL International S.à r.l. on July 31, 2018, comprised of 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 intragroup loans granted to the latter.

- Company: Guala Closures S.p.A. (formerly Space4 S.p.A., renamed Guala Closures S.p.A. following the merger of August 6, 2018).

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

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

- Post-merger Guala Closures Group: Space4 S.p.A. and the pre-merger Guala Closures Group resulting from the merger of Guala Closures S.p.A. into Space4 S.p.A. (which changed its name to Guala Closures S.p.A.).

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

The comparative figures presented in this report include the effects of the above-mentioned business combination. Accordingly and to facilitate an understanding of this report, it includes pro forma comparative figures to make the group's performance in 2018 and 2019 comparable.

Specifically, with respect to the comparative figures for 2018, until July 31, 2018, the consolidation scope only included Space4 S.p.A. (a non-operating vehicle), while, as of August 1, 2018, following the above-mentioned acquisition, the consolidation scope has included both Space4 S.p.A. and the pre-merger Guala Closures Group.
For information about the calculation of the pro forma 2018 figures, reference should be made to annex A) to this report.

Alternative performance indicators

In addition to the financial performance indicators required by IFRS, this report includes some alternative performance indicators (gross operating profit (loss) (EBITDA), adjusted gross operating profit (loss) (Adjusted EBITDA), adjusted operating profit (loss) (Adjusted EBIT), net financial indebtedness and revenue and adjusted EBITDA for 2019 at constant exchange rates) as management monitors these performance indicators on a consolidated basis and considers them significant for the purposes of understanding the group's performance of operations. These indicators, although not required by IFRS, are based on IFRS values (the "Alternative performance indicators - Guala Closures Group" and "Alternative performance indicators - Guala Closures S.p.A." sections of this report provide more information about these indicators and their calculation).

1.1 Guala Closures Group

OPERATIONS

Guala Closures Group is a multinational leader in the aluminium and non-refillable closures production market active on five continents with 29 production sites as at December 31, 2019 (with the acquisition of Closurelogic, the Group's production sites rise to 30).

Its leadership is based on continuous product and process innovation developed at the group's five different research and development centres, two of which are focused on finding unique, ground-breaking solutions for products and processes and three of which work on product development for the different macro regions.

Since **August 2018,** the parent Guala Closures S.p.A. has been listed on the STAR segment of the Milan stock exchange and since **September 2019** it was admitted to Borsa Italiana's **FTSE Italy Mid Cap** index.
At the date of this report, the shareholding structure of Guala Closures S.p.A. is characterized by more than 40% as free float.

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

The 2018 corporate reorganisation

Guala Closures S.p.A. (the "company" or the "parent") (formerly Space4 S.p.A.) was incorporated by Space Holding S.r.l. on September 19, 2017 with the name of Space4 S.p.A.. It was 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 December 21, 2017.

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

STRATEGY

The group's mission is to retain its market leadership, improve profitability and develop its business through organic growth and targeted acquisitions to build up its market share.

The group's management has a clear growth vision which envisages:

- ongoing revenue growth through entry into markets in emerging countries with specific focus on safety closures and the value added of safety and luxury closures;
- the optimisation of production processes and the supply chain by sharing best practices within the group in order to improve the profitability of the group's production facilities;
- continued optimisation of the new product range by driving innovative, high-tech products and focusing increasingly on aesthetics to promote the brand of our customers;
- careful assessment of potential related to acquisitions to expand the group's presence in new geographical segments and/or markets;
- The packaging digitalisation process also received a boost in 2019, with new NFC closures unveiled.

RESEARCH – INNOVATION – DEVELOPMENT OF NEW PRODUCTS

Product and process innovation to design and provide the world's markets with valid solutions for the individual brands and with increasingly effective and sustainable production processes was again front of mind and intense for the Guala Closures Group in 2019.
The group continued to lead the way in pinpointing new market trends and converting them into cutting-edge solutions thanks to the close collaboration between its marketing, sales and innovation areas.
Alongside the entrenched market fragmentation and the move towards more premium products, group customers have ramped up demand for sustainable products in response to new regulations and a public opinion which is growing in awareness of environmental issues and increasingly more restious towards the use of plastics in general.
As there is not one comprehensive solution to the calls for sustainable products, Guala Closures is pursuing different eco-design avenues:

- ease of recycling, through mono-material solutions;
- decreasing the impact of the production of closures, through the use of materials from partly or fully renewable sources;
- reducing the plastic materials used, continuing the research into the partial replacement of polymers with natural fibres/waste;
- biodegradable/compostable closures, through the development (with strategic partners) and use of advanced polymers.

The aim is to provide customers with a wide range of solutions that they can select on the basis of their local facilities for end-of-life packaging processing. This includes the launch of the Green Cap aluminium closure, which easily divides closure and bottle for the proper disposal of the packaging at the end of its life.

The eco-design guidelines also apply to historical closures models.
In particular, production of the restyled Alusnap closure commenced at the Spinetta Marengo facility in 2019, under the name Alusnap Smart. By changing some components, the amount of plastic in this model was reduced by 27%. This project was one of the winners of the 2019 edition of CONAI (Italy's packaging consortium) contest for packaging reduction and sustainability.
The group has developed additional solutions in the luxury market segment to respond more closely to the various demands of the individual markets. The range of "T" caps has expanded with new materials from different sectors such as fashion, and with new effects on materials already in use such as wood, "heavy" plastics (Gravitas) and aluminium. The newly-launched innovative "Opera" range is gaining traction, with many such solutions featuring the juxtaposition of different materials to produce premium solutions not offered by the competition.

No new market trends are predicted to emerge in 2020 compared to those of 2019. The call for sustainability will continue to gain momentum, considering the pressure placed on consolidated brands by the new habits and purchasing criteria of the younger generations, and the inception of new brands that better respond to these demands. The targets set by individual governments and big brands for reducing the environmental impact of packaging are also rapidly approaching, increasingly requiring the group to have a portfolio of solutions available that can easily be customised and, as always, enhanced by the style and safety features that have always set the Guala Closures Group products apart.

The relaunch of the big brands will continue and this will entail significant development and engineering activities for new closures that respond to the new bottle designs. This trend will sometimes be accompanied by packaging cost-cutting initiatives, which, however, must never compromise the safety and aesthetic value of our solutions. In the luxury segment, the demand for very stylish solutions and speedy lead times will continue to grow. Market fragmentation and tight timeframes require a highly streamlined approach to product development and industrialisation activities, where the pursuit of the greatest possible flexibility will be increasingly crucial.

With respect to luxury closures, at the VS Pack trade show in Cognac, Guala Closures was awarded the Spiripack Bronze Award as part of the Gravitas range for a Scottish customer.

Research into new technologies, carried out at the Foetz innovation centre (Luxembourg), focused mainly on the following aspects:

- "Connected closures" and related management systems (tags, platforms and reading systems);
- flexible automation;
- creation of components in 3D printing.

The connected "e-Wak" closure was launched during the year. This closure uses NFC technology to exchange information with the end consumer by just using a smartphone.

This innovative product received many international awards, including the 2019 Alufoil Trophy from EAFA (the European aluminium foil association) and the "New Technology" award from the Innovation Challenge at the 2019 edition of SIMEI (the international enological and bottling equipment exhibition). This product was produced by developing high-speed NFC tag reading systems, to be installed on production lines, to ensure the traceability of the single closure throughout the product life. Meanwhile, with the support of selected partners, IOT (Internet of Things) platforms were developed for data management for customers. In addition to NFC closures, new digital closure systems were developed to maintain treaceability, though with a reduced functionality compared to the NFC technology.

The closures connected with NFC are based on this intelligent technology that allows each bottle of wine and spirits to become a "connected bottle": compatible smartphones can read the chip located on the top of the cap without downloading any specific app, providing consumers with the certification of authenticity and unlocking all information about the product, directly involving them with the brand. In the future, this technology may also be extended to the oil sector and the pharmaceutical and cosmetic sectors.

The Guala Closures Group's range of smart closures with NFC technology has several advantages, including:

- for brand owners, the deeper knowledge of their consumers offered by the marketing data shared by them will result in more targeted and effective communication and promotion strategies and policies. Furthermore, the registration through infinite unique identification codes will facilitate traceability from bottling to sales, improving distribution logistics;
- for end consumers, the bottle certification and their involvement with the brand. By scanning the NFC tag with their smartphones, consumers will be able to connect to the winery and obtain information about the wine, the area in which it is produced, the variety of grape used, the best time to drink it and tips for food pairing, with ongoing updates based on the product-related preferences they select.

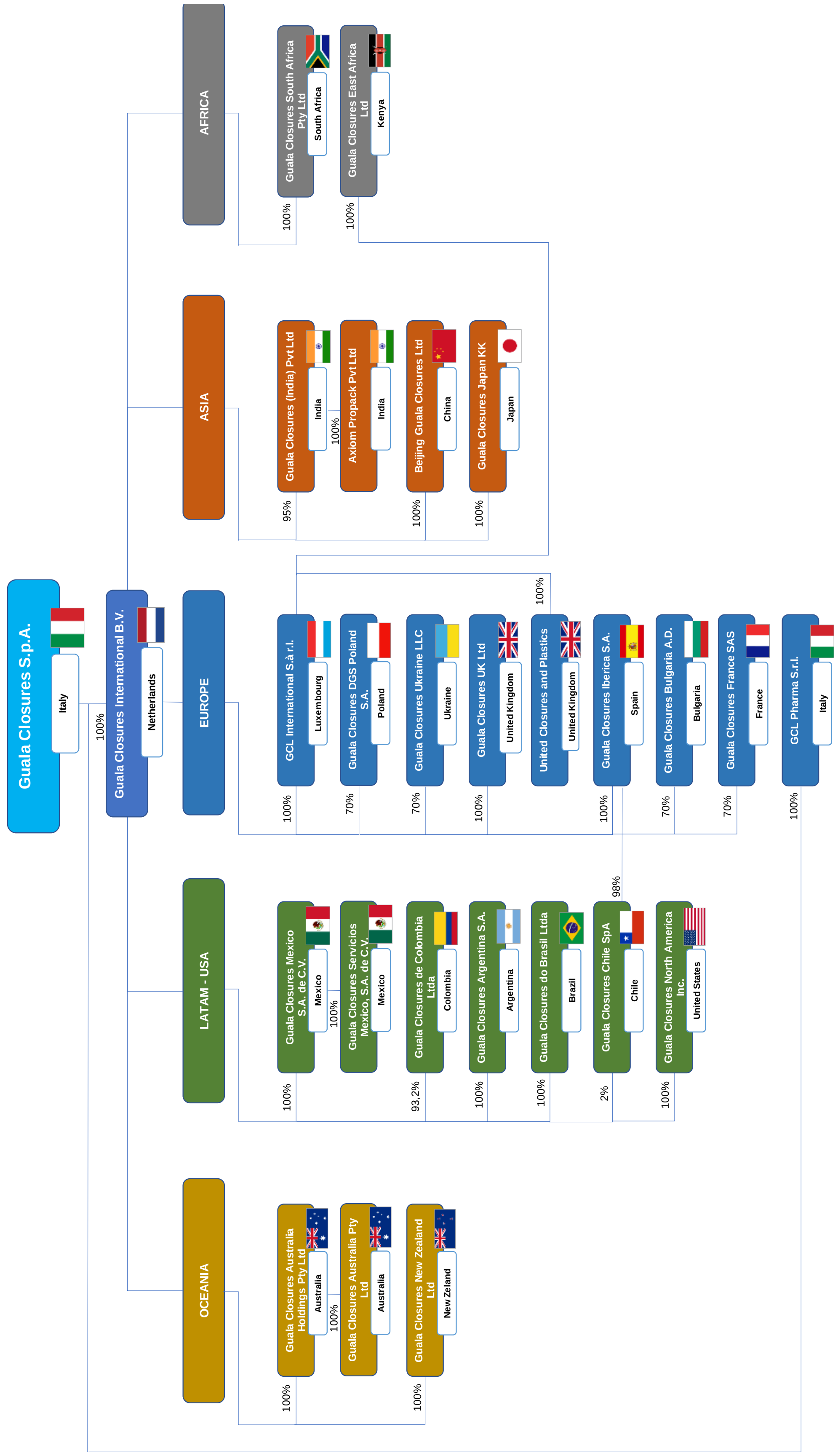
At the Kirkintilloch (UK) facility, the technological innovation team participated in the development and production roll-out of a fully flexible assembly line, which mounts different types of closures on the same plant using robot systems to load components, with very short time for the changeover between one model to another.

The 3D printing technology was fine-tuned and reached high levels of reliability and applicability to services, not only for the prototyping of new products, but also for the production of spare parts and components for production equipment.

Group structure at December 31, 2019

The equity investment in Guala Closures Deutschland was acquired in December 2019, while Closurelogic’s assets were acquired and consolidated starting from February 2020

Group structure at December 31, 2018



1.2 GROUP PERFORMANCE

Main financial performance indicators

	Reported			Constant scope [4]		
	2018 pro forma[1]	2019		2018 pro forma[1]	2019	
€ / mln		Spot exchange	Constant exchange		Spot exchange	Constant exchange
Net revenue	543.1	606.5	605.3	541.8	559.9	558.6
Growth %		*11.7%*	*11.4%*		*3.3%*	*3.1%*
Adjusted gross operating profit (Adjusted EBITDA)	104.5	113.5	112.0	104.5	110.4	108.8
Growth %		*8.6%*	*7.2%*		*5.6%*	*4.1%*
Net financial indebtedness[2 3]	459.5	462.5				

Employees	4,764
Facilities	29 plants and 3 sales offices in 23 countries on 5 continents
Patents and utility models	more than 170

Note:

(1) *Reference should be made to Annex A) for information on the pro forma figures and to the "Alternative performance indicators – Guala Closures Group" section for information on the adjusted gross operating profit (Adjusted EBITDA) and 2019 sales at constant exchange rates.*

(2) *Net financial indebtedness consists of financial liabilities minus cash and cash equivalents, as well as financial assets.*

(3) *The comparative figures at December 31, 2018 were restated to reflect the effects of the business combination which took place on July 31, 2018. The changes are illustrated in Annex C) to this report.*

(4) *The constant scope data are intended excluding the impact of the acquisition of UCP.*

In 2019, overall sales revenue and adjusted gross operating profit rose respectively by 11.7% and 8.6%, at constant exchange rates, confirming the extreme resilience of group's business and its great ability to deal exceptional events.

Guala Closures UCP, which only entered the consolidation scope at the end of December 2018, contributed to the overall growth of revenue and profitability in 2019, consolidating the group's presence on the spirits market, particularly in the area of scotch.

The organic growth of sales revenue and adjusted gross operating profit at constant exchange rates and on a like-for-like basis, i.e., excluding Guala Closures UCP, reflects an increase in sales and adjusted gross operating profit of 3.1% and 4.1%, respectively.

The organic growth of revenue on a like-for-like basis is the result of both an increase in sales volumes and the effect of higher sales prices. The organic growth in adjusted gross operating profit, again on a like-for-like basis, is due to the combined effects of an increase in sales prices, the decrease in core raw materials prices, particularly plastic, and to the application of IFRS 16, which had positive flow-ons which more than offset the increase in the other variable production costs.

At December 31, 2019, overall net financial indebtedness amounted to €462.5 million, an increase of €3.0 million on the corresponding amount of €459.5 million at December 31, 2018, restated to reflect the impact of the group's business combination.
2019 closed positively, recording a positive cash flows for the year of €14.0 million, which was more than offset by the lease liabilities recognised in accordance with the adoption of the new IFRS 16 at January 1, 2019 equal to €17 million.

Net cash flows from operating activities in 2019 are up significantly on those of 2018 thanks largely to the improvement in the gross operating profit and to group management's roll-out of policies to optimise operating working capital, which include factoring trade receivables.

Significant events of the year

The main events which affected the Guala Closures Group in 2019 are summarised below in chronological order:

- **The purchase price allocation (PPA) procedure of the 2018 corporate reorganisation**

Following the above-mentioned reorganisation and in accordance with IFRS 3, the group recognised and measured the identifiable assets acquired and liabilities assumed, the non-controlling interests and the goodwill acquired as part of the business combination in its consolidated financial statements.

The condensed interim consolidated financial statements as at and for the six months ended June 30, 2019 were the first to show the effects of the PPA procedure, which was completed within one year of the acquisition date, as required by IFRS 3.

Consequently, the 2018 comparative figures and those for 2019 reflect these effects as of the date of the business combination (July 31, 2018).

Following the group's careful allocation procedure, part of the provisionally-recognised goodwill was allocated to the following identified assets and liabilities and the related tax effects:

- the Guala Closures trademark;
- trade relationships with customers;
- patents;
- plant and machinery;
- and inventories.

Therefore, these consolidated financial statements include significant assets with a finite useful life, instead of the assets with an indefinite useful life (goodwill) recognised provisionally in the previous financial statements at June 30, 2019, as well as the related deferred tax effects.
Following the recognition of assets with a finite useful life, amortisation and depreciation in the group's 2019 statement of profit or loss and other comprehensive income increased compared to the 2018 pro forma comparative figures (as these effects only impacted five months of that period) and the related deferred tax liabilities were released.
Since the business combination took place on July 31, 2018, the pro forma comparative figures of the group's statement of profit or loss and other comprehensive income for 2018 included in this report are only partially affected by the PPA procedure, i.e., they refer to August-December 2018 only.

Finally, the PPA procedure entailed the remeasurement of the equity attributable to non-controlling interests to account for the proportional amounts arising from the group's PPA procedure.

Payment of the contingent consideration for Axiom Propack Pvt Ltd and its merger into Guala Closures India

On January 4, 2019, Guala Closures India Pvt Ltd paid €0.6 million as Axiom's contingent consideration, as originally set out in the 2017 acquisition contract, to its former owners.

In April 2019, Guala Closures India merged Axiom Propack, which it wholly owned. The merger is effective from April 9, 2019.

Reorganisation of Guala Closures France SAS

Guala Closures France carries out production and the taxation of closures.

Following a change in local legislation applicable to the taxation of closures, in March 2019, this company began a reorganisation, which will entail investments in the Chambray facility, which produces small batches of closures for the wine sector with very short lead times to meet market requirements.

Following the investment in the Chambray facility, the French company plans to transfer part of the assets (machinery and some employees) from the Saint Remy Sur Avre production facility to the Chambray facility and the remaining assets to other group companies. As a result, the Saint Remy Sur Avre facility will be closed.

The Saint Remy Sur Avre facility was originally scheduled to close at the end of July, but this was postponed by about one year to meet the requirements of customers and distributors that are unable to independently support the taxation of closures. Therefore, limited operations continue at the facility with approximately 11 employees.

The consolidated financial statements include the effects of the reorganisation and a specific provision to cover its costs.

Approval of the remuneration report and the long-term incentive plan

In their meeting of April 30, 2019, the shareholders approved the remuneration report pursuant to article 123-ter.6 of Legislative decree no. 58/98 and, on May 15, 2019, the parent's board of directors approved the long-term incentive plan for key managers.

Change of company name:

On May 23, 2019, United Closures and Plastics Ltd (UCP) changed its name to Guala Closures UCP Ltd.

Reorganisation of Beijing Guala Closures

The premises' lessor has informed Beijing Guala Closures that it intends to terminate the lease early, on December 31, 2019.

The subsidiary formally challenged the notice since the current lease expires in February 2022 and the lessor had contractually guaranteed that the intended zoning of the area would not have changed throughout the lease term.

In early July 2019, the Chinese subsidiary Beijing Guala Closures engaged a local firm to commence legal action against the lessor of the building, following the early termination of the lease. However, meanwhile, the lessor, together with the local authorities, proposed an alternative site where the business may be relocated, with all relocation and set-up costs to be borne by the lessor.

In the meantime, the lessor has granted a three-month extension to the lease, i.e., to March 31, 2020.

The consolidated financial statements include an impairment loss on the part of property, plant and equipment that the group does not expect to recover should production cease at the current site, considering its ability to use the production lines if transferred to another production facility and/or other group companies.

Streamlining of the PET division

In order to streamline the PET division, on April 16, 2019, the board of directors of Guala Closures Iberica (a Spanish company) resolved to sell the PET division business unit. The plan is to sell part of the business unit (the related contract has already been formalised) to a non-group company active in this sector and to sell another part to Guala Closures UCP, also active in this sector. Prior to the group's acquisition of UCP (in December 2018), the group operated in the PET sector solely through Guala Closures Iberica. After acquiring UCP, with a view to streamlining the business, only Guala Closures UCP will operate in this sector.

In June 2019, Guala Closures Iberica's assets were transferred to Guala Closures UCP, which began installing and integrating the machinery at its facility in July. During the year, the assets sold to third parties began to be transferred, generating a gain for the group.

To complete the process, at the end of July, Guala Closures Iberica's PET facility in Alcalà De Henares (Madrid) was definitively closed.

Update on the proceedings in connection with the accident at the Magenta facility

In relation to the fatal accident that took place on January 30, 2017 at the Magenta facility (Milan), the company operated effectively to ensure that compensation was paid in full to the heirs of the deceased employee. Compensation was fully paid in July 2018; 80% of it was covered by the insurance company of pre-merger Guala Closures and the remaining 20% by the health and safety manager at the time of the accident.

With respect to Guala Closures S.p.A.'s inclusion in the criminal proceedings as per Legislative decree no. 231/01, the parent filed an application for settlement. Although the public prosecutor had already expressed their favourable opinion thereon, the judge for the preliminary investigation rejected all the settlement applications, finding them inadequate, on April 16, 2019.

On July 16, 2019, the parent's lawyers filed a settlement request concerning the liability under Legislative decree no. 231/2001. On December 18, 2019, this request was accepted and, in light of the acceptance of the plea bargain, the company will settle its position with the payment of €80 thousand.

Legal action brought by Geo-Tag LLC

Geo-Tag LLC, with registered office in Waynesville, Ohio, summonsed Guala Closures S.p.A. and Guala Closures North America, stating that the e-wak closure allegedly infringes one of its patents and that the defendants allegedly violated the principles of fair competition.
Consequently, the parent analysed the claims both internally and through its German and US patent agents. Based on the analysis, all experts agreed that Guala Closures' product does not infringe on the Geo-Tag patent. Indeed, the latter consists of a system that tracks the internal temperature of the bottle using a battery-powered integrated device, while Guala Closures' product has none of these features as it is based on the so-called Near-Field Communication (NFC) technology.
The US patent agent hired by Guala Closures contacted the claimant's lawyers in order to illustrate the absence of any infringement. This clarification was also necessary since the legal action brought by the claimant is based on mere assumptions rather than on an analysis of Guala Closures' product.
As these contacts did not lead to the amicable settlement of the dispute, the parent has formally challenged all of the claimant's claims, effectively starting the dispute and serving the other party with the motion for rule 11 sanctions in light of the action's obvious lack of foundation.
After the deed was served, the claimant abandoned the patent action against the other party maintaining only the action for false advertising. However, a careful analysis by the local legal advisors shows that this is, in any case, unfounded and, even in the unlikely event of losing the case, the effect would be immaterial.

Liquidity provider agreement

On July 29, 2019, the parent signed a liquidity provider agreement with Mediobanca, whereby the latter, acting as the intermediary, undertakes to maintain the liquidity of the parent's shares by trading on its own behalf, in accordance with Consob resolution no. 16839 of March 19, 2009.

Establishment of a company in Belarus

On July 30, 2019, the Dutch subsidiary Guala Closures International B.V. approved the establishment of a new company in Belarus.
This company, named Guala Closures BY LLC, was set up on September 5, 2019 and it is 70% owned by Guala Closures International B.V., 15% by the same non-controlling investor that also owns 30% of Guala Closures Ukraine LLC, and 15% by a local partner.
The new Minsk facility commenced operations in 2019, continuing the development project to better serve the greater Russian market.

Share capital decrease of Guala Closures Bulgaria AD

The Bulgarian subsidiary's share capital was decreased in August, with the consequent repayment of shares.

The unit value of the company's shares went from 10 to 6 Bulgarian lev, while the number of outstanding shares remained the same at 1,042,020.

Admission to Borsa Italiana's FTSE Italy Mid Cap index

On September 23, 2019, Guala Closures S.p.A. was admitted to Borsa Italiana's **FTSE Italy Mid Cap** index for the 60 most liquid and highly capitalised listed shares on the MTA and MIV markets not included in the FTSE MIB index.

Accident at Guala Closures Ukraine LLC

On September 28, 2019, at building 8 of the subsidiary Guala Closures Ukraine LLC’s site, an unfortunate accident occurred on the metallisation line located there.

The accident occurred while facility emissions were being measured by the external company, LLC Ecosystem, appointed for this purpose, which appears to be responsible for the incident.

Eight people were involved in the explosion; three were in critical condition.

The direct physical damage does not have a material impact on the group’s consolidated financial statements and is covered by an insurance policy agreed locally.

To date, no official orders have been notified and, based on the appointed lawyers’ assessments, the company does not expect to be disciplined.

Premio Eccellenze d’impresa 2019

On October 15, 2019, Guala Closures received special mention for its internationalisation strategies at the *Premio Eccellenze d’impresa* 2019, an awards ceremony for excellence in business.

Inauguration of Guala Closures East Africa

Guala Closures East Africa’s new facility was officially inaugurated in Kenya on November 4, 2019. This company was set up on November 8, 2019 to provide spirits producers in Kenya and the wider east African market with anti-counterfeiting closures featuring the latest technologies. The new facility located in Nairobi started production in February and began making its first sales in March to a major local customer, pursuing its growth supported by the group.

Financial performance

Analysis of the financial performance

The table below summarises the comparable financial performance of the Guala Closures Group for the pro forma twelve months of 2018 and 2019:

Statement of profit or loss and other comprehensive income	2018 Pro forma		2019	
	€'000	*% of net revenue*	€'000	*% of net revenue*
Net revenue	**543,100**	***100.0%***	**606,546**	***100.0%***
Change in finished goods and semi-finished products	(2,675)	*(0.5%)*	1,929	*0.3%*
Other operating income	9,886	*1.8%*	4,945	*0.8%*
Internal work capitalised	6,293	*1.2%*	5,087	*0.8%*
Costs for raw materials	(248,212)	*(45.7%)*	(263,706)	*(43.5%)*
Costs for services	(107,183)	*(19.7%)*	(109,874)	*(18.1%)*
Personnel expense	(104,830)	*(19.3%)*	(125,316)	*(20.7%)*
Other operating expense	(11,624)	*(2.1%)*	(10,895)	*(1.8%)*
Impairment losses	(213)	*(0.0%)*	(599)	*(0.1%)*
Gross operating profit	**84,540**	***15.6%***	**108,117**	***17.8%***
Amortisation and depreciation	(41,356)	*(7.6%)*	(62,909)	*(10.4%)*
Operating profit	**43,184**	***8.0%***	**45,208**	***7.5%***
Financial income	24,763	*4.6%*	11,263	*1.9%*
Financial expense	(54,943)	*(10.1%)*	(39,683)	*(6.5%)*
Net financial expense	**(30,180)**	***(5.6%)***	**(28,420)**	***(4.7%)***
Profit before taxation	**13,004**	***2.4%***	**16,788**	***2.8%***
Income taxes	(12,917)	*(2.4%)*	(2,129)	*(0.4%)*
Profit for the year	**86**	***0.0%***	**14,659**	***2.4%***
Profit for the year attributable to the owners of the parent	(6,720)	*(1.2%)*	7,705	*1.3%*
Profit for the year attributable to non-controlling interests	6,806	*1.3%*	6,954	*1.1%*
Adjusted gross operating profit	**104,520**	***19.2%***	**113,543**	***18.7%***

Notes:

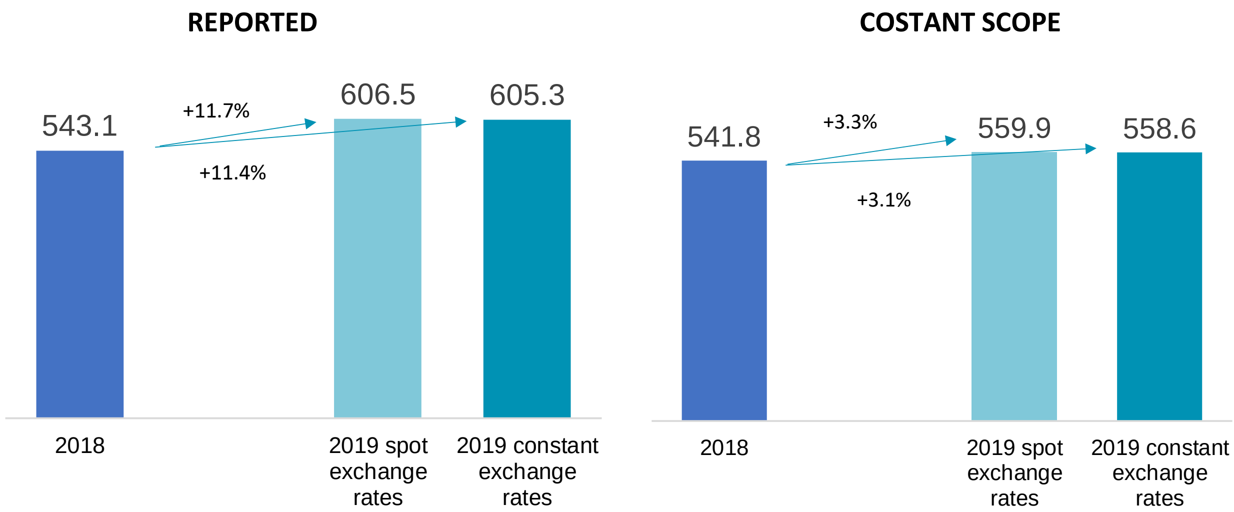
- *Adjusted gross operating profit (Adjusted EBITDA) has been calculated based on the definition in the "Alternative performance indicators - Guala Closures Group" section of this report.*
- *The amounts for 2018 include the effects of the PPA procedure, which entailed the recognition of greater amortisation and depreciation of approximately €7.2 million and the release of the related deferred taxes of roughly €1.9 million, as well as the release of the fair value gains on finished products following the PPA procedure, with a negative impact of €7.4 million on gross operating profit and the release of the related deferred taxes of approximately €1.9 million. The 2018 figures also include a restatment of €4.6 million between cost for services and personnel expense to make them comparable with the classification used in 2019.*
- *The amounts for 2018 also include the effect of the completion of the PPA procedures for the acquisition of Guala Closures UCP (formerly United Closures and Plastics) on December 12, 2018, which involved the recognition of a €5.5 million gain on sale recognised under other operating income compared to the €3.5 million recognised provisionally in the 2018 consolidated financial statements.*

- *The amounts for 2019 include the effect of the consolidation of Guala Closures UCP and the related effects following the PPA procedure, which led to the recognition of lower amortisation and depreciation of around €0.4 million and the release of the related deferred taxes of approximately €0.1 million.*

The comparative analysis between the figures for 2018 and 2019 has been carried out considering the impact on net revenue instead of the absolute values.

Net revenue

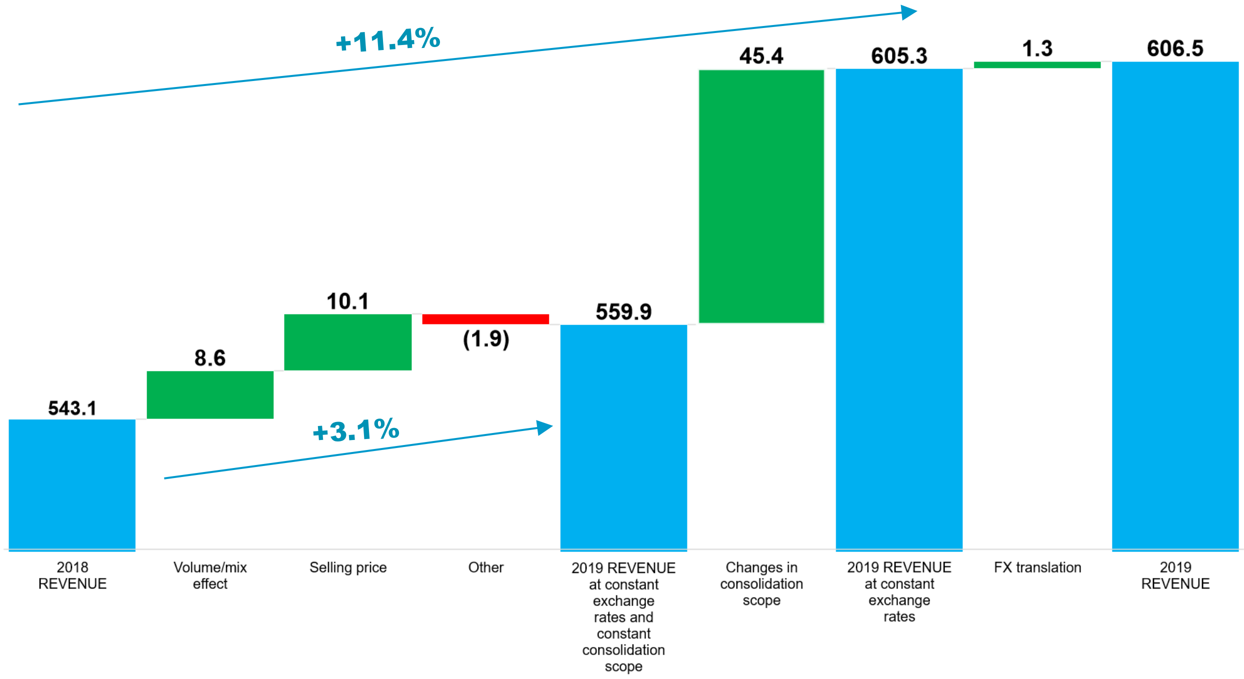
The trend in revenue for 2019 compared to 2018 is illustrated below. The figures adjusted for a constant consolidation scope exclude the effect of the UCP consolidation, which was acquired in December 2018.



In 2019, consolidated net revenue totalled €606.5 million, up €63.4 million (+11.7%) on 2018, of which +€1.3 million (+0.2%) is due to the positive translation impact.

At constant exchange rates, net revenue rose by €62.2 million (+11.4%) on 2018. The increase was mainly due to the increase in sales prices (+€10,1 million or +1.9%), due to the larger sales volumes/mix in Europe (Poland, the United Kingdom, Spain) and in Americas (Chile, Mexico and North America) (+€8.6 million or +1.6%), due to the deeper penetration of "specialty closures" (safety and luxury) and the changeover from cork to aluminium closures for wine bottles and the consolidation of Guala Closures UCP (formerly United Closures and Plastics) following its acquisition on December 12, 2018 (+€45.4 million or +8.4%).

The graph below shows the difference between the net revenue for 2018 and 2019:



Source: Management accounts

The "Volume/mix effect" includes the change in sales due to a change in the volume/mix of products sold and due to 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 currency effect is generated by the sales of 2019 invoiced in a currency other than the local reporting currency and recalculated based on the exchange rates for 2018.

The "Selling price effect" is calculated by each group company as the difference in the average price of the current year versus the previous year, applied to the unit volume of the current year.
The "Change in consolidation scope" reflects the additional volumes contributed by the newly acquired UCP in the United Kingdom (acquired in December 2018) and is calculated as additional business with third parties compared to the previous year.
The "FX translation" effect is generated at consolidation level following the translation into Euros of local subsidiaries' sales in local currency.

"Other" includes:

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

- the "hyperinflation effect" due to the revaluation of the Argentinian peso following the application of IAS 29 (-€0.3 million)

Net revenue by division

The following graph gives a breakdown of revenue by division:

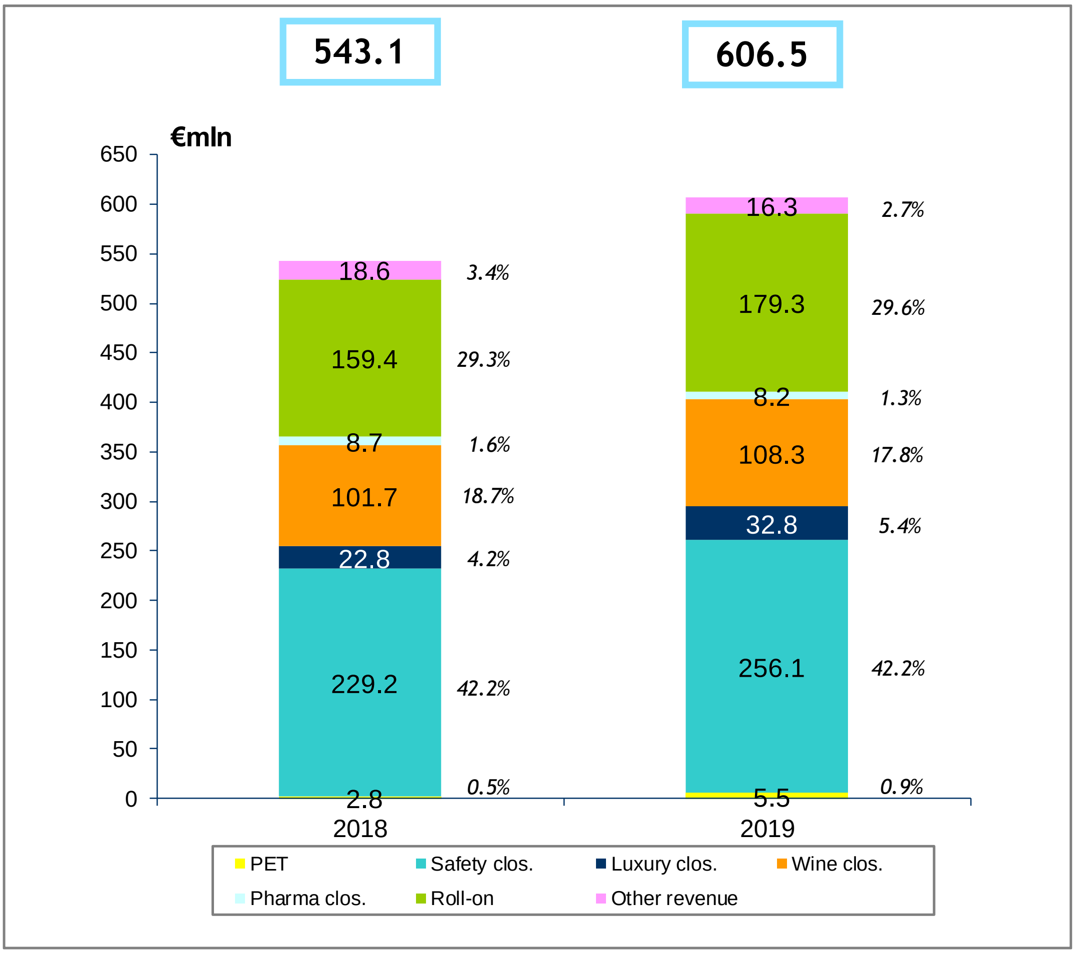
Source: Management accounts

The "Closures" division represents the group's core business (over 99% of 2019 net revenue) and is specialised in the following product lines: safety closures, customised closures (luxury), wine closures in aluminium, roll-on (standard) closures, pharma closures and other revenue.
The net revenue of the Closures division increased by €60.7 million from €540.3 million in 2018 to €601.0 million in 2019.

The "PET" division, active in the production of PET bottles and miniatures, is no longer considered a core business for the group. The increase in the PET division's revenue over 2018 is mainly due to the change in scope.
During 2019, the Guala Closures Group launched the reorganisation of the PET division, in which only Guala Closures Iberica was active up until the acquisition of the British UCP. After acquiring UCP, the group decided to reorganise the division by transferring part of the plant and machinery to a non-group operator in this sector and to concentrate the remaining assets with the newly acquired UCP. This reorganisation was undertaken to benefit from the sale of a non-strategic business to a third party and to concentrate production in a single group facility
As the PET division is not significant in size, it is not analysed in this report.

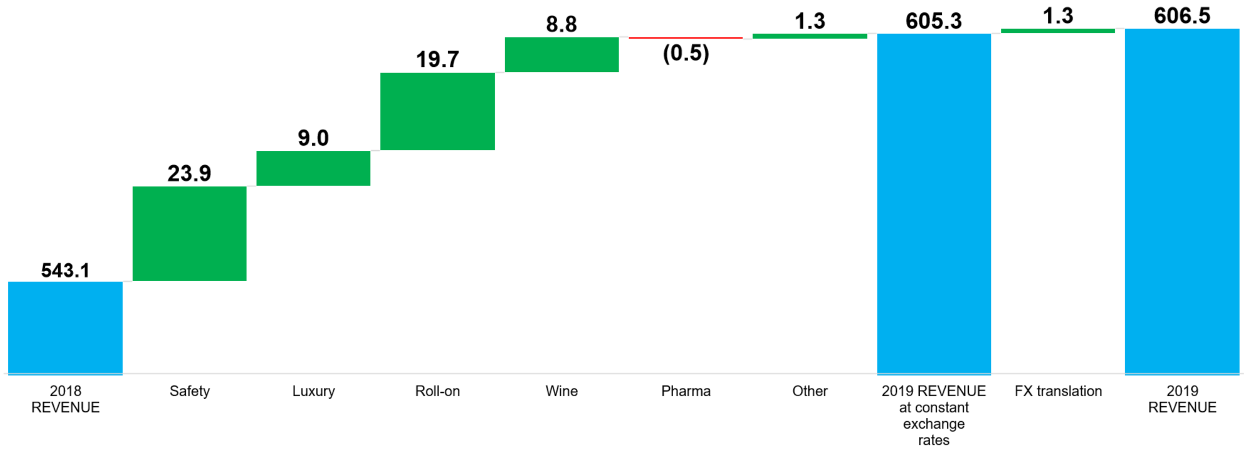
Net revenue by product

The following graphs and the table give a breakdown of revenue from the sale of closures by product type:



Source: Management accounts

		(€ mln)	2018	2019	diff	% variation Spot exchange rates	% variation Constant exchange rates
Speciality Closures	↗	Safety	229.2	256.1	27.0	11.8%	10.4%
	↘	Luxury	22.8	32.8	10.0	44.0%	39.4%
		Roll-on	159.4	179.3	19.9	12.5%	12.3%
		Wine	101.7	108.3	6.6	6.5%	8.6%
		Pharma	8.7	8.2	(0.5)	(5.5%)	(5.3%)
		PET	2.8	5.5	2.7	97.3%	97.3%
		Other revenue	18.6	16.3	(2.3)	(12.2%)	(7.6%)
		Total consolidated net revenue	**543.1**	**606.5**	**63.4**	**11.7%**	**11.4%**



Revenue from safety closures increased by €27.0 million from €229.2 million in 2018 (42.2% of net revenue) to €256.1 million in the reporting period (unchanged at 42.2%), with a positive translation impact of €3.1 million.
At constant exchange rates, net revenue rose by €23.9 million or 10.4% on 2018 thanks to the increase in the UK following the contribution of the newly-consolidated Guala Closures UCP (€24.3 million).

Revenue from luxury closures increased by €10.0 million from €22.8 million in 2018 (4.2% of net revenue) to €32.8 million in 2019 (5.4%), including the positive translation impact of €1.1 million.
At constant exchange rates, net revenue was up €9.0 million or 39.4% on 2018, mainly thanks to the increases recorded in Mexico, the United Kingdom and North America.

Revenue from roll-on closures increased by €19.9 million from €159.4 million in 2018 (29.3% of net revenue) to €179.3 million in 2019 (29.6%), with a negligible translation impact. This increase was mainly due to the consolidation of Guala Closures UCP (€20.5 million).

Revenue from wine closures increased by €6.6 million from €101.7 million in 2018, or 18.7% of net revenue, to €108.3 million in 2019, or 17.8%, despite the negative translation impact (-€2.2 million).
At constant exchange rates, net revenue was up €8.8 million, or 8.6%, on 2018 mainly due to the growth recorded in Chile, Poland, Spain and Italy.

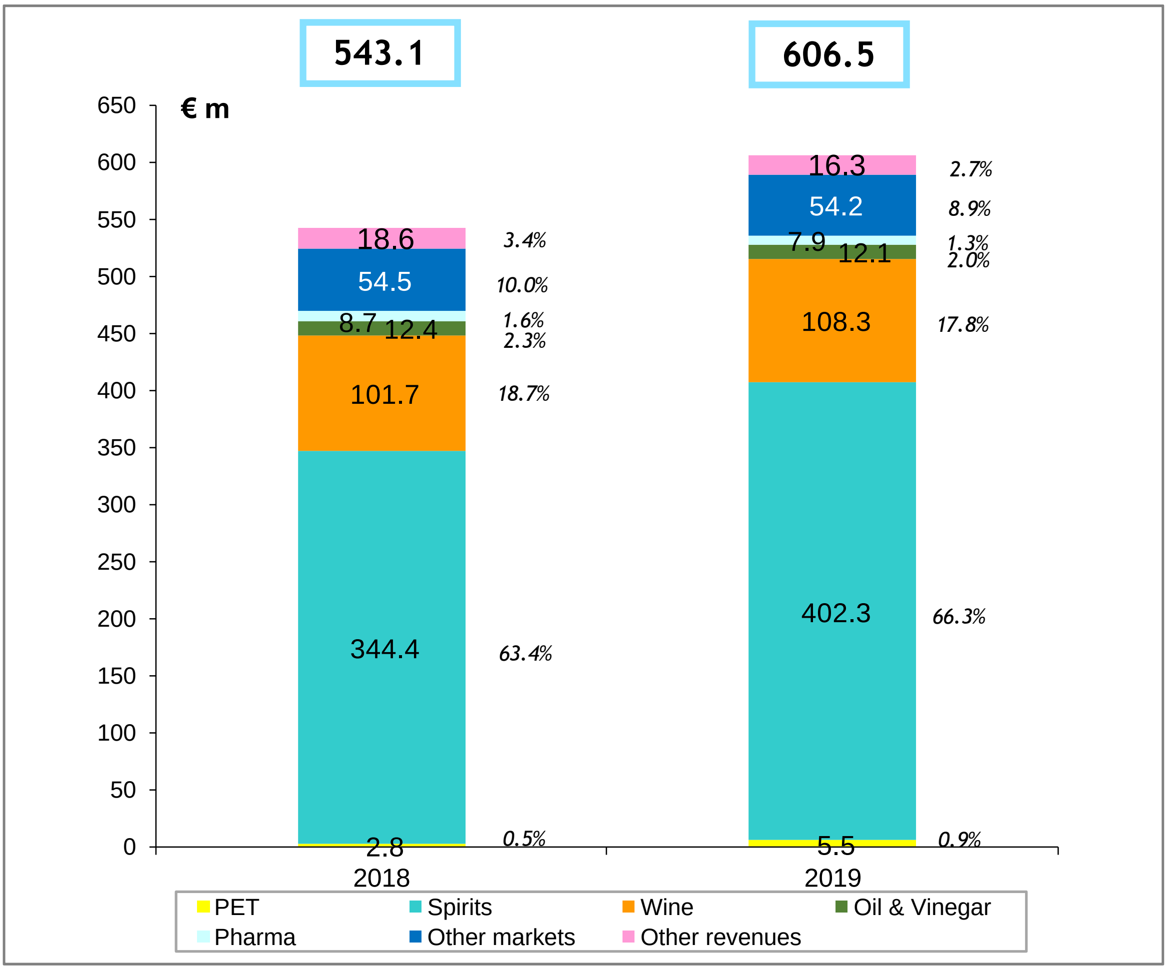
Revenue from pharma closures decreased by €0.5 million, from €8.7 million in 2018 (1.6% of net revenue) to €8.2 million in 2019 (1.3%).

Revenue from PET grew by €2.7 million from €2.8 million in 2018 (0.5% of net revenue) to €5.5 million in 2019 (0.9%). This growth was mainly due to the consolidation of Guala Closures UCP.

Other revenue decreased by €2.3 million from €18.6 million in 2018 (3.4% of net revenue) to €16.3 million in 2019 (2.7%), mainly as a result of the lower sales of aluminium scrap and decreased lithographic activities for tinplate carried out for non-group parties (prioritising activities within the group).

Net revenue by destination market

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



Source: Management accounts

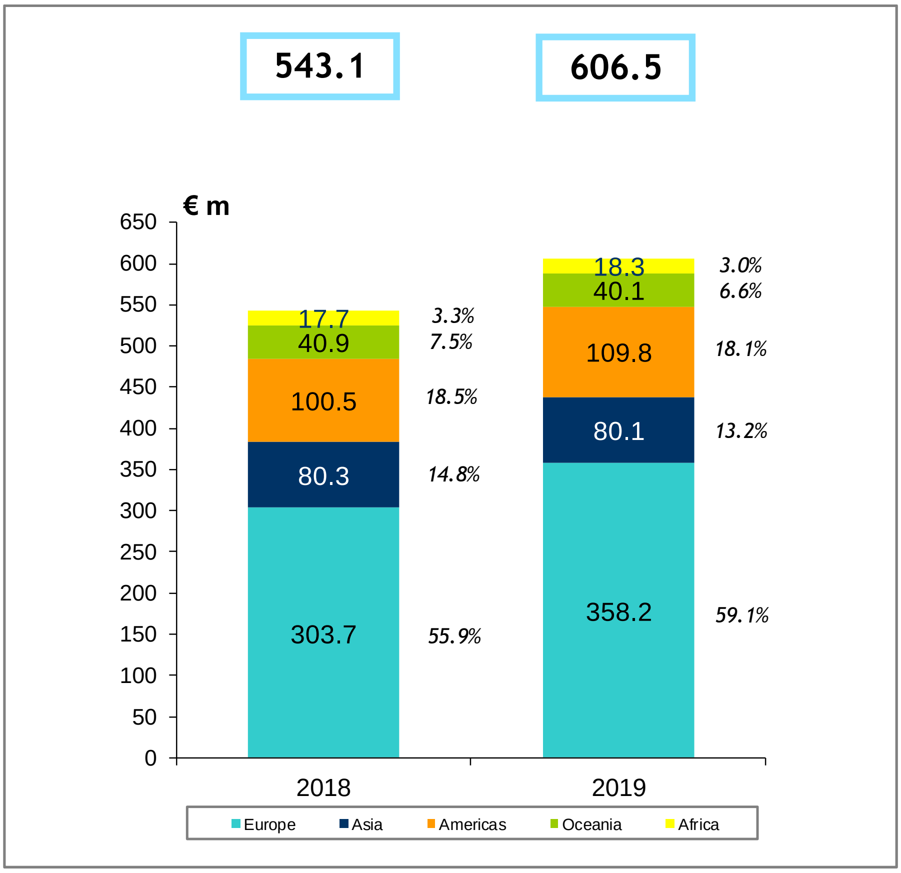
The most important destination market for the group sales continues to be the spirits market, which represents 66.3% of net revenue in 2019.

Net revenue related to the spirits market increased from €344.4 million in 2018 to €402.3 million in 2019, with a positive translation impact of €4.0 million. At constant exchange rates, the net revenue of this segment increased by €53.8 million (or +15.6%) compared to 2018.
The rise in the group's share of the spirits market is mostly due to the consolidation of UCP (increase of €44.7 million) and the growth in Mexico, the United Kingdom and Italy.

The second most important destination market is the wine market, which represents 17.8% of net revenue in 2019.
Revenue from wine closures increased by €6.6 million from €101.7 million in 2018, or 18.7% of net revenue, to €108.3 million in 2019, or 17.8%, despite the negative translation impact (-€2.2 million).
At constant exchange rates, net revenue was up €8.8 million, or 8.6%, on 2018 mainly due to the growth recorded in Chile, Poland, Spain and Italy.

Net revenue by geographical segment

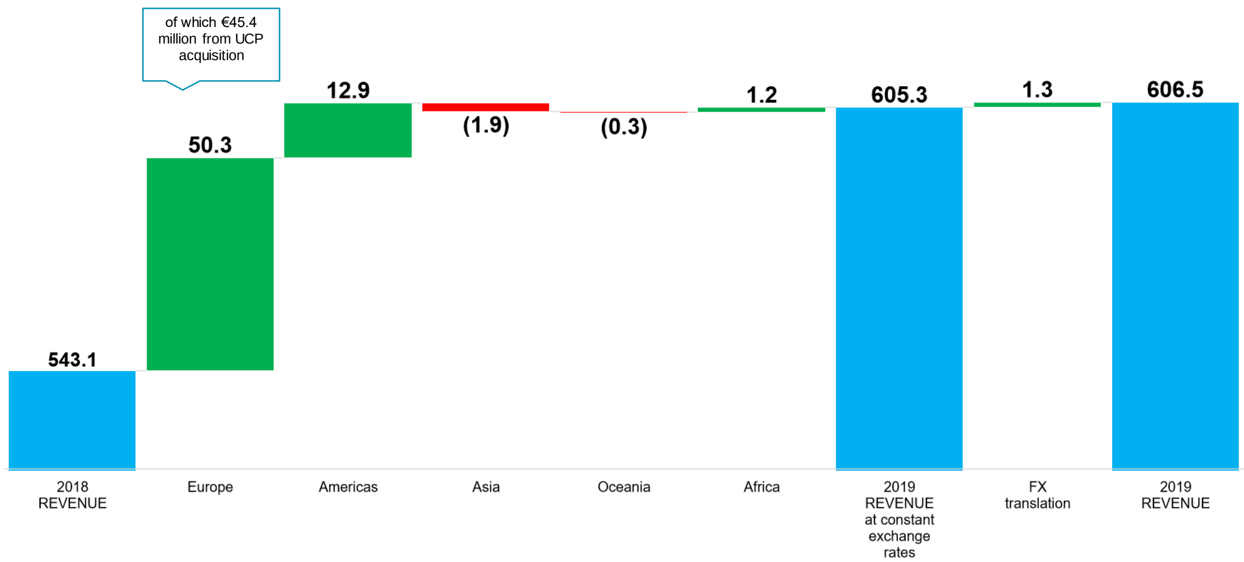
The graph below illustrates the geographical distribution of net revenue based on the geographical location of the group companies that generated them:



Source: Management accounts

The following table and graph analyse the trend in revenue by geographical segment:

(€ mln)	2018	2019	diff	% variation	
				Spot exchange rates	Constant exchange rates
Europe	303.7	358.2	54.6	18.0%	16.6%
Americas	100.5	109.8	9.2	9.2%	12.9%
Asia	80.3	80.1	(0.1)	(0.2%)	(2.4%)
Oceania	40.9	40.1	(0.8)	(2.0%)	(0.7%)
Africa	17.7	18.3	0.6	3.4%	6.5%
Total consolidated net revenue	**543.1**	**606.5**	**63.4**	**11.7%**	**11.4%**



Net revenue from operations in Europe grew by €54.6 million from €303.7 million in 2018 (55.9% of net revenue) to €358.2 million in 2019 (59.1%), with a positive translation impact of €4.3 million.
The growth in Europe was mainly due to the consolidation of Guala Closures UCP (the change in consolidation scope had an impact of €45.4 million) and the increases in the United Kingdom, mostly in the luxury sector, and in Spain and Italy in aluminium closures for water.

Net revenue from operations in the Americas increased by €9.2 million from €100.5 million in 2018 to €109.8 million in 2019 (with respective impacts of 18.5% and 18.1% of net revenue) despite the negative translation impact of €3.7 million. At constant exchange rates, the net revenue of this segment increased by €12.9 million or 12.9% on 2018.
This segment's development is mainly due to the significant increase of the luxury closures in the Mexican and North American tequila market.

Net revenue from operations in Asia went from €80.3 million in 2018 (14.8% of net revenue) to €80.1 million in 2019 (13.2%), despite the positive translation impact (+€1.8 million). At constant exchange rates, net revenue of this segment decreased by €1.9 million. The negative trend is due to the weak results of Chinese operations and the Indian subsidiary mainly caused by the start-up of the Kenyan company, which took over some of the volumes previously realised by the Indian subsidiary.

Net revenue from operations in Oceania decreased by €0.8 million from €40.9 million in 2018, or 7.5% of net revenue, to €40.1 million in 2019, or 6.6%, including the negative translation impact of €0.5 million. At constant exchange rates, the net revenue of this segment decreased by €0.3 million or 0.7% on 2018.

Sales in this region are mainly tied to the wine segment and, in recent years, they have felt the impact of exports of unbottled wine that is then bottled in the destination country. In any case, the group's revenue in this segment is growing thanks to higher selling prices, which have offset the drop in volumes.

Net revenue from operations in Africa increased by €0.6 million from €17.7 million in 2018 (3.3% of net revenue) to €18.3 million in 2019 (3.0%), despite the negative translation impact of €0.5 million. At constant exchange rates, the net revenue of this segment increased by €1.2 million or 6.5% on 2018. The rise is mainly due to the Kenyan subsidiary's start-up.

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

Other operating income

Other operating income decreased by €5.0 million from €9.9 million in 2018, or 1.8% of net revenue, to €4.9 million, or 0.8%, in 2019. This decrease is mainly due to the recognition in 2018 of the non-recurring badwill generated by the acquisition of UCP (€5.5 million after the completion of the PPA procedure).

Internal work capitalised

This item decreased by €1.2 million from €6.3 million in 2018 (1.2% of net revenue) to €5.1 million in 2019 (0.8%).

This income comprises capitalised development expenditure and personnel expense incurred for extraordinary maintenance on property, plant and equipment.

Costs for raw materials

Costs for raw materials increased by €15.5 million from €248.2 million in 2018 (45.7% of net revenue) to €263.7 million in 2019 (43.5%) mainly as a result of the change in the consolidation scope, which in 2019 also includes Guala Closures UCP (+€12.1 million).

As a percentage of turnover, these costs decreased compared to 2018 (from 45.7% to 43.5%), mainly due to lower plastic prices.

Costs for services

Costs for services rose by €2.7 million from €107.2 million in 2018, (19.7% of net revenue) to €109.9 million in 2019 (18.1%). This change is due to the combined effect of higher costs driven by the change in the consolidation scope which, in 2019, also includes Guala Closures UCP (+€7.4 million), and the start of operations in Kenya through Guala Closures East Africa, as well as by higher costs for energy and third-party processing, particularly those incurred in Mexico following the 2018 start of production of wood closures, the increase in recurring services in connection with the group's status as a listed company, partially offset by the decrease in non-recurring costs (-€14.8 million), which were mostly incurred in 2018 mainly for the listing.

In 2019, costs for services include €60 thousand (€1,239 thousand in 2018) related to the consultancy services provided by Space Holding S.r.l. and €80 thousand (€40 thousand in 2018) related to the consultancy services provided by TAN Advisory S.r.l..

Personnel expense

Personnel expense increased by €20.5 million from €104.8 million in 2018 (19.3% of net revenue) to €125.3 million in 2019 (20.7%), mainly due to the change in the consolidation scope, which also includes Guala Closures UCP in 2019 (+€13.2 million), but also due to the rise in the resources employed by the group, and particularly in Mexico, where the new facility for the production of wood closures began operations in 2018, the inflation increase of salaries and wages and the effect of the accrual for the long-term incentive plan for key managers (€1.1 million).

Other operating expense

Other operating expense decreased by roughly €0.7 million from €11.6 million in 2018 to €10.9 million in 2019 (2.1% of net revenue in 2018, compared to 1.8% in 2019).
Excluding non-recurring costs, other operating expense decreased by €2.4 million, mainly thanks to the benefit of €5.4 million from the reduction in lease liabilities due to the application of IFRS 16, partially compensated by additional costs for around €2 million deriving from the change in the consolidation scope which also includes Guala Closures UCP in 2019.

Both years include non-recurring costs (€1.2 million in 2018, compared to €2.9 million in 2019): the non-recurring costs in 2018 mainly consisted of the accrual to Guala Closures UK's restructuring provision (€0.8 million), while in 2019, they included the accrual to the restructuring provisions of the PET division of Guala Closures Iberica (€1.6 million), Guala Closures France (€0.9 million) and Guala Closures UCP (€0.1 million) as described in the "Significant events of the year" section.

Impairment losses

Impairment losses increased by €0.4 million from €0.2 million in 2018 (0.0% of net revenue) to €0.6 million in 2019 (0.1%), mainly as a result of the impairment loss recognised on the plant and machinery of Guala Closures France's Saint Rémy facility (€0.4 million) as part of its reorganisation, which includes the facility's closure, and that recognised on the leasehold improvements and plants of Beijing Guala Closures (€0.2 million) in connection with the reorganisation in progress described in the "Significant events of the year" section which provides further details on both ongoing reorganisations.

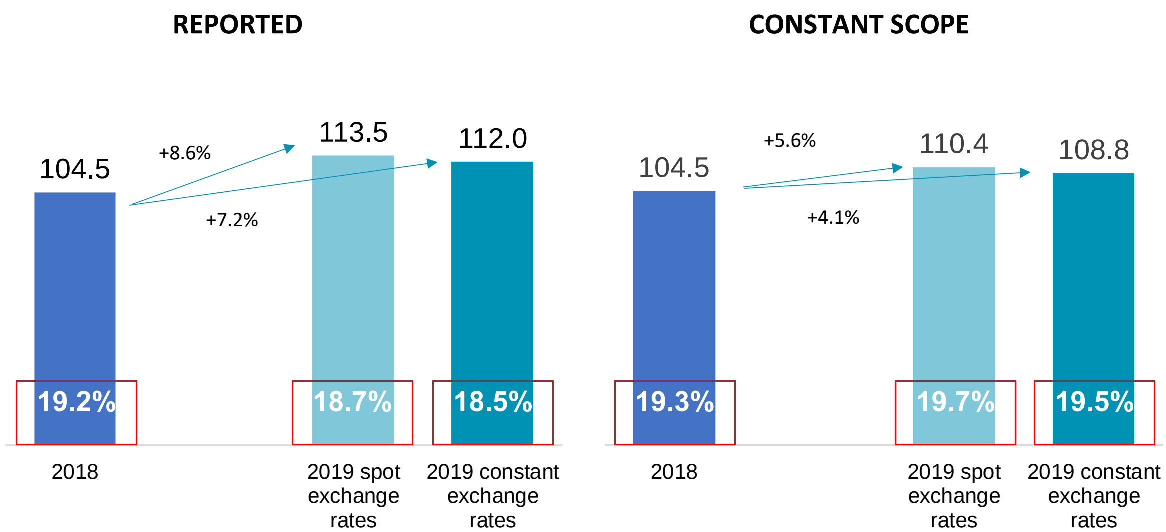
Gross operating profit (EBITDA)

The group's gross operating profit (EBITDA) reached €108.1 million in 2019 (17.8% of net revenue), up €23.6 million (+27.9%) on 2018.
Gross operating profit for 2018 includes non-recurring costs of €20.0 million, mainly due to costs for services in connection with the group's listing, while gross operating profit for 2019 includes non-recurring costs of €5.4 million, mainly in connection with the reorganisations in France, Spain/UK (PET) and China (see the "Alternative performance indicators - Guala Closures Group" section for more specific details on non-recurring costs).

In 2019, the group's gross operating profit benefited from €3.2 million generated by the change in the consolidation scope and €5.4 million from the application of IFRS 16, offset in part by the accrual for the long-term incentive plan for key managers (€1.1 million).

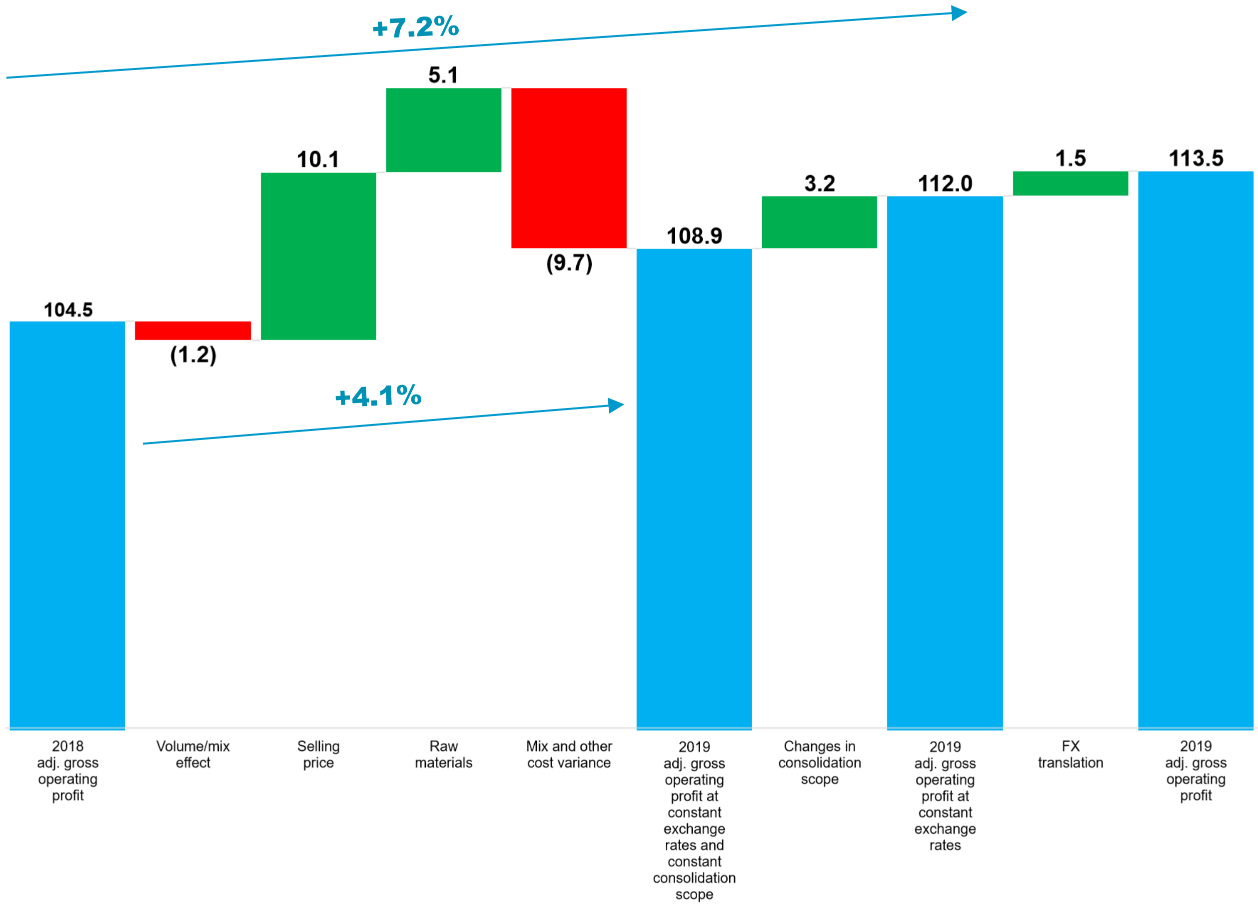
To analyse the trend in the group's results, adjusted gross operating profit should be considered in order to exclude the impact of non-recurring costs and revenue.

The following graph shows the development in adjusted gross operating profit (adjusted EBITDA) for 2019 compared to 2018. The constant scope figures exclude the effect of consolidating Guala Closures UCP. The percentage reported in the boxes below shows the adjusted gross operating profit (adjusted EBITDA) as a percentage of sales.



The adjusted gross operating profit (Adjusted EBITDA) for 2019 amounts to €113.5 million, an increase of €9.0 million (+8.6%) on 2018.
At constant exchange rates, the adjusted gross operating profit (Adjusted EBITDA) increased by €7.5 million (7.2%) compared to 2018.
As a percentage of net revenue, adjusted gross operating profit (Adjusted EBITDA) was 18.7%, compared to 19.2% in 2018; the reduction in profit margins was mainly due to the dilution effect caused by the consolidation of UCP following its acquisition in December 2018. Considering the comparative figures for 2018 with a constant consolidation scope, the adjusted gross operating profit margin for 2019 is 19.7%, up from 19.3% in 2018.

The graph below shows the difference between adjusted gross operating profit in 2018 and 2019:



Source: Management accounts

The "Volume/mix effect" includes the change in adjusted gross operating profit due to the change in the volume/mix of products sold and due to the currency effect. It is calculated according to the following definitions:

- Volume/mix effect: it includes the volume/mix effect on sales plus/minus the volume/mix effect on costs, calculated applying the previous year impact (%) of production costs on current year net sales plus the change in inventories of finished goods and semi-finished products;
- Currency effect: it is generated by the sales and purchases in 2019 accounted for in a currency other than the local reporting currency, recalculated based on the exchange rates for 2018.

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".

"Mix & other cost variance" reflects the efficiency/inefficiency effect and the impact of the change in the purchase price of raw materials not considered as materials for the core business and the hyperinflation on the revaluation of the Argentinian peso following the application of IAS 29 (€0.3 million).

The "Change in scope" shows the additional gross operating profit from the consolidation of Guala Closures UCP.

The "FX translation effect" is generated at consolidation level following the translation into Euros of the adjusted gross operating profit in local currency reported by local subsidiaries.

The increase in product selling prices and the reduction in the cost of raw materials has more than offset the mix and other cost variance effect.
The negative effect of "Mix & other cost variance" is attributable to various components, including the increase in personnel costs which includes, in addition to the inflation increase of salaries and wages, also the €1.1 million accrual for the long-term incentive plan for key managers, higher costs for energy and third-party processing, the increase in costs relating to the strengthening of the Group's organizational structure also deriving from the parent's status as a listed company and the impact deriving from production reorganizations / start-ups of new productions.
The negative impacts highlighted above were partially offset by € 5.4 million of positive effect for the application of IFRS 16.
In brief, the adjusted gross operating profit (Adjusted EBITDA) for the year was positively influenced by the consolidation of Guala Closures UCP (€3.2 million) and by the translation effect (€1.5 million).

Amortisation and depreciation

Amortisation and depreciation increased by €21.5 million from €41.4 million in 2018 (7.6% of net revenue) to €62.9 million in 2019 (10.4%).
This considerable increase is mainly due to the effects of the PPA procedure relating to the business combination of the pre-merger Guala Closures Group and Space4 S.p.A. and the effects of the PPA procedures related to the acquisition of UCP. In particular, as an effect of recognising assets with a finite useful life in place of assets with an indefinite useful life (goodwill), amortisation and depreciation of €20.1 million was recognised in the group's statement of profit or loss and other comprehensive income for 2019 as a result of the PPA procedure. The pro forma comparative figures for 2018 include amortisation and depreciation relating to the PPA procedure of €7.2 million, as they only reflect five months of amortisation and depreciation, i.e., the period between the acquisition date considered for the PPA procedure (July 31, 2018) and December 31, 2018. In addition, the change in the consolidation scope following the acquisition of UCP (€2.3 million), the application of IFRS 16 (€5.8 million) and capital expenditure in the year also contributed to the increase in amortisation and depreciation.

Financial income and expense

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

(€'000)	2018 Pro forma	2019	delta
Net interest expense	(25,929)	(21,255)	4,673
Net exchange losses	(10,696)	(4,556)	6,140
Net fair value losses on financial liabilities to non-controlling investors	(3,135)	(2,311)	824
Net fair value losses on currency derivatives	-	(485)	(485)
Net fair value gains on market warrants	17,529	465	(17,064)
Financial expense on the refinancing	(7,995)	-	7,995
Other net financial income (expense)	46	(277)	(323)
Net financial expense	**(30,180)**	**(28,420)**	**1,760**

Net financial expense decreased from €30.2 million in 2018 to €28.4 million in 2019.
The €1.8 million decrease is mainly due to the following factors:
- a) the positive impact of the reduction in net interest expense (€4.7 million) as a result of smaller debt and the lower interest rate due to the refinancing in the second half of 2018;
- b) the decrease in exchange losses (€6.1 million);
- c) lower financial expense generated by the fair value losses on the financial liabilities recognised for the put options on non-controlling interests (€0.8 million);
- d) the inexistence in 2019 of €8.0 million recognised in 2018 for transaction costs on the previous indebtedness.

The above positive effects were partially offset mainly by lower financial income recognised in relation to fair value gains on market warrants (€17.1 million).

Income taxes

Income taxes decreased by €10.8 million from €12.9 million in 2018 (2.4% of net revenue) to €2.1 million in 2019 (0.4%), mainly because of following positive factors:
- a) the greater release of deferred taxes of €3.5 million in 2019, which had been recognised in relation to the gains arising from the PPA procedures compared to the release of 2018;
- b) the release of deferred taxes of €4.0 million recognised on the gains arising from the PPA procedure allocated to Guala Closures India following the new tax rate approved in September 2019 and retroactively applicable as from April 1, 2019, reducing the tax rate from 35% to 25%;
- c) the recognition of deferred tax assets of €7.9 million related to the estimated prior years tax losses of Guala Closures S.p.A. which will be used to offset future taxable income.

The aforementioned positive effects were partially offset by the -€2.0 million adjustment to the deferred taxes of Guala Closures S.p.A. due to the new IRAP (regional tax on production activities) rate (5.57% compared to the previous 3.90%) applicable in the years in which the temporary differences on which the deferred taxes were recognised will reverse, after Guala Closures S.p.A. became an industrial holding company and the related tax structure which will be applied from the date of approval of the 2019 financial statements.

Profit for the year

The profit for the year improved by €14.6 million from €0.1 million in 2018 to €14.7 million in 2019.
This €14.6 million improvement was mainly due to the following positive factors:

- increase in gross operating profit (€23.6 million, of which €7.4 million related to the PPA procedure which led to the recognition of the inventories at July 31, 2018 at their fair value and, consequently, impacted the 2018 gross operating profit due to the sales of such inventories at a restated amount);
- reduction in net financial expense (€1.8 million);
- lower income taxes (€10.8 million, of which €3.5 million due to the deferred tax effects of the PPA procedure, €4.0 million to the release of deferred taxes following the change in the tax rate in India, €7.9 million to the recognition of the deferred tax assets on the tax losses of Guala Closures S.p.A., offset by the adjustment of the deferred tax liabilities of -€2.0 million of Guala Closures S.p.A. following the increase in the IRAP rate as a result of the industrial holding company status);

partly offset by greater amortisation and depreciation (€21.5 million, of which €12.9 million is due to the PPA procedure).

Reclassified statement of financial position

The following table shows the reclassified financial position as at December 31, 2019 of the Guala Closures Group with comparative figures as at December 31, 2018:

(€'000)	**December 31, 2018 (*)**	**December 31, 2019**
Intangible assets	883,533	872,035
Property, plant and equipment	242,644	228,911
Right-of-use assets		27,630
Net working capital	124,732	127,880
Derivative assets (liabilities)	88	(162)
Employee benefits	(6,461)	(6,599)
Other liabilities	(140,022)	(122,123)
Net invested capital	**1,104,513**	**1,127,572**
Financed by:		
Net financial liabilities - third parties	472,224	468,378
Financial liabilities - IAS 17 / IFRS 16 effects	6,095	20,358
Financial liabilities - non-controlling investors	24,647	26,958
Market warrants	4,338	3,873
Cash and cash equivalents	(47,795)	(57,056)
Net financial indebtedness	**459,509**	**462,511**
Equity	**645,004**	**665,060**
Sources of financing	**1,104,513**	**1,127,572**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure of the corporate reorganization of the Group and the acquisition of Guala Closures UCP. The changes are illustrated in Annex C). The Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Intangible assets

The €11.5 million decrease in intangible assets on December 31, 2018 balance is mainly attributable to the amortisation of the year of approximately €20.2 million (of which €17.4 million related to the identifiable assets acquired as part of the business combination between the pre-merger Guala Closures Group and Space4 S.p.A.), partially offset by investments of €1.9 million and the positive translation impact of €6.8 million.

Following the corporate reorganisation in 2018 and in accordance with IFRS 3, the group recognised and measured the identifiable intangible assets and the goodwill acquired as part of the business combination in its consolidated financial statements.
The effects of the PPA procedure, which was completed within a year as required by IFRS 3, were first included in the condensed interim consolidated financial statements at June 30, 2019. Consequently, the 2018 comparative figures and those for 2019 reflect these effects as of the date of the business combination (July 31, 2018).

As a result of this procedure, part of the goodwill recognised provisionally at December 31, 2018 was allocated to the following identifiable assets:

- the Guala Closures trademark (€75.3 million);
- trade relationships with customers (€252.2 million);
- and patents (€49.5 million).

The residual goodwill after the allocation to the acquired identifiable assets (i.e., intangible assets, plant and machinery and inventories) and measurement of the liabilities assumed amounts to €504.5 million.

Property, plant and equipment

The reduction of €13.7 million in property, plant and equipment compared to 31 December 2018 is attributable to the following factors:

- depreciation (€36.8 million of which €3.1 million related to the gains on plant and machinery arising from the identification of the assets acquired as part of the business combination between the pre-merger Guala Closures Group and Space4 S.p.A.);
- reclassification of the finance lease assets recognised in this caption under IAS 17 in previous years and now recognised as "right-of-use assets" under IFRS 16, which has replaced IAS 17 (€12.2 million);
- impairment losses related to the group reorganisation in France and China (€0.6 million);

partially compensated by net capital expenditure of the year of €31.6 million and the positive translation impact of €4.3 million.

Following the 2018 corporate reorganisation, starting from the date of the business combination (July 31, 2018), the 2018 comparative figures have been restated to reflect the accounting effects of the PPA procedure, and the 2019 figures reflect these effects.
Following the completion of the PPA procedure, as a result of the business combination on July 31, 2018, part of the provisionally-recognised goodwill was allocated to plant and machinery (€33.8 million).

Likewise, the 2018 comparative figures and the figures for 2019 reflect the effects of the completion of the PPA procedure related to the acquisition of UCP. The procedure led to the €3.2 million restatement of the acquired plant and machinery and the -€0.4 million restatement of the amount of the buildings acquired.

Capital expenditure of the year, amounting to €31.6 million mainly related to plant and machinery and covered, although to differing extents, all five continents where the group operates.

In particular, capital expenditure was concentrated in Europe and mostly related to the facilities in Italy, Ukraine and the United Kingdom.

Capital expenditure in Italy mainly related to the development of new products and the increase in production capacity, with a particular focus on the mineral water market and the extraordinary maintenance of facilities.

Capital expenditure in Ukraine mainly related to the development of new products, the increase in production capacity and the safety of the production plants.
Considerable capital expenditure in extraordinary maintenance and safety was made at the facilities of the newly-acquired Guala Closures UCP.

Capital expenditure at the Polish facility in 2019 related to the construction of the new warehouse and the development of production capacity and the extraordinary maintenance of the plant and machinery used.
At the French facility, capital expenditure focussed on the reorganisation of production with a new layout and new machinery.

Finally, in Europe, capital expenditure went to new product development and increasing the production capacity of the group's facilities in Spain and Bulgaria; capital expenditure continues at the Luxembourg research department for the development of new products and in streamlining and increasing production capacity.

In Asia, substantial capital expenditure was undertaken at the group's Indian facilities, particularly in relation to the expansion of the Dharwad production facility during the year.

In the LATAM-USA area, capital expenditure mainly focussed on the group's Mexican facility with projects to cut production costs and increase production capacity; smaller capital expenditure was also made in all the other facilities in the area.

In Africa, most capital expenditure was directed at Guala Closures East Africa's Kenyan facility, where production began in February 2019.

In Australia and New Zealand only small investments of immaterial amounts were made for maintenance.

Net working capital

The table below provides a breakdown of net working capital:

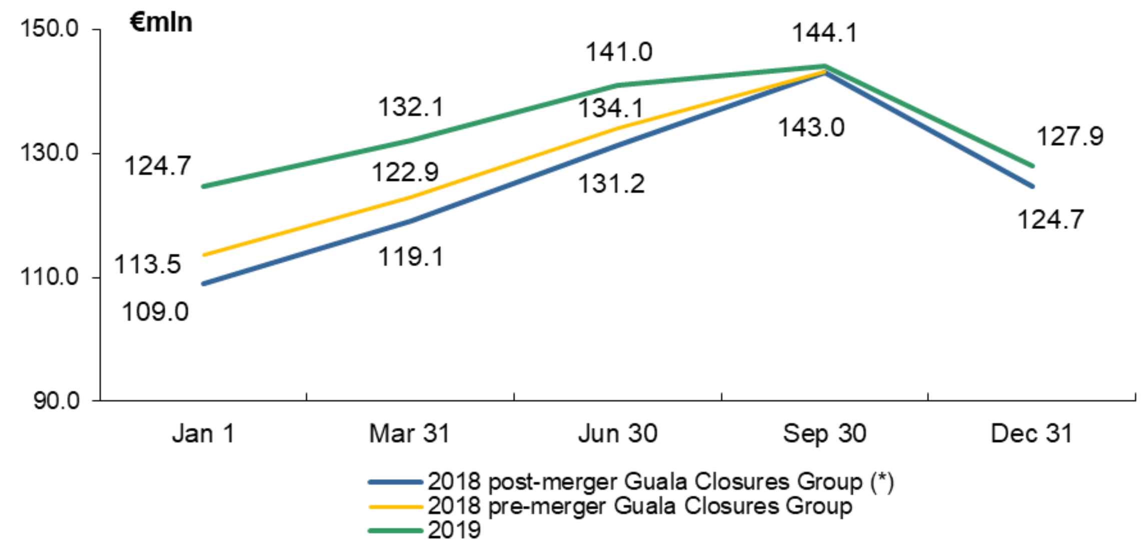
(€'000)	**December 31, 2018**	**December 31, 2019**
Inventories	93,258	100,342
Trade receivables	102,805	104,093
Trade payables	(71,331)	(76,556)
Net working capital (*)	**124,732**	**127,880**

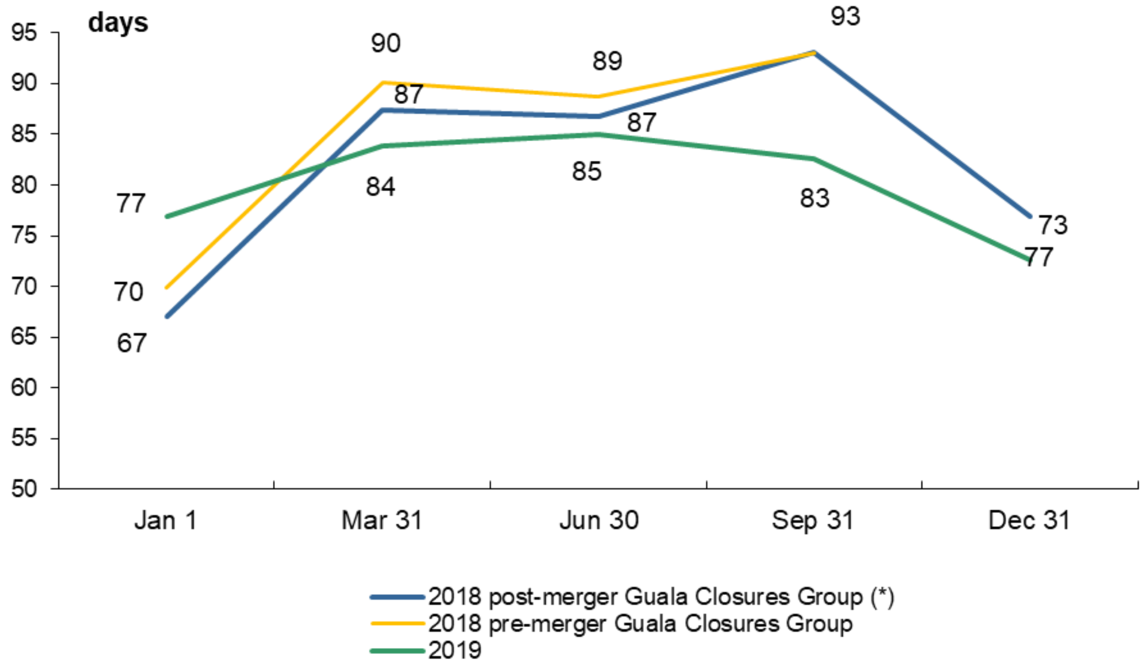
(*) These figures do not match those used to calculate the change in working capital in the consolidated statement of cash flows for the applicable years as those amounts have been adjusted to reflect changes in exchange rates on the opening balances.
The above net working capital includes certain reclassifications compared to the consolidated format. A reconciliation schedule is attached as Annex B) to this report.

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

Days	December 31, 2018	December 31, 2019
Inventories	57	57
Trade receivables	63	59
Trade payables	(44)	(43)
Net working capital days	**77**	**73**

The historical trend in net working capital, both in terms of value and in terms of days of turnover based on data for the last quarter, is described below.





(*) The post-merger Guala Closures Group figures for 2018 relate to pre-merger Guala Closures + Space4 for the period from January 1 to July 31; they refer to post-merger Guala Closures from August 1, 2018

Net working capital increased by €3.1 million in 2019 due to the growth in turnover.
Days of turnover decreased by four in 2019 (from 77 to 73), thanks to the focus and the actions taken by management in this respect.
Trade receivables and the related turnover days reflect the positive impact of the various group companies' use of without-recourse factoring, also related to the purchasing policies of its main customers.
The impact of without-recourse factoring at December 31, 2019 amounts to €28.2 million compared to €28.5 million at December 31, 2018.

The analysis of net working capital by quarter highlights an upwards trend in absolute values due to the growth in volumes managed as the group continues to expand.
The same analysis, but in terms of turnover expressed on a quarterly turnover days basis highlights the greater efficiency of net working capital thanks to the group management's introduction of policies to optimise operating working capital.

Other liabilities

Other liabilities stood at €122.1 million at December 31, 2019 compared to €140.0 million at December 31, 2018.
The item as at December 31, 2019 mainly includes the value of deferred tax liabilities for €113.2 million (mainly relating to the gains on the Group's identified assets arising from the PPA procedure of the corporate reorganisation in 2018), partially offset by deferred tax assets for €17.9 million. The item also includes other net liabilities for an amount of €26.8 million.

Net financial indebtedness

The table below gives a breakdown of net financial indebtedness:

(€'000)	**December 31, 2018 (*)**	**December 31, 2019**
Net financial liabilities - third parties	472,224	468,378
Financial liabilities - IAS 17 / IFRS 16 effects	6,095	20,358
Financial liabilities - non-controlling investors	24,647	26,958
Market warrants	4,338	3,873
Cash and cash equivalents	(47,795)	(57,056)
Net financial indebtedness	**459,509**	**462,511**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure of the corporate reorganization of the Group and the acquisition of Guala Closures UCP. The changes are illustrated in Annex C). The Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Nota:
The above net financial indebtedness includes certain reclassifications compared to the consolidated format. A reconciliation schedule is attached as Annex B) to this report.

Net financial indebtedness increased by €3.0 million, from €459.5 million at December 31, 2018 to €462.5 million at December 31, 2019, as an effect of an increase of €17 million for the application of the application of IFRS 16 and a reduction of €14.0 million as a change in net financial indebtedness of the year.

The impact of the application of IFRS 16 and the related recognition of lease liabilities for the leases that qualified as operating leases under IAS 17 had a related FTA effect at January 1, 2019 of €17.0 million. At December 31, 2019, the lease liability amounts to €20.4 million and includes both the finance lease liability already recognised in the consolidated financial statements at December 31, 2018 and the liability recognised for operating leases recognised in accordance with IFRS 16.

Net cash flows for 2019 was equal to a reduction in net financial indebtedness of €14.0 million, an improvement of €66.6 million compared to cash flows for 2018 (increase in net financial indebtedness of €52.7 million).
The €14.0 million cash flows for 2019 are due to the cash flows from operating activities of €86.7 million, offset by the cash outflows of €36.0 million used for capital expenditure and the negative change in net financial indebtedness following financing activities of €36.7 million.

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

Equity

The table below shows a breakdown of equity:

(€'000)	**December 31, 2018 (*)**	**December 31, 2019**
Equity attributable to the owners of the parent	605,671	623,381
Equity attributable to non-controlling interests	39,333	41,680
Equity	**645,004**	**665,060**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination which took place on July 31, 2018 and the completion of the purchase price allocation procedure for UCP. The changes are illustrated in Annex C) to this report.

Following the above-mentioned corporate reorganisation in 2018 and in accordance with IFRS 3, the group recognised and measured the non-controlling interests acquired as part of the business combination in its consolidated financial statements.

Moreover, the amount of equity attributable to non-controlling interests increased by €13.3 million at July 31, 2018 following the proportional allocation of the identifiable assets acquired and identifiable liabilities assumed.

Reclassified statement of changes in net financial indebtedness

The group's reclassified statement of changes in net financial indebtedness for 2019 with pro forma comparative figures for 2018 is provided below.

€'000	2018 Pro forma (*)	2019
Opening net financial indebtedness	**(552,513)**	**(459,509)**
Opening net cash	**145,666**	**-**
Effects of IFRS 16 FTA	**-**	**(16,962)**
A) Opening pro forma net financial indebtedness	**(406,848)**	**(476,471)**
Gross operating profit	84,540	108,117
Profit generated by the UCP acquisition	(5,490)	-
Purchase price allocation - fair value loss on inventories	7,424	-
Gains on fixed assets disposal	(155)	(404)
Change in net working capital	(9,105)	991
Other operating items	(6,504)	(3,064)
Taxes	(22,463)	(18,989)
B) Net cash flows from operating activities	**48,248**	**86,651**
Net investments	(35,828)	(33,093)
Change in liabilities for investments	(10)	(2,344)
Proceeds from sale of assets held for sale	2,130	-
Contingent consideration for the acquisition of Axiom Propack (India)	-	(554)
Acquisition of UCP (net of cash acquired)	(18,616)	-
C) Cash flows used in investing activities	**(52,324)**	**(35,991)**
Increases in right-of-use assets	-	(4,604)
Net interest expense	(25,880)	(21,533)
Dividends paid	(5,609)	(8,643)
Change in financial liabilities for put options	(7,847)	(2,311)
Fair value gains on market warrants	17,529	465
Acquisition of non-controlling interest in Guala Closures Argentina	(114)	-
Derivatives and other financial items	(3,724)	(778)
Effect of exchange fluctuation	745	1,423
Effects of business combination and refinancing:		
Withdrawal	*(31,323)*	-
Borrowing costs due to transaction costs on the previous bond issue and revolving facility	*(7,995)*	*(718)*
Initial impact of market warrants	*(9,367)*	-
Share capital increases	*25,000*	-
Total effects of business combination and refinancing	*(23,685)*	*(718)*
D) Change in net financial indebtedness due to financing activities	**(48,585)**	**(36,700)**
E) Total change in net financial indebtedness (B+C+D)	**(52,661)**	**13,960**
F) Closing net financial indebtedness (A+E)	**(459,509)**	**(462,511)**

(*) The comparative 2018 figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP.
Reference should be made to Annex B) Reconciliation between the change in net financial indebtedness and the change in cash and cash equivalents for the reconciliation between the above reclassified statement of changes in net financial indebtedness and the statement of cash flows included in these consolidated financial statements

Opening net financial indebtedness (€459.5 million) includes an increase of €6.1 million on the net financial indebtedness reported in the consolidated financial statements at December 31, 2018 (€453.4 million) due to the effects of the PPA adjustments/revaluations of the financial liabilities for the put option on non-controlling interests.
Opening net financial indebtedness (€459.5 million) was also adjusted to reflect the application of IFRS 16 and the related recognition of the lease liabilities for the leases previously classified as operating under IAS 17. The FTA effect at January 1, 2019 is €17.0 million.

In 2018, opening net financial indebtedness was adjusted to include the effect of the net cash contributed by Space4 S.p.A. as a result of the merger (€145.7 million).

Net cash flows from operating activities

Net cash flows from operating activities grew by €38.5 million, from €48.2 million in 2018 to €86.7 million in 2019.
This increase was mainly due to the improvement in the gross operating profit (€23.6 million), the group's implementation of policies to optimise net working capital (€10.1 million) and lower outflows for taxes (€3.5 million).

Cash flows used in investing activities

Cash flows used in investing activities decreased by €16.3 million from €52.3 million in 2018 to €36.0 million in 2019.
In addition to net capital expenditure for the year (€35.4 million in 2019, compared to €35.8 million in 2018), this decrease is due to the following main factors:
- in 2019, the payment of the contingent consideration for the 2017 acquisition of the Indian company Axiom Propack for €0.6 million;
- in 2018, the consideration paid for the acquisition of UCP, net of the acquired cash (€18.6 million), partially offset by the gain realised on the sale of the Torre d'Isola facility (€2.1 million).

Change in net financial indebtedness due to financing activities

The increase in net financial indebtedness due to financing activities in 2019 amounts to €36.7 million and is mainly due to net interest expense (€21.5 million), the payment of dividends to non-controlling investors (€8.6 million), the fair value loss on financial liabilities (€1.8 million; including the fair value loss of €2.3 million on the financial liabilities for the put option on non-controlling interests, offset by a gain of €0.5 million in the fair value of the market warrants) and the increase in new lease liabilities (€4.6 million).

The €11.9 million difference between the decrease in 2019 and that of 2018 is mainly due to the following positive factors:
- lack of the effects, occurred in 2018, of the business combination and refinancing (change of €23.0 million);
- smaller variation in the financial liabilities for put options (€5.5 million);
- reduced net interest expense (+€4.3 million) due to the lower interest rate and the smaller amount of debt following the refinancing in the second half of 2018;
- smaller negative impact on derivatives and other financial items (€2.9 million);

partially offset by the following negative factors:
- smaller fair value gains on market warrants (€17.1 million);
- increase in financial liabilities following the recognition of new right-of-use assets in 2019 (€4.6 million);
- greater payment of dividends to non-controlling investors (€3.0 million).

Key financial and other indicators

Financial indicators

	2018 Pro forma (*)	2019
Adjusted gross operating profit (€ mln)	104.5	113.5
Adjusted gross operating profit margin as a percentage of revenue (Adjusted gross operating profit/net revenue)	19.2%	18.7%
ROS (Adjusted operating profit/Net revenue)	11.6%	8.3%
ROCE (Adjusted operating profit / (Assets - current liabilities net of current financial liabilities))	4.9%	3.9%
ROI (Adjusted operating profit/Net invested capital)	5.7%	4.5%
Gearing ratio (Net financial indebtedness/Equity)	0.71	0.70
NWC days (Net working capital/Turnover of last quarter)	77	73

Source: consolidated financial statements figures – internal data

(*) *The comparative* 2018 *figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP*.

Note:
In relation to the gross operating profit and adjusted gross operating profit, reference should be made to the section "Alternative performance indicators - Guala Closures Group" in this report.
Per quanto riguarda il capitale investito netto e il capitale circolante netto, si veda il Prospetto consolidato riclassificato della situazione patrimoniale-finanziaria della presente Relazione sulla gestione.

Other indicators

The following table gives a breakdown of the group's personnel by gender and number:

Number	December 31, 2018			December 31, 2019		
	Men	Women	TOTAL	Men	Women	TOTAL
Managers	201	38	239	212	47	259
White collars	722	301	1,023	725	304	1,029
Blue collars	2,754	731	3,485	2,694	782	3,476
Total	**3,677**	**1,070**	**4,747**	**3,631**	**1,133**	**4,764**

In addition, the group also employed 739 temporary workers in 2019.

Alternative performance indicators - Guala Closures Group

In addition to the financial performance indicators required by IFRS, this report includes some alternative performance indicators (gross operating profit (loss) (EBITDA), adjusted gross operating profit (loss) (Adjusted EBITDA), adjusted operating profit (loss) (Adjusted EBIT), net financial indebtedness and revenue and adjusted EBITDA for 2019 at constant exchange rates [average exchange rates of 2018]) which, although not required by IFRS, are based on IFRS values.

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

EBITDA is calculated by adjusting the profit for the year to exclude the impact of taxation, net financial expense and amortisation/depreciation.

Adjusted EBITDA is calculated by deducting income taxes, net financial expense, amortisation/depreciation and other balances, such as the costs related to Space4, prior year income and expense, the reorganisation costs (in 2019, they mainly related to the reorganisation of Guala Closures Iberica's PET division and the reorganisation of Guala Closures France), merger and acquisition ("M&A") expenses and operating expenses related to discontinued plant and impairment losses from the profit for the year.

Adjusted EBIT is calculated by deducting income taxes, net financial expense and other balances, such as the costs related to Space4, prior year income and expense, the reorganisation costs, merger and acquisition ("M&A") expenses, operating costs related to discontinued plant and impairment losses from the profit for the year.

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)

€'000	2018 Pro forma (*)	2019
Profit for the year	86	14,659
Income taxes	12,917	2,129
Profit before tax	**13,004**	**16,788**
Net financial expense	30,180	28,420
Amortisation and depreciation	41,356	62,909
Gross operating profit (EBITDA)	**84,540**	**108,117**
Adjustments:		
Costs related to Space4	6,721	
Due diligence and other exit (income)/expense	8,929	(113)
Purchase price allocation - margin on inventories	7,424	
Reorganisation costs	921	3,303
Merger and acquisition ("M&A") expenses	1,160	1,598
Operating expenses related to discontinued plant	102	
Costs related to significant production accidents		39
Badwill generated by the UCP acquisition	(5,490)	
Impairment losses	213	599
Adjusted gross operating profit (Adjusted EBITDA)	**104,520**	**113,543**

Adjusted operating profit (Adjusted EBIT)

€'000	2018 Pro forma (*)	2019
Profit for the year	86	14,659
Income taxes	12,917	2,129
Profit before tax	**13,004**	**16,788**
Net financial expense	30,180	28,420
Operating profit (EBIT)	**43,184**	**45,208**
Adjustments:		
Costs related to Space4	6,721	-
Due diligence and other exit (income)/expense	8,929	(113)
Purchase price allocation - margin on inventories	7,424	-
Reorganisation costs	921	3,303
Merger and acquisition ("M&A") expenses	1,160	1,598
Operating expenses related to discontinued plant	102	-
Costs related to significant production accidents	-	39
Profit generated by the UCP acquisition	(5,490)	-
Impairment losses	213	599
Adjusted operating profit (Adjusted EBIT)	**63,164**	**50,634**

(*) *The comparative* 2018 *figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP*.

Constant currency presentation is the method used by management to eliminate the effects of exchange fluctuations when calculating the financial performance of the group's international operations. This presentation replaces the 2019 amounts (2019 income and expense of foreign operations are translated into Euros at the average exchange rates of 2019) with the 2019 amounts recalculated at constant 2018 average exchange rates (2019 income and expense of foreign operations are translated into Euros at the average exchange rates of 2018).

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 and financial assets as reconciled in Annex B) to this report "Reconciliation between the tables included in the directors' report with the consolidated financial statements".

This indicator is shown in order to provide a better understanding of the group's financial position and should not be considered as a substitute of IFRS indicators.

1.3 GUALA CLOSURES S.P.A. PERFORMANCE

Operating offices

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

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

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

Financial Performance

Analysis of the financial performance

The 2018 figures of Guala Closures S.p.A. were affected by the transaction which was completed on August 6, 2018 which involved the acquisition by Space4 S.p.A. of 67% of pre-merger Guala Closures S.p.A. and its subsequent merger into Space4 S.p.A. which became effective on August 6, 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 2018 financial statements and their comparability with pre-merger Guala Closures. Consequently, for the benefit of readers, pro forma figures are provided in order to compare the performance of operations based on the scope of the pre-merger Guala Closures Group prior to the transaction, including Space4’s operations.

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

The figures included in this report differ from those in the separate financial statements as, following the transaction completed on August 6, 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., the pre-merger Guala Closures figures were only included in the separate financial statements for the five months after the business combination, while the directors’ report presents pro forma figures for the twelve months.

The table below summarises the comparable financial performance of Guala Closures S.p.A. for 2018 and 2019:

Statement of profit or loss and other comprehensive income Guala Closures S.p.A.	**2018 Pro forma**		**2019**	
	€'000	***% of net revenue***	**€'000**	***% of net revenue***
Net revenue	**121,914**	***100.0%***	**133,736**	***100.0%***
Change in finished goods and semi-finished products	(2,312)	*(1.9%)*	1,253	*0.9%*
Other operating income	20,133	*16.5%*	22,425	*16.8%*
Internal work capitalised	2,962	*2.4%*	2,680	*2.0%*
Costs for raw materials	(68,871)	*(56.5%)*	(77,688)	*(58.1%)*
Costs for services	(49,845)	*(40.9%)*	(41,189)	*(30.8%)*
Personnel expense	(27,575)	*(22.6%)*	(29,154)	*(21.8%)*
Other operating expense	(1,919)	*(1.6%)*	(1,975)	*(1.5%)*
Impairment losses	(188)	*(0.2%)*	(13)	*(0.0%)*
Gross operating profit (loss)	**(5,700)**	***(4.7%)***	**10,076**	***7.5%***
Amortisation and depreciation	(11,142)	*(9.1%)*	(16,416)	*(12.3%)*
Operating loss	**(16,843)**	***(13.8%)***	**(6,340)**	***(4.7%)***
Financial income	31,339	*25.7%*	11,324	*8.5%*
Financial expense	(35,453)	*(29.1%)*	(21,715)	*(16.2%)*
Dividends	13,600	*11.2%*	22,500	*16.8%*
Net financial expense	**9,487**	***7.8%***	**12,109**	***9.1%***
Profit before taxation	**(7,356)**	***(6.0%)***	**5,769**	***4.3%***
Income taxes	471	*0.4%*	6,706	*5.0%*
Profit (loss) for the year	**(6,885)**	***(5.6%)***	**12,475**	***9.3%***
Adjusted gross operating profit	**12,298**	***10.1%***	**10,398**	***7.8%***

(*) The amounts for 2018 include the effects of the PPA procedure, which entailed the recognition of greater amortisation and depreciation of approximately €3.0 million and the release of the related deferred taxes of roughly €0.8 million, in addition to the release of the fair value losses on finished products following the PPA procedure, with a negative impact of €1.0 million on gross operating profit (loss) and the release of the related deferred taxes of approximately €0.3 million.

Net revenue

During 2019, the company recognised net revenue of €133.7 million, up €11.8 million on 2018, mainly due to the growth in sales of semi-finished products in aluminium to the English related companies following the acquisition of Guala Closures UCP and, to a smaller extent, the growth in the segment of spirits and water bottle closures.

Export sales represented around 74% of turnover. Such exports mainly went to Great Britain, Spain, the US, Australia, Mexico, France, Sweden and South Africa.

Other operating income

Other operating income increased by €2.3 million from €20.1 million in 2018 (16.5% of net revenue) to €22.4 million in 2019 (16.8%).

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 on 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 on other group companies (€ 12.4 million);
b) royalties charged to other group companies for the utilisation of the trademark (€ 5.7 million);
c) charge for transport costs (€ 0.7 million);
d) recharge of insurance costs (€0.4 million).
e) recharge of personnel expense (€ 0.3 million).

Internal work capitalised

This item decreased from €3.0 million in 2018 (2.4% of net revenue) to €2.7 million in 2019 (2.0%).

This income comprises capitalised development expenditure and personnel expense for extraordinary maintenance.

Costs for raw materials

Costs for raw materials increased from €68.9 million in 2018 (56.5% of net revenue) to €77.7 million in 2019 (58.1%). This increase is due to higher aluminium purchases to meet the growing demand for semi-finished products and lithographed sheets for the related companies (the raw materials for these products have a higher impact on turnover).

Costs for services

Costs for services fell from €49.8 million in 2018 (40.9% of net revenue) to €41.2 million in 2019 (30.8%), mainly as a result of the higher non-recurring expense (€16.4 million) recognised in 2018 by the company for the exit expense related to the business combination with Space 4 S.p.A. with which the company has become a listed company.

Personnel expense

Personnel expense increased from €27.6 million in 2018 to €29.2 million in 2019 but decreased as a percentage of net revenue from 22.6% in 2018 to 21.8% in 2019.

Personnel expense includes part of the accrual for the long-term incentive plan for key managers (€0.2 million).

The average number of employees in 2019 was 447 (434 in 2018), including 16 managers, 142 white collars and 289 blue collars.

Other operating expense

Other operating expense is substantially stable at €2.0 million (1.5% of net revenue) and includes €0.9 million benefit from reduction of rental fees following the application of the new IFRS 16, partially offset by the greater provision for returns.

Impairment losses

Impairment losses decreased from €0.2 million in 2018 (0.2% of net revenue) to €0.0 million in 2019 (0.0%).

Gross operating profit (EBITDA)

The company's gross operating profit amounted to €10.1 million in 2019 (gross operating loss of €5.7 million in 2018).

In 2019, gross operating profit was impacted by non-recurring costs of €0.3 million incurred by the company mainly for residual exit expense related to the 2018 business combination.

The gross operating loss for 2018 was impacted by non-recurring expense (€17.8 million) incurred by the company for the exit expense related to the business combination and impairment losses of €0.2 million recognised on property, plant and equipment.

Excluding the above-mentioned costs, the company's adjusted gross operating profit would have been €10.4 million in 2019 (€12.3 million in 2018). This decrease is mainly due to the greater costs incurred as a listed company as well as higher expense related to returns.

Amortisation and depreciation

Amortisation and depreciation increased from €11.1 million in 2018 (9.1% of net revenue) to €16.4 million in 2019 (12.3%).

This considerable increase is mainly due to the effects of the PPA procedure relating to the business combination of the corporate reorganization, as described in the introduction to this report. In particular, as an effect of recognising assets with a finite useful life in place of assets with an indefinite useful life (goodwill), amortisation and depreciation of €8.9 million was recognised in Guala Closures S.p.A.'s statement of profit or loss and other comprehensive income for 2019 as a result of the PPA procedure. The pro forma comparative figures for 2018 include amortisation and depreciation relating to the PPA procedure of €3.0 million, as they only reflect five months of amortisation and depreciation, i.e., the period between the acquisition date considered for the PPA procedure (August 6, 2018) and December 31, 2018.

Financial income and expense

Net financial income increased from €9.5 million for 2018 to €12.1 million for 2019.

This €2.6 million increase is mainly due to the increase in the dividends received from the subsidiary Guala Closures International B.V. (€8.9 million), the inexistence in 2019 of the extraordinary expense due to the refinancing incurred in 2018 (€8.0 million) and the decrease in the net interest expense to third parties (€5.9 million) following the group's refinancing in the second half of 2018. These effects were partly offset by the inexistence of the positive effect seen in 2018 of the fair value in the market warrants (decrease of €17.1 million) and the €3.2 million decrease in net interest income from related parties.

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

€'000	2018 "Pro-forma"	2019
Net exchange gains (losses)	(311)	314
Net impact on profit or loss of aluminium and currency derivatives	-	(481)
Dividends from investees	13,600	22,500
Net fair value gains on market warrants	17,529	465
Net interest expense - third parties	(26,100)	(20,224)
Financial expense for debt refinancing	(7,995)	-
Net interest income - related parties	12,764	9,535
Net financial income	**9,487**	**12,109**

Net interest expense - third parties reduced by €5.9 million in 2019 over the previous year, mainly due to the €4.8 million decrease due to the effects of the group's refinancing, that is, the reimbursement on August 1, 2018 of the Bonds and the Revolving Credit Facility in place at December 31, 2017, which were replaced by new Bonds and a new Revolving Credit Facility with more advantageous interest rates and used to a lower extent than the previous facilities.

Net interest income - related parties in 2019 is €3.2 million lower than the previous year, mainly due to the financial netting transaction that took place on the closing date of the sale of the Guala Closures Group (July 31, 2018). Specifically: (a) the €2.8 million decrease in interest income due to the full repayment of the intragroup loan granted by Guala Closures S.p.A. to GCL Holdings S.C.A.; (b) the €0.8 million decrease due to the review of the interest rates on intragroup loans related to the loan granted by Guala Closures S.p.A. to Guala Closures International B.V.; (c) the €0.4 million increase due to the new intragroup loans granted by Guala Closures S.p.A..

The fair value gains and losses on market warrants refer to the difference between Borsa Italiana S.p.A.'s official price at December 31, 2019 and December 31, 2018.

The financial expense related to the refinancing amounted to €8.0 million in 2018 and referred to the write-off of the unamortised transaction costs due to the Guala Closures Group's refinancing on August 1, 2018 (early redemption of the existing Floating Rate Senior Secured Notes due in 2021 and the previous Senior Revolving Facility due in 2021).

Income taxes

Income taxes increased from €0.7 million in 2018 (0.4% of net revenue) to €6.7 million in 2019 (5.0%), mainly due to the recognition of deferred tax assets (€7.9 million) relating to the estimate of use of prior year tax losses which will be used to offset the tax base forecast for the 2020-2024 five-year plan (€33 million), partially offset by the adjustment to the deferred taxes due to the new IRAP (regional tax on production activities) rate (5.57% compared to the previous 3.90%) applicable in the years in which the temporary differences on which the deferred taxes were recognised will reverse, after Guala Closures S.p.A. became an industrial holding company which will be applied from the date of approval of the 2019 financial statements (-€2 million), based on the value of the equity investments, which following the revaluation due to the corporate reorganisation in 2018, is greater than 50% of the company's activities.

Profit for the year

The profit for the year improved from a loss of €6.9 million in 2018 (-5.6% of net revenue) to a profit of €12.5 million in 2019 (9.3%), mainly due to an improvement in the gross operating profit following a lower incidence of non-recurring costs in 2019, to the benefit deriving from net financial income and income taxes, partly offset by the increase in amortisation and depreciation following the completion of the PPA process.

Reclassified statement of financial position

The following table shows the reclassified financial position as at December 31, 2019 of Guala Closures S.p.A. with comparative figures as at December 31, 2018:

(€'000)	December 31, 2018 (*)	December 31, 2019
Intangible assets	165,582	159,433
Property, plant and equipment	60,125	46,540
Right-of-use assets	-	12,057
Net working capital	33,182	32,482
Equity investments	669,260	669,310
Derivative assets (liabilities)	88	(162)
Employee benefits	(3,958)	(3,754)
Other liabilities, net	(51,717)	(41,604)
Net invested capital	**872,562**	**874,303**
Financed by:		
Net financial liabilities	455,842	459,727
Financial liabilities - IAS 17 / IFRS 16 effects	5,526	4,790
Market warrants	4,338	3,873
Financial assets	(219,570)	(234,584)
Cash and cash equivalents	(16,108)	(14,463)
Net financial indebtedness	**230,029**	**219,343**
Equity	**642,533**	**654,961**
Sources of financing	**872,562**	**874,303**

Source: reclassified figures

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination which took place on August 6, 2018. The changes are illustrated in Annex F) to this report. The Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

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 E) to this report

Intangible assets

The variation in intangible assets compared to December 31, 2018 is mainly attributable to the amortisation of the year for approximately €7.1 million, including €6.4 million related to the identifiable assets acquired as part of the business combination between the pre-merger Guala Closures S.p.A. and Space 4 S.p.A., and to the investments of €1.0 million.
Following the corporate reorganisation in 2018 described in the introduction to these consolidated financial statements and in accordance with IFRS 3, the group recognised and measured the identifiable intangible assets and the goodwill acquired as part of the business combination in its consolidated financial statements.

The effects of the PPA procedure, which was completed within a year as required by IFRS 3, were first included in this separate financial statements.
Consequently, the 2018 comparative figures and those for 2019 reflect these effects as of the date of the business combination (August 6, 2018).
As a result of this procedure, part of the goodwill recognised provisionally (€714.5 million at December 31, 2018) was allocated to the following identifiable assets:

- Guala Closures trademark (€75.3 million);
- trade relationships with customers (€30.6 million);
- and patents (€10.9 million).

The residual goodwill after the allocation to the acquired identifiable assets (i.e., intangible assets, plant and machinery, equity investments and inventories) and measurement of the liabilities assumed amounts to €49.0 million.

Property, plant and equipment

Property, plant and equipment decreased by €13.6 million, from €60.1 million at December 31, 2018 to €46.5 million at December 31, 2019.
The decrease compared to December 31, 2018 is due to depreciation (€7.3 million), including €2.5 million gains on plant and machinery arising from the identification of the assets acquired as part of the business combination between the pre-merger Guala Closures Group and Space4 S.p.A., the reclassification of the finance lease assets recognised in this caption under IAS 17 in previous years and now recognised as "right-of-use assets" under IFRS 16, which has replaced IAS 17 (€11.5 million), the reclassification of the assets leased to Guala Closures East Africa (€3.3 million), offset by the net investments of the year (approximately €8.5 million).
Following the 2018 corporate reorganisation, starting from the date of the business combination (August 6, 2018), the 2018 comparative figures have been restated to reflect the accounting effects of the PPA procedure, and the 2019 figures reflect these effects.
Following the completion of the PPA procedure, as a result of the business combination on August 6, 2018, part of the goodwill that had been provisionally recognised was allocated to plant and machinery (€15.1 million).

Equity investments

The equity investments mainly refer to the investments in subsidiaries in Guala Closures International B.V. (€657.9 million), a company incorporated under Dutch law, and GCL Pharma S.r.l. (€11.3 million), a company incorporated under Italian law. The amount also includes investments in other companies of immaterial amount.
The value of the equity investments increased from the value of €84.8 million at December 31, 2018 to the value of €669.3 million at December 31, 2019, mainly due to the conclusion of the PPA valuation process which led to allocate, with reference to the business combination date of August 6, 2018, part of the Goodwill provisionally recognized in the following investments in subsidiaries:

- Guala Closures International B.V. (€576.9 million);
- GCL Pharma S.r.l. (€7.5 million).

Net working capital

The table below provides a breakdown of net working capital:

(€'000)	December 31, 2018	December 31, 2019
Inventories	14,238	16,603
Trade receivables - third parties	12,765	12,952
Trade receivables - related parties	28,094	30,567
Trade payables - third parties	(20,699)	(24,291)
Trade payables - related parties	(1,215)	(3,348)
Net working capital	**33,182**	**32,482**

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

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

Days	December 31, 2018	December 31, 2019
Inventories	44	47
Trade receivables - third parties	39	37
Trade receivables - related parties	86	87
Trade payables - third parties	(63)	(69)
Trade payables - related parties	(4)	(10)
Net working capital days	**102**	**93**

Net working capital decreased from €33.2 million at December 31, 2018 to €32.5 million at December 31, 2019, representing a decrease in net working capital days from 102 days to 93 days, mainly due to the decrease in trade receivables due from third parties and the increase in trade payables due to third parties following the increase in raw materials/aluminium semi-finished products.

Other assets and liabilities

Other assets and liabilities stood at -€41.6 million at December 31, 2019, compared to -€51.7 million at December 31, 2018.
The item as at December 31, 2019 mainly includes the value of deferred tax liabilities for -€42.8 million (mainly relating to the gains on the company's identified assets arising from the PPA procedure of the corporate reorganisation in 2018), partially offset by deferred tax assets for €9.3 million. The item also includes other net liabilities for an amount of -€8.1 million mainly related to payables to staff and payables to social security institutions.

Net financial indebtedness

The table below gives a breakdown of net financial indebtedness:

(€'000)	December 31, 2018	December 31, 2019
Net financial liabilities	455,880	459,727
Financial liabilities - IAS 17 / IFRS 16 effects	5,526	4,790
Market warrants	4,338	3,873
Financial assets - related parties	(219,608)	(234,584)
Cash and cash equivalents	(16,108)	(14,463)
Net financial indebtedness	**230,029**	**219,343**

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

Net financial indebtedness decreased by €10.7 million from €230.0 million at December 31, 2018 to €219.3 million at December 31, 2019, despite the adjustment to opening net financial indebtedness to reflect the application of IFRS 16 and the related recognition of the lease liabilities for the leases previously classified as operating under IAS 17. The FTA effect at January 1, 2019 is €1.8 million.

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

Reclassified statement of changes in net financial indebtedness

The table below summarises the trend of the reclassified statement of changes in net financial indebtedness of Guala Closures S.p.A. for 2018 and 2019:

(€'000)	2018 Pro forma	2019
Opening net financial indebtedness	**(285,360)**	**(230,029)**
Opening net cash	**145,666**	
Effects of IFRS 16 FTA		**(1,797)**
A) Opening net financial indebtedness	**(139,694)**	**(231,826)**
Gross operating profit (loss)	(4,710)	10,076
Purchase price allocation - fair value losses on inventories	(990)	
Gains on fixed assets disposal	(52)	(191)
Change in net working capital	(7,204)	700
Other operating items	3,238	(3,457)
Taxes	(815)	(559)
B) Net cash flows from (used in) operating activities	**(10,534)**	**6,570**
Net investments	(7,719)	(9,285)
Change in liabilities for investments	(569)	906
Proceeds from sale of assets held for sale	2,130	-
C) Cash flows used in investing activities	**(6,158)**	**(8,380)**
Withdrawal	(31,323)	
Increases in right-of-use assets	-	2,532
Net interest expense	(13,336)	(10,686)
Borrowing costs due to transaction costs on the previous bond issue and revolving facility	(7,995)	-
Transaction costs not yet paid / (paid) for the new debt refinancing		(718)
Initial impact of market warrants	(9,367)	-
Fair value gains on market warrants	17,529	465
Derivatives and other financial items	233	(302)
Termination of participating financial instruments	(67,949)	
Share capital increases	25,000	
Dividends from Guala Closures International B.V.	13,600	22,500
Effect of exchange fluctuation	(34)	502
D) Change in net financial indebtedness due to financing activities	**(73,643)**	**14,293**
E) Total change in net financial indebtedness (B+C+D)	**(90,334)**	**12,483**
F) Closing net financial indebtedness (A+E)	**(230,029)**	**(219,343)**

Opening net financial indebtedness for 2018 was adjusted to reflect the effect of the net cash contributed by Space4 S.p.A. as part of the merger (€145.7 million), while the opening net financial indebtedness for 2019 was adjusted to reflect the application of IFRS 16 and the related recognition of the lease liabilities for the leases previously classified as operating under IAS 17. The FTA effect at January 1, 2019 is €1.8 million.

Key financial and other indicators

Financial indicators

	2018 "Pro-forma" (*)	2019
Adjusted gross operating profit (€ mln)	12.3	10.4
Adjusted gross operating profit margin as a percentage of revenue (Adjusted gross operating profit /net revenue)	10.1%	7.8%
ROS (Adjusted operating profit (loss) /Net revenue)	0.9%	(4.5%)
ROCE (Adjusted operating profit (loss)/ (Current assets and liabilities net of current financial liabilities)	0.1%	(0.5%)
ROI (Adjusted operating profit (loss) /Net invested capital)	0.1%	(0.7%)
Gearing ratio (Net financial indebtedness/Equity)	0.36	0.33
NWC days (Net working capital/Turnover of last quarter)	102	93

Source: separate financial statements figures

(*) The comparative figures of 2018 were restated to reflect the effects of the completion of the PPA procedure of Group's reorganisation.

Notes:

In relation to the adjusted gross operating profit, reference should be made to the section "Alternative performance indicators" of this report.

In relation to the net invested capital and net working capital, reference should be made to the Reclassified statement of financial position - Guala Closures S.p.A. in this report.

Other indicators

The following table gives a breakdown of the company's personnel by gender and number:

Number	December 31, 2018			December 31, 2019		
	Men	Women	TOTAL	Men	Women	TOTAL
Managers	15	1	16	15	1	16
White collars	107	36	143	112	38	150
Blue collars	266	29	295	263	27	290
Total	**388**	**66**	**454**	**390**	**66**	**456**

With reference to the legislative requirements related to the protection of personal data (Regulation (EU) 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 data subjects.

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.

Alternative performance indicators - Guala Closures S.p.A.

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

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

EBITDA is calculated by adjusting the profit for the year to exclude the impact of taxation, net financial expense and amortisation/depreciation.

Adjusted EBITDA is calculated by deducting income taxes, net financial expense, amortisation/depreciation and other costs, such as the costs related to Space4, expense related to the due diligence and other exit expenses related to the business combination with Space4 S.p.A., the effects of the purchase price allocation and the related impact on the fair value measurement of inventories, operating expenses related to discontinued facilities, costs related to significant production accidents, tax penalties and related consultancy fees and impairment losses from the profit for the year.

Adjusted EBIT is calculated by deducting income taxes, net financial expense and other costs, such as the costs related to Space4, expense related to the due diligence and other exit expenses related to the business combination with Space4 S.p.A., the effects of the purchase price allocation and the related impact on the fair value measurement of inventories, operating expenses related to discontinued facilities, costs related to significant production accidents, tax-related fines and the related consulting costs and impairment losses from the profit for the year.

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)

€'000	2018 "Pro-forma" (*)	2019
Profit (loss) from continuing operations	(6,885)	12,475
Income taxes	(471)	(6,706)
Profit/(loss) before tax	**(7,356)**	**5,769**
Net financial expense	(9,487)	(12,109)
Amortisation and depreciation	11,142	16,416
Gross operating profit (loss) (EBITDA)	**(5,700)**	**10,076**
Adjustments:		
Costs related to Space4	6,721	
Due diligence and other exit expense	9,995	291
Purchase price allocation - margin on inventories	990	
Merger and acquisition ("M&A") expenses	2	18
Operating expenses related to discontinued facilities	102	
Impairment losses	188	13
Adjusted gross operating profit (Adjusted EBITDA)	**12,298**	**10,398**

Adjusted operating profit (loss) (Adjusted EBIT)

€'000	2018 "Pro-forma" (*)	2019
Profit (loss) from continuing operations	(6,885)	12,475
Income taxes	(471)	(6,706)
Profit/(loss) before tax	**(7,356)**	**5,769**
Net financial expense	(9,487)	(12,109)
Operating loss (EBIT)	**(16,843)**	**(6,340)**
Adjustments:		
Costs related to Space4	6,721	-
Due diligence and other exit (income)/expense	9,995	291
Purchase price allocation - margin on inventories	990	-
Merger and acquisition ("M&A") expenses	2	18
Operating expenses related to discontinued facilities	102	-
Impairment losses	188	13
Adjusted operating profit (loss) (Adjusted EBIT)	**1,155**	**(6,018)**

(*) The comparative figures of 2018 were restated to reflect the effects of the completion of the PPA procedure of Group's reorganisation.

Net financial indebtedness consists of financial liabilities minus cash and cash equivalents and financial assets as reconciled in Annex E) to this report "Reconciliation between the tables included in the directors' report with 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.

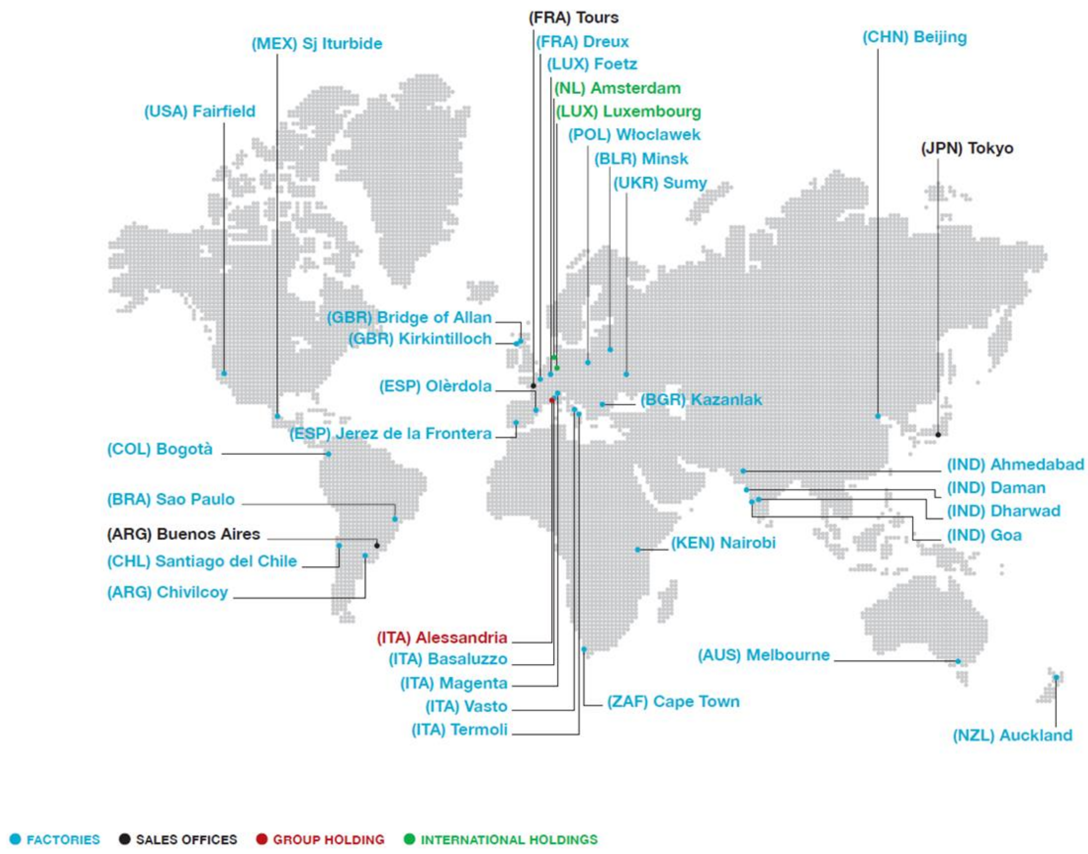
1.4 CONSOLIDATED NON-FINANCIAL STATEMENT
Prepared pursuant to Legislative Decree 254/2016

1.4.1 Guala Closures Group: responsible governance

The Group's profile

The Guala Closures Group is a leading multinational group manufacturing closures for spirits, wine, water and non-alcoholic beverages, olive oil and vinegar, as well as pharmaceutical products. The group is also active in the field of production of closures for PET plastic preforms and bottles (polyethylene terephthalate).
The Group is a global leader in the safety closures segment. Safety closures are an indispensable tool against the adulteration and counterfeiting of beverages.
Thanks to its policy of continuous product and process development, the Group has designed solutions that protect the quality and reputation of the most important international brands, by means of tamper-evident and non-refillable valve systems.
The Group also invests in production and decoration processes, both to enhance customers' brands through the design and production of high value-added closures and to make replication, therefore possible counterfeiting, difficult.
In addition to traditional materials such as plastic and aluminium, the Group uses materials from renewable sources such as wood. All raw materials comply with food contact regulations both in Europe, the United States (FDA) and the countries where closures are produced and sold.
In 2019, the Group sold and produced more than 16 billion closures across its six product categories: spirits, wine, oil and vinegar, water and beverages, pharmaceuticals and PET.

Guala Closures Group – global presence



The Group consists of 29 facilities, three sales offices, one group holding company, two international holding companies and five research and innovation centres (Italy, Luxembourg, United Kingdom, Ukraine and Mexico). Compared to 2018, the Alcalà (Spain, PET production) has been closed and production was moved to the Bridge of Allan facility in Scotland. Furthermore, a new production unit became operative in Minsk (Belarus) at the end of 2019.

Guala Closures and Corporate Social Responsibility

CSR, vision and commitment

Guala Closures promotes the goal of continuous and constant sustainable development in all the Group companies' businesses, in order to strengthen its leadership in the production of closures in the market sectors in which it operates. This is achieved through:

- full customer satisfaction;
- a focus on the consumer;
- continuous innovation of processes and products;
- enhancement of human resources;
- investor satisfaction;
- focus on the environment and local communities.

The Guala Closures Group promotes and firmly believes in four values for the proper performance of all activities:

- **Transparency**: clarity, completeness and correctness of information in our business activities and in our interpersonal relations;
- **Professionalism**: personnel training and growth in the pursuit of continuous and ongoing development;
- **Protection and well-being of the environment**: occupational health and safety, for products and the impact on local communities;
- **Acknowledging and rewarding results**: full disclosure of the goals and the evaluation criteria applied in relation thereto to recognise and reward our human resources.

The mission of the Sustainability programme reflects Guala Closures' commitment:

"Working together for sustainable growth"

Guala Closures' policies

The values promoted by top management are embraced by all Group company personnel through the corporate policies. All policies share the ongoing commitment to sustainable development to strengthen market leadership while fully observing ethical and social issues, product and occupational safety and safeguarding the environment.
To better guide the development of the Group's business, these policies were revised in 2018:

- Environmental policy,
- Quality policy,
- Occupational safety,
- Customer protection,
- Land acquisition policy;
- Modern slavery and human trafficking

The review of the ethical and social policy was issued in November 2019. In addition to reiterating the full observance of human rights, it identifies three areas of action:

- **Our people:** focus on equal opportunities and treatment of diversity and the promotion of inclusion
- **Our suppliers:** requiring that suppliers fully adopt Guala Closures' ethical and social policy, adding Guala Closures undertaking to both develop joint projects and to include ethical and social topics in its suppliers' qualification and evaluation process
- **External communities and other stakeholders:** adding the declaration that sustainability and integrity are a priority in relations with all stakeholders and the commitment to respect the external environment and to support improvement initiatives or projects with local communities.

The group policies are published on the Guala Closures Group website and apply to all facilities.
Each facility can further expand on the contents of the group's policies, defining local policies in accordance with those of the Group.

Ethics and integrity, risks and objectives

Given the extension at international level to various countries with different characteristics in terms of human resources and local context, the Group is subject to the risk of potential unethical behaviour and / or relationships and business activities with counterparties that are not adequate with respect to ethical-behavioural standards defined by the Group. For some time, Guala Closures has started a process of implementing sustainability governance and ethical and social policies in order to reduce these risks and consequently is launching anonymous reporting programs aimed at monitoring the effective application of ethical standards.

The Guala Closures Group has adopted a Code of ethics, which was approved by the board of directors in January 2018. This document is published on its website from which it can be downloaded. The Code sets out the ethical and behavioural rules established for all employees, directors, statutory auditors and collaborators, with specific reference to relations with stakeholders.
Through this Code, the Group intends to:

- define and make explicit the values and principles that characterise its business and the relations with employees, collaborators, customers, suppliers, shareholders, institutions and any other stakeholder;
- formalise the commitment to behave fairly, transparently and correctly;
- reaffirm its commitment to protect the legitimate interests of its investors;
- communicate to its employees and collaborators the rules of conduct, values and responsibilities that they are required to respect when carrying out their work.

The Code of ethics specifies the mechanisms to report on ethical matters: each employee or collaborator shall promptly report any non-compliance or violation of the provisions of the Code of ethics, to their manager or, alternatively, to the designated division.
The Group ensures:

- the maximum dissemination and knowledge of this code among the various recipients;
- the verification of each notification of non-compliance with or violation of the Code;
- the assessment of the incident and the application of appropriate sanctions in case of violation.

All new employees, including temporary workers, receive information about the contents of this document and the internet address where they can find the Code. In the event of changes or updates to the Code of ethics, the official notice is sent by e-mail and posted on company notice boards. The Ethical and social committee was set up in December 2019 to ensure the knowledge and correct implementation of the Ethical and social policy and the Code of ethics in all Group facilities. Chaired by the COO, the committee is composed of the directors of the Group departments involved: purchasing, legal affairs, quality, human resources and sustainability. It has the following objectives:

- the dissemination of Group policies and objectives on ethical and social topics;
- the definition of tools for training and raising personnel awareness;
- the definition and dissemination of Group procedures to manage the ethical and social topics applicable both internally and in relations with stakeholders;
- the coordination and checking of the results of internal audits on ethical and social matters in conjunction with internal audits on other systems.

Stakeholder engagement

Relations, dialogue and collaboration with all stakeholders are increasingly part of the culture of the Guala Closures Group, with the aim of jointly developing commitments and projects, thereby contributing to sustainable and inclusive growth.
As a global player, the Group is well aware that the environment in which it operates is constantly changing. For this reason, regular and meaningful communication with the stakeholders, whether shareholders, investors, customers, employees, suppliers or civil society, is essential to conduct business in a responsible manner:

- understanding stakeholders' interests;
- being prepared for the impacts that regulations or trends may have on the business;
- minimising risks and identifying business opportunities;
- identifying common sustainability priorities and opportunities for collaboration towards common goals.

The results of the communication with stakeholders are fed into the materiality analysis in order to identify priorities, manage and report annually on sustainability.
The Group is aware that, sometimes, the interests of the various stakeholders may conflict with each other, but it is always committed to finding the best solution for all the parties involved.
The Group regularly interacts with its stakeholders through meetings, e-mails and surveys. The frequency of communications and contacts depends on the type of stakeholder and its needs, in particular:

- **Costumers and supply chain:** meetings are held at least once a year with major customers and suppliers to review previous year's results and set new targets;
- **Human resources:** employees receive an assessment and discuss their performance on an annual basis, in a manner that takes into consideration local needs;
- **Local communities**: each facility undertakes to work closely with the local communities, and respond to their requests.

Communication with stakeholders may take different forms and at different frequencies depending on the facility and on local contexts and needs.

The Guala Closures Group actively participates in the initiatives of various trade associations, such as the Italian Packaging Institute and EAFA (European Aluminium Foil Association) with representatives on its governing bodies. The Group is also represented on the board of directors of CETIE (*Centre Technique International de l'Embouteillage et du Conditionnement*) based in Paris.

Management systems and tools

The Group has adopted and implemented management systems that comply with the following standards:

- Quality - ISO 9001:2015 "Quality management systems"
- Food Hygiene and Safety - ISO 22000:2018 "Food Safety Management Systems"
- Environment - ISO 14001:2015 - "Environmental management systems"

With respect to the quality and environmental certification, the Group obtained a corporate certification that covers all facilities according to a programme agreed with the Bureau Veritas certifying body. With regard to the food safety certification, each facility is required to implement and certify a management system that complies with the basic standard ISO 22000:2018 or similar (FSSC or BRC).
With regard to ethical and social topics, the Group is part of the SEDEX platform, providing customers with transparency and visibility on information about each of the Group's facilities.

		ISO 9001	ISO 22000	ISO 14001	Sedex	OHSAS 18001
Country	Plant	In force since				
ITALY	Spinetta Marengo	2006	2015	2012	2008	-
ITALY	Termoli	2006	2008	2017	2011	-
ITALY	Magenta	2012	2019	Expected for 2020	2017	-
ITALY	Vasto	2000	2011	2017	2016	-
SPAIN	Jerez de la Frontera	2006	2017	2016	2012	-
SPAIN	Olerdola	2006	2015	2007	2012	-
UK	Kirkintilloch	2006	2016	2018	2011	-
UK	Bridge of Allan	2008	2018	2008	Prior to the acqusition	2008
FRANCE	Saint-Rémi-sur-Avre	2018	Expected for 2020	Expected for 2020	2017	-
BULGARIA	Kazanlak	2006	2012	Expected for 2020	2012	-
POLAND	Wloclawek	2001	2009	2006	2014	2006
UKRAINE	Sumy	2006	2019	2019	2014	-
BELARUS	Minsk	TBD	TBD	TBD	TBD	-
INDIA	Goa	2006	2008	2018	2008	-
INDIA	Daman	2006	2008	2019	2008	-
INDIA	Ahmedabad	2014	2015	2018	2014	-
INDIA	Dharwad	Expected for 2020	Expected for 2020	Expected for 2020	Expected for 2020	-
CHINA	Beijing	2006	Expected for 2020	Expected for 2020	2008	-
KENYA	Nairobi	Expected for 2020	Expected for 2020	Expected for 2021	Expected for 2020	-
South Africa	Cape Town	2015	2007	2018	2013	-
New Zealand	Auckland	2006	2019	2019	2017	-
AUSTRALIA	Melbourne	2006	2013	2017	2012	-
U.S.A.	Fairfield	2018	2019	2019	2017	-
MEXICO	S. J. Iturbide	2008	2014	2017	2011	-
COLOMBIA	Bogota	2006	Expected for 2020	2019	2016	-
BRAZIL	Sao Paulo	2006	2012	2019	2011	-
ARGENTINA	Chivilcoy	2006	Expected for 2020	Expected for 2020	2011	-
CHILE	Santiago de Chile	2019	2019	Expected for 2020	2017	-

"Working together for sustainable growth"

The Guala Closures Group's commitment to sustainability began actively in 2011 with a first project which involved the Italian facilities up to 2015 on 20 objectives spread over 12 indicators.
The satisfactory results achieved (15 objectives achieved and exceeded, 3 partially achieved and 2 not achieved) and the lessons learnt enabled us to enter a second phase, extending the programme globally. The "Working together for sustainable growth" programme was launched in 2016, with objectives defined up to 2022 and involving all the Group's facilities. Since 2011, the Guala Closures Group has published the Sustainability report and since 2018, following its listing on the Milan Stock Exchange, the consolidated non-financial statement drawn up pursuant to Legislative decree no. 254/2016.

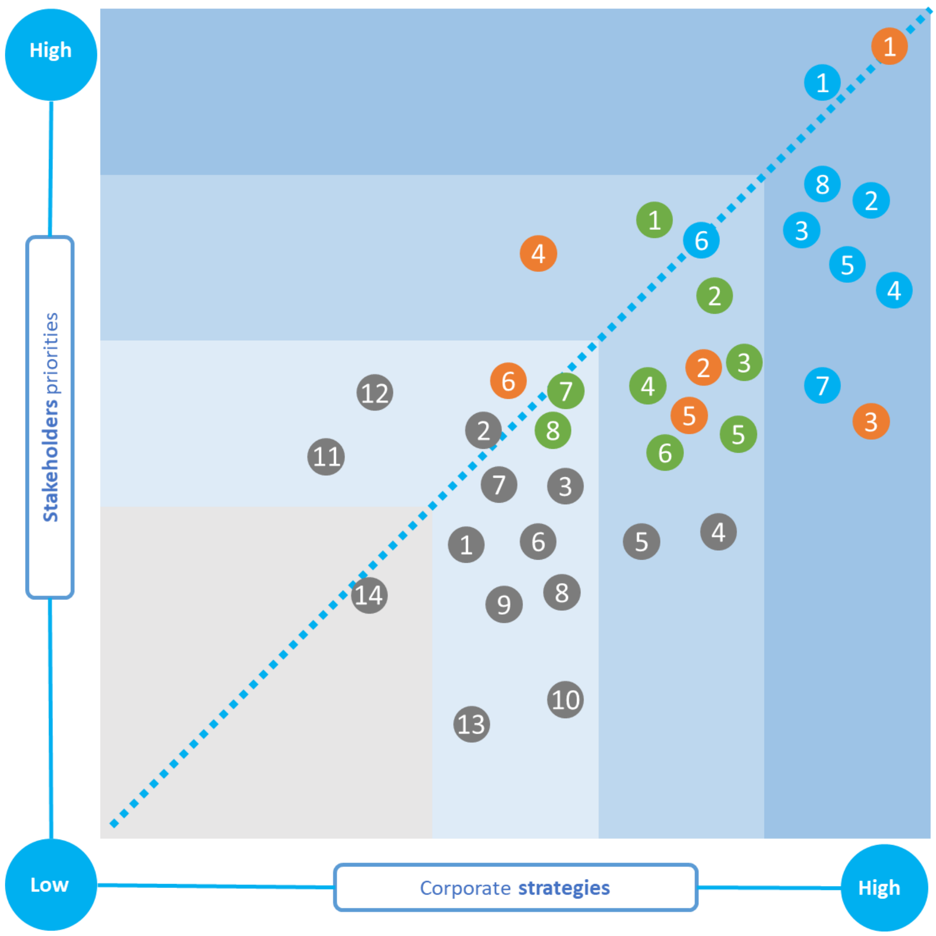
Guala Closures' operations and challenges

When the Sustainability programme was launched, in 2016, a study was carried out to analyse and define its business priorities and corporate social responsibility risks, through the implementation of a materiality matrix. The objectives were as follows:

- strengthen stakeholder involvement
- defining the significant impacts on Guala Closures' business, its activities and its ability to create value
- focusing on the most important matters
- ensuring that the Group's perception is aligned with that of its stakeholders.

22 main topics were identified, 10 of which were considered priorities and 12 important, cross-referencing the results of a questionnaire for internal and external stakeholders with the mapping of non-financial risks and the strategic sustainability priorities identified during a workshop with top management.

Below is a representation of the material topics, organised within the materiality matrix. The priority and important matters in **blue**, **green** and **orange** respectively, belong to the **economic**, **environmental** and **social** contexts, while the **grey** ones are non-priority topics.



1 Customer satisfaction
2 Ethical business
3 Ethics and integrity
4 Governance & compliance
5 Innovation
6 Ethical purchases
7 Data security
8 Economic performance

1 Preventing pollution
2 Hazardous substances
3 Waste
4 Energy efficiency
5 Greenhouse gasses
6 Raw materials
7 Water management
8 Eco-friendly production

1 Occupational safety
2 Training
3 Employee empowerment
4 Child labour
5 Employees satisfaction
6 Employees diversity

1 Local communities
2 Ethical marketing
3 Recycle
4 Transports
5 Resource scarcity
6 Biodiversity
7 Supplier involved in CSR
8 Responsible investments
9 Socio-physical risks
10 NGO supporting
11 Mining practices (social)
12 Renewable energy
13 Volunteering
14 Mining practices (environmental)

The analysis confirmed that Guala Closures' perception of the material topics in relation to the 2011-2015 programme is in line with stakeholders' expectations and that it can form the basis for the new 2016-2022 programme (the programme was initially for 2016-2020, however some objectives were rescheduled following new acquisitions and the Group's growth).

In July 2019, in order to take into account the Group's continuous development and its flotation, work began to revise the materiality matrix, which will be published at the beginning of 2020.
An online questionnaire was sent which received 189 responses (66% and 34% internal and external stakeholders, respectively) with an excellent geographical coverage in 26 countries. In addition, interviews were conducted with ten internal and six external stakeholders (customers, suppliers, investors and trade unions). The board of directors is currently analysing the findings in order to define strategic priorities.

	MATERIAL TOPICS FOR GUALA CLOSURES	REFERENCES	BOUNDARY	TYPE OF IMPACT
ENVIRONMENTAL RESPONSIBILITY	Preventing pollution from production activities	GRI 307 - ENVIRONMENTAL COMPLIANCE	GROUP	DIRECT
	Use of harmful substances	n.a.	GROUP	DIRECT
	Greenhouse gas emissions	GRI 305 - EMISSIONS	GROUP	DIRECT AND INDIRECT
	Energy efficiency of production activities	GRI 302 - ENERGY	GROUP	DIRECT
	Waste from production activities	GRI 306 - WASTE	GROUP	DIRECT
	Raw materials	GRI 301 - MATERIALS	GROUP	DIRECT
	Water management	GRI 303 - WATER	GROUP	DIRECT
	Eco-friendly production	n.a.	GROUP	DIRECT
SOCIAL RESPONSIBILITY	Occupational safety	GRI 403 - OCCUPATIONAL HEALTH AND SAFETY	GROUP	DIRECT
	Employee training and empowerment	GRI 404 - TRAINING AND EDUCATION	GROUP	DIRECT
	Employee diversity	GRI 405 AND 406 - DIVERSITY AND EQUAL OPPORTUNITIES, NON-DISCRIMINATION	GROUP	DIRECT
	Employee satisfaction	GRI 401 - EMPLOYMENT	GROUP	DIRECT
	Human rights protection	GRI 408 AND 409 - CHILD LABOUR AND FORCED OR COMPULSORY LABOR	GROUP	DIRECT AND INDIRECT
	Support to local communities	GRI - 413 - LOCAL COMMUNITIES	GROUP	DIRECT
ECONOMIC RESPONSIBILITY	Customer satisfaction	GRI 416 - CUSTOMER HEALTH AND SAFETY	GROUP	DIRECT
	Ethical business	GRI 206 - ANTI-COMPETITIVE BEHAVIOR	GROUP	DIRECT
	Ethics and integrity	GRI 205 - ANTI CORRUPTION	GROUP	DIRECT
	Governance and compliance	GRI 419 - SOCIOECONOMIC COMPLIANCE	GROUP	DIRECT
	Innovation	n.a.	GROUP	DIRECT
	Financial performance	n.a.	GROUP	DIRECT AND INDIRECT
	Ethical purchases	GRI 408 E 409 - FORCED OR COMPULSORY LABOR AND CHILD LABOR	GROUP	DIRECT AND INDIRECT
	Privacy and data security	GRI 418 - CUSTOMER PRIVACY	GROUP	DIRECT

The 2016-2022 CSR programme

Guala Closures' sustainability strategy relies on three pillars:

- **Planet**: help preserve our planet
- **People**: develop all the conditions for the welfare of our employees
- **Business**: ensure customer and investor satisfaction with a focus on consumers and local communities.

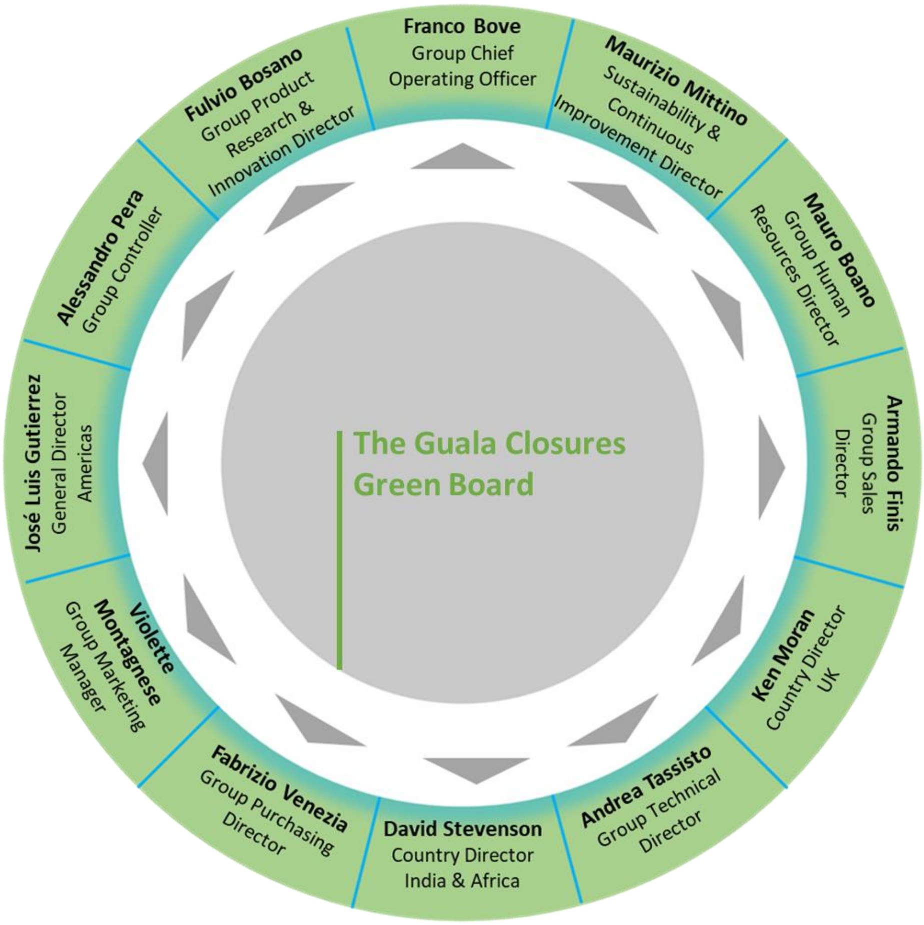
The three pillars are described in the "**Working together for sustainable growth**" programme, which was adopted in 2016. This programme shows the project for the future through an ambitious agenda made up of 12 indicators and 21 objectives, which will run until 2022 (the programme was initially for 2020, however it was rescheduled following the Group's growth).

12 INDICATORS	21 OBJECTIVES	TARGET
ENERGY CONSUMPTION	Reduce energy consumption per finished product (GJ/tonne FP) by 25%	2022
	Facilitate the supply of renewable energy	2020
CO_2 EMISSIONS	Reduce GHG emissions (scope 1 and 2) in CO_2eq by 25%	2022
	Certify indirect CO_2 emissions (scope3)	2017
	Develop partnership projects with suppliers to reduce the usage of raw materials and transport	2020
WASTE	Reduce waste generated per finished product by 20%	2020
	Reduce hazardous waste with respect to total waste produced <5%	2020
	Zero waste in landfills	2022
RAW MATERIALS	Decrease the percentage of scrap bellow 2%	2022
	Increase the quantity of recycled and/or low environmental impact aluminium with respect to the total employed	2020
WATER	Reduce the water drawn per finished product (m^3/tFP) by 20%	2020
ENVIRONMENTAL MANAGEMENT	Environmental management systems: to obtain ISO 14001 certification for all group plants	2020
HEALTH AND SAFETY	Zero accident - Reduce the accident frequency indicator by 50%	2020
TRAINING	100% of employees with 2 hours of sustainable program training	2018
	Strengthen the development program for internal resources	2020
DIVERSITY	Promote awareness campaigns to facilitate the integration of diverse groups	2020
PRODUCTION EFFICIENCY	Efficiency of production system: Overall Equipment Efficiency (OEE) > 85%	2022
INNOVATION	Innovative capacity: to develop at least 26 patternable ideas	2020
CUSTOMER SATISFACTION	On Time In Full delivery (OTIF) >95%	2022
	All plants SEDEX accredited	2017
	ISO 22000 for all group plants	2020

Our CSR Governance

The Guala Closures Group's CSR governance is based on the Green Board. This body was set up in 2015 to ensure the effective implementation of the sustainability strategy and to monitor progress. The Green Board is composed of 11 group managers, 7 corporate department heads and 4 country managers from different

geographical areas and continents, and is chaired by the COO, Franco Bove. It meets two to four times a year to discuss the progress of the programme, listen to top management feedback, identify opportunities and suggest strategic solutions.
The Green Board members will rotate in 2020, in order to fulfil one of the objectives of the Diversity project, concerning gender equalit. Therefore, the next Green Board will be composed of 12 group managers and will continue to be chaired by the COO, Franco Bove.



The Group's sustainability team is the point of contact with all country managers and business unit teams to share objectives, collect data on environmental, social and economic indicators, monitor the programme, define action plans and share innovative projects and best practices among business units.
This team is responsible for the implementation and sharing of sustainability reporting at group level, the coordination of the activities for the certification of environmental data and the review of the non-financial statement data, carried out by third party companies and the implementation of inputs for Green Board meetings. The organisation of CSR at local level rests with the country managers, based on local resources and needs. In each business unit, the country manager appointed a CSR manager, who is responsible for implementing the Group strategy, defining and implementing action plans to achieve the objectives of the programme and reporting on local indicators and the projects carried out.

1.4.2 Enhancing human resources

Managing social and ethical topics

For the Guala Closures Group, with its 29 facilities and 3 sales offices in 23 countries around the world, people are a real asset and the best resource to maintain market leadership and develop its business. The Group's commitment is to stimulate and guide its employees towards personal and professional growth, in line with the company's culture and its corporate role, while generating economic and social value.
Multiculturalism, training, engagement, awareness of diversity as a resource, and attention to health and safety are the pillars of Guala Closures' values and policies and, thus, empower our employees and collaborators.
Starting from these principles, Guala Closures strives to guarantee its employees full observance of social and ethical topics in all the countries in which it operates, focusing primarily on three areas:

- promoting company values and continuous improvement at all levels to encourage participation and a sense of belonging;
- promoting professional growth through continuous training;
- the increasingly scrupulous protection of labour law, respecting employees' rights and adopting rigorous policies for occupational safety, with particular attention to the developing countries in which the Group operates, focusing, above all, on the selection of a supply chain that is also aware of ethical and social topics.

Guala Closures promotes respect for work and employees by avoiding all forms of discrimination and ensuring full observance of the fundamental human rights.
Guala Closures works to promote a socially ethical business activity, based on the transposition and application of the following four documents:

- Social and ethical policy
- Occupational and safety policy
- Code of ethics
- Modern Slavery Act

The cornerstones of these documents, which apply to all Group employees and with which the supply chain must comply, are:

- ensuring that all employees have a regular employment contract and guaranteeing the minimum legal remuneration;
- guaranteeing freedom of association and collective bargaining;
- not to employ child labour;
- not to use forced labour;
- not to discriminate, ensuring equal opportunities and treatment and promote inclusion regardless of religion, race, gender, political or spiritual beliefs, age and disability;
- ensuring adequate working conditions, treating all employees with dignity and respect, excluding the use of unusual disciplinary practices and/or corporal punishment;
- ensuring that employees and collaborators operate in healthy and safe workplaces in accordance with applicable occupational health and safety standards.
- ensuring ethical topics in management and supplier relations.

The Group pursues the highest ethical standards and improves its global policies and processes to avoid any potential incident of human rights violations in its operations and supply chain. To this end, the Guala Closures Group has joined the SEDEX (Supplier Ethical Data Exchange) platform to include information about all production facilities in the platform. This non-profit organisation is committed to improving the ethical performance of supply chains. SEDEX members share and manage information on occupational, health and safety, environment and business ethics standards through a navigable platform. As SEDEX members, Guala Closures facilities have access to a platform to share social compliance audit reports and related information and to participate in working groups with customers. In 2019, third party SMETA (Sedex Members Ethical Trade Audit) audits were conducted at 5 Group facilities (in Italy in Termoli, in Spain in Olerdola, in India in Ahmedabad and Daman and in South Africa in Cape Town).

Ambitions and risks posed by social challenges

As far as sustainability and social improvement are concerned, the Guala Closures Group's strategy is based on supporting the wellbeing of its employees, social inclusion and the pursuit of diversity, and the personal and professional growth of its employees through training and skill development programmes. Over time, these characteristics have led to a real group culture, building loyalty and motivating employees and encouraging them to do their best.

As will be mentioned in the cross-business risks in paragraph 1.5, one of the Guala Closures Group's primary objectives is the health of its human capital, not only to ensure full compliance with the occupational health and safety requirements of Italian regulations, the other individual countries in which the Group operates and internationally, but, more broadly, to ensure a working environment that contributes to the psychological and physical well-being of its employees and the external parties with whom the Group operates. In 2020 Guala Closures will focus in particular on the mitigation of health and safety risks through the implementation of a monitoring and auditing plan in the various Group plants.

Other risks related to social issues have not been identified as priorities, especially in relation to projects already underway, impacting attention to human resources, such as that on Diversity and Equal Opportunities and the Performance Evaluation Plan. Monitoring the results of these projects will be the basis for reviewing the potential risks arising from social activities in the coming year. The virtuous model is, however, guaranteed by constant attention by Guala Closures to capillaryise its social and ethical policies in the various plants around the world. The Group delegates each General Manager to adopt and adapt the corporate objectives and culture to the different contexts and local realities in which the Group operates.

The 2016 goals set in the "Working together for sustainable growth" programme aim to consolidate and strengthen the Group's core social principles by 2022. The goal is to ensure a safer and protected work environment in order to increasingly reduce the number of work-related injuries, promote the development of skills through training programmes in each production unit and address diversity issues through awareness campaigns to promote integration.

2016 – 2022 social goals:

PILLARS	AMBITION	TARGETS	TARGET DATE
Health and safety (frequency of injuries and rate)	Ensuring a safe and secure working environment.	Reducing the injury frequency rate by 15%.	2022
Training (Type and hours of training provided)	Implementing an ambitious training programme.	100% of employees with two hours of training on the sustainability programme.	Achieved (2018)
	Strengthening the internal resource development programme.	Defining a training plan in each business unit and recording of training hours for each employee	2022
Diversity (Gender and cultural differences)	Promoting awareness campaigns to facilitate the integration of diversity.	Developing and implementing a diversity plan.	2022

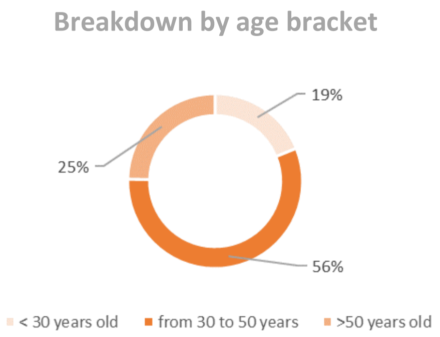
Our people

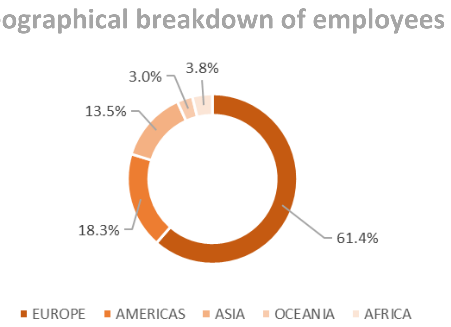
Personnel

At the end of December 2019, the Group had 4,764 employees and 739 temporary workers.
This figure includes all production sites, sales offices and the research centre in Luxembourg. Compared to 2018, which only included production sites, in addition to the offices and the research centre, the main changes relate to the inclusion of the Bridge of Allan facility in Scotland (acquired at the end of December 2018), the start of production in Nairobi (in February) and Belarus (at the end of October), the closure of the Alcalà de Henares facility (in July) and the gradual transfer of production in France from the Saint Remy site to Chambray. The following tables show employees broken down by gender, geographical area, age and location. They also show the figures related to the type of contracts and the turnover between incoming and outgoing employees.

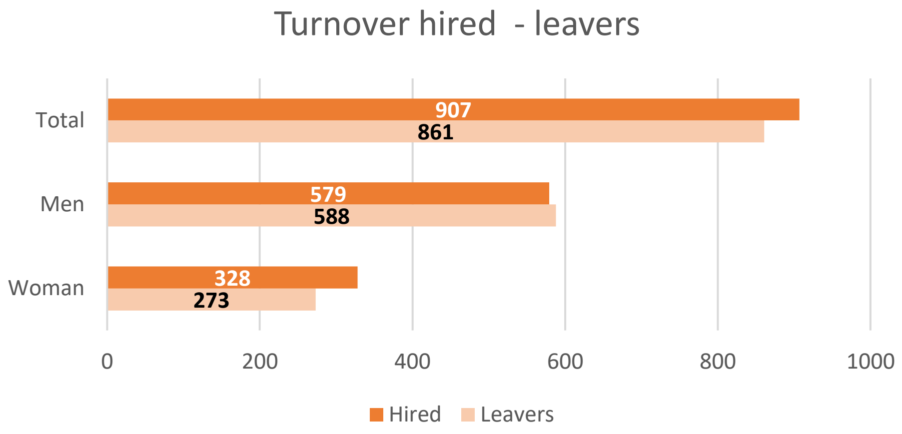
	EUROPE		AMERICAS		ASIA		OCEANIA		AFRICA		TOTAL	
Employees	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Gender												
Men	1,924	2,239	535	534	610	601	124	121	145	136	3,338	3,631
Women	581	690	341	337	41	40	19	20	47	46	1,029	1,133
Total	2,505	2,929	876	871	651	641	143	141	192	182	4,367	4,764
Age												
< 30 years old	n.a.	386	n.a.	245	n.a.	245	n.a.	7	n.a.	17	n.a.	900
from 30 to 50	n.a.	1,671	n.a.	462	n.a.	374	n.a.	67	n.a.	117	n.a.	2,691
>50 years old	n.a.	872	n.a.	164	n.a.	22	n.a.	67	n.a.	48	n.a.	1,173
Total	n.a.	2,929	n.a.	871	n.a.	641	n.a.	141	n.a.	182	n.a.	4,764
Category												
Managers	143	181	18	19	30	31	20	20	20	8	218	259
White collars	430	501	242	240	239	232	21	20	21	36	972	1,029
Blue collars	1,933	2,247	616	612	382	378	101	101	101	138	3,177	3,476
Total	2,506	2,929	876	871	651	641	142	141	142	182	4,367	4,764

In Europe, employees increased following the inclusion of the Bridge of Allan facility in Scotland (acquired at the end of December 2018) and the research centre in Luxembourg (not included in 2018) in the reporting perimeter. There were no significant changes in the Americas, Asia and Oceania. Also in Africa there were no significant changes, as the Nairobi (Kenya) plant started production in February 2019, mainly using staff from external agencies. Regarding the age issue, 19% of the staff employed is under 30 years of age (around 26% in 2018), 56% between 30 and 50 (around 54% in 2018) and 25% over 50 (around 20% in 2018). This increase in the average age of the Group is conditioned by the inclusion in the reporting perimeter of the Scottish Bridge of Allan plant acquired at the end of December 2018 (19% <30 years, 33% between 30 and 50, 48% >50).

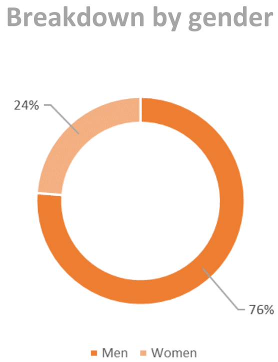




	EUROPE		AMERICAS		ASIA		OCEANIA		AFRICA		TOTAL	
Hired/Leaver	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Hired												
Men	206	266	135	175	99	101	10	18	18	19	468	579
Women	86	152	181	166	1	4	0	1	12	5	280	328
Total	292	418	316	341	100	105	10	19	30	24	748	907
Hired category												
Managers	n.a.	17	n.a.	7	n.a.	6	n.a.	1	n.a.	1	12	32
White collars	n.a.	54	n.a.	26	n.a.	39	n.a.	3	n.a.	7	108	129
Blue collars	n.a.	347	n.a.	308	n.a.	60	n.a.	15	n.a.	16	628	746
Total	n.a.	418	n.a.	341	n.a.	105	n.a.	19	n.a.	24	748	907
Hired turnover												
Men	11%	12%	25%	33%	16%	17%	8%	15%	12%	14%	14%	16%
Women	15%	22%	53%	49%	2%	10%	0%	5%	26%	11%	27%	29%
Total	12%	14%	36%	39%	15%	16%	7%	13%	16%	13%	17%	19%
Leavers												
Men	154	270	114	170	131	109	9	19	14	20	422	588
Women	43	94	111	158	4	3	4	0	9	18	171	273
Total	197	364	225	328	135	112	13	19	23	38	593	861
Leavers category												
Managers	n.a.	14	n.a.	12	n.a.	6	n.a.	2	n.a.	1	19	35
White collars	n.a.	46	n.a.	33	n.a.	54	n.a.	3	n.a.	5	94	141
Blue collars	n.a.	304	n.a.	283	n.a.	52	n.a.	14	n.a.	32	480	685
Total	n.a.	364	n.a.	328	n.a.	112	n.a.	19	n.a.	38	593	861
Leavers turnover												
Men	8%	12%	21%	32%	21%	18%	7%	16%	10%	15%	13%	16%
Women	7%	14%	33%	47%	10%	8%	21%	0%	19%	39%	17%	24%
Total	8%	12%	26%	38%	21%	17%	9%	13%	12%	21%	14%	18%

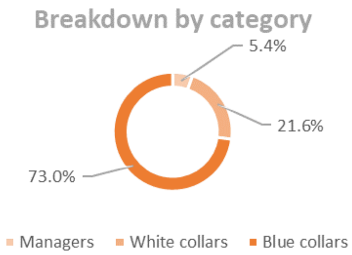


A greater number of women were hired than those discharged, but this did not change the presence of female staff in the stable Group to 24% of the total, while the percentage of women in positions of responsibility increased from 15% in 2018 to 18 %. As part of the project on Diversity elaborated in 2019, the Guala Closures Group has identified equal opportunities and treatment by Gender (together with Age and Disability) as the priority objective of the project, asking each Business Unit to define clear objectives in this regard.



As regards the classification of personnel, the changes in Africa between managers and employees are due to an alignment of the classification of personnel in line with the Group's standards.

	MEN		WOMEN		TOTAL	
Category	2018	2019	2018	2019	2018	2019
Managers	185	212	33	47	218	259
White collars	684	725	288	304	972	1,029
Blue collars	2,469	2,694	708	782	3,177	3,476
Total	3,338	3,631	1,029	1,133	4,367	4,764



Part-time contracts were also stable, with a small variation from 0.8% to 0.9% of staff.

	MEN		WOMEN		TOTAL	
Contracts	2018	2019	2018	2019	2018	2019
Part-time	14	15	20	30	34	45
Full-time	3,324	3,616	1,009	1,103	4,333	4,719

To deal with activities particularly affected by seasonality, the Group also makes use of collaborators from external agencies. In 2019 the number of temporary workers from external agencies decreased as a percentage compared to the total staff (direct plus external agencies), from 14% (17% compared to direct employees only) in 2018 to 13% (16% compared to direct employees only) in 2019. In absolute terms, collaborators increased by 2 units, going from 737 to 739.

Training and development

For the Guala Closures Group, the achievement of priority objectives, including the respect for the environment, depends on human resources. The Group's success is therefore linked to the people who work there, the development of their skills, their professional growth and their sharing of principles and objectives. In order to enhance this link, the Group focuses, in particular, on the development of skills on issues such as the environment, hygiene and safety as well as technical and interpersonal skills. For this reason, each business unit has a specific training plan that facilitates the professional and personal growth of all their employees. The Group also facilitates the engagement of employees and welcomes suggestions and ideas that are often important in developing and improving production processes.

Employees training	2018	2019
Total hours of training	203,965	**157,923**
of which for environment, health and safety (EHS)	18,276	**18,319**
of which for technical skills (TECH)	171,032	**126,765**
of which for soft skills (SOFT)	14,657	**12,839**
Training on hours worked	2.09%	**1.44%**
Average hours of training / per employee / year	46.71	**33.15**
Average hours of training for employees (hour/month)	4.0	**2.8**
Average training hours for managers (hour/month)	1.9	**2.1**
Average hours of training for white collars (hour/month)	2.7	**2.0**
Average training hours for blue collars (hour/month)	4.4	**3.0**
Average hours of training for men (hour/month)	3.3	**2.3**
Average hours of training for women (hour/month)	5.8	**4.1**

In 2019, training hours decreased by 23% on 2018, exclusively for technical training, while those dedicated to health & safety remained unchanged. The 2019 figures are in line with those of 2017. In 2018, particular attention was placed on technical training for various topics: training dedicated to the sustainability programme, which involved all Group employees, and technical training for the start-up of new production sites, particularly in India, for ISO certification purposes and to support the start-up of production in Africa.

Relations with employees

The ethical and social policy of the Guala Closures Group acknowledges that employees are an important added value and, in this respect, guarantees correct and clear management of human resources, full observant of human rights, without discrimination, guaranteeing employment contracts and freedom of association, in a healthy and safe environment. Most employees are subject to the national employment laws. The difference between employees subject to collective employment contracts and company agreements between 2018 and 2019 is due to the extension of the reporting scope to include all 29 Group facilities at the end of 2019. In particular, the reporting of the Bridge of Allan plant (321 employees covered by company agreements) has led to an increase in the percentage of workers covered by company agreements, compared to those covered by collective bargaining agreements.

Bargaining and company agreements	2018	2019
% of employees covered by collective bargaining agreements (national level)	39.3%	28.90%
% of employees covered by company agreements	17.5%	20%

Each business unit takes into account local regulations and situations and implements the Group's policy through additional welfare plans that provide benefits such as health and life insurance, compensation for absences due to illness and paid part-time and parental leave.
In 2019, a long-term incentive plan was launched at the proposal of the Remuneration Committee, envisaging three-year targets and covering the Group's top management, i.e., the chairman and CEO, the COO, the CFO and the Group's M&A and Marketing director. Again in 2019, a performance assessment plan for managers and junior managers was developed, to be applied in all Group facilities starting from February 2020. This plan will be linked to a subsequent incentive plan.

Employees receiving regular performance and career development review	2019
% of men receiving performance and career development review	40.3%
% of women receiving performance and career development review	25.4%
Total % of employees receiving performance and career development review	36.7%

Diversity and equal opportunities

The Group operates through facilities and offices in 23 countries around the world, dealing with customers in over 100 countries. There are at least 30 different nationalities in the Group and more than 20 languages are spoken in the various facilities. For all these reasons, the need to incorporate diversity of thought, gender and culture into the corporate decision-making process is essential for the Group to continue to grow and achieve its objectives in a multicultural world.
The review of the ethical and social policy, the set-up of the ethical and social committee and the expected rotation of Green Board members were heavily driven by the need to give concrete answers to the diversity issues and ensure equal opportunities and treatment to all employees and stakeholders.
The ethical and social policy clearly refers to the commitment:

"… not to discriminate, ensuring equal opportunities and treatment and to promote inclusion irrespective of religion, ethnicity, gender, political or spiritual beliefs, age and disability …"

Guala Closures is committed to ensuring that each Business Unit, with its own cultural characteristics, fully implements the contents of the policy.
Diversity is a cultural issue that varies from one country to another and cannot easily be addressed homogeneously, as revealed by an online survey conducted for each Business Unit in 2018.
A Diversity workshop was held at Group headquarters in 2019, involving 25 people representing 15 facilities in order to:

- discuss the meanings of Diversity
- gather local ideas and initiatives
- identify priorities and lay the foundations for a Group roadmap
- make the Group's multiculturalism a strength.

The workshop culminated in the drafting of the Guala Closures Group's Charter of Diversity and inclusion, which will be published in early 2020. The Charter will define the three commitments to be developed in the 2020 - 2022 three-year period:

- ensuring equal opportunities and equal treatment
- strengthening the Groups' multiculturalism and inclusiveness
- maintaining and bolstering the sense of belonging to the Group.

The goal for 2020 will be to share the Charter throughout all business units and to set concrete objectives both at Group and individual business unit level, based on their own cultural characteristics.
Three priorities have been identified, relating to Diversity, for which the Group is required to set objectives and concrete actions: **Gender - Age - Disability.**
In 2019, the percentage of women employed by the Group remained unchanged at 24%, while the percentage of women holding leadership positions increased from 15% in 2018 to 18% in 2019. This is a successful step to meeting the target of at least 20% women holding management positions by 2022.
With respect to age, as already explained in the analysis of personnel, the increase in the average age in 2019 is mainly due to the inclusion of the Bridge of Allan facility in Scotland acquired at the end of December 2018. The age pyramid differs considerably between the various facilities: more than 30% of the personnel at the Indian facilities each (a peak of 62% in Dharwad) is under 30 and less than 5% is over 50. The Mexican facility also has a high percentage of young people under 30, over 40%.
More than 40% of the personnel of the French, Australian, Bridge of Allan and the Italian and Spanish facilities is over 50. Mentoring activities and the exchange of experiences between the various facilities were adopted to both exploit the experience gained from age and offer opportunities to younger people.
With respect to disability, the Group is committed to developing partnerships with associations operating in the field of disability and to mapping corporate roles, in accordance with the objective of ensuring equal opportunities and treatment.

In 2019, there were no incidents of discrimination in the Group facilities.

Health and safety

For Guala Closures, the quality of the work environment and the well-being of its people are values that go beyond compliance with current legislation. The Group is committed to ensuring the health and safety of its employees, through the continuous assessment of health risks, the continuous improvement of infrastructures and plants, training, monitoring systems and maintenance, investing in and updating its health and safety system on an ongoing basis.
Occupational safety, which has always been a key priority for Guala Closures, is used as one of the main performance indicators. In 2017, Guala Closures revised its occupational safety policy, based on three pillars:

- **Our people:** the Group wants its employees to be involved in their personal safety. Therefore, it ensures that the means of communication are effective and guarantee that requirements and objectives are met, it collects comments, complaints and suggestions for improvement, it provides employees with the know-how, means and tools to keep working activities safe and it shares good practices with other facilities.
- **Our products and processes:** the Group develops products and processes with a view to guaranteeing and improving occupational safety. It encourages suppliers to optimise the selection of raw materials and avoid potential risk situations and it operates in compliance with the concept of continuous improvement of all its activities.
- **Occupational safety and the environment:** the Group is committed to ensuring occupational safety and respect for the environment by approving and complying with international, national and local laws and standards, as well as the additional requirements suggested by stakeholders, appointing managers in charge of the application of training, communication and first-aid procedures, monitoring the safety performance of all facilities and systematically analysing the causes of any incident or near misses to ensure that it does not happen again.

Injury rates	EUROPE		AMERICAS		ASIA		OCEANIA		AFRICA		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Work-related injuries	21	41	42	33	6	5	2	1	7	8	78	88
of which, fatal	0	0	0	0	0	0	0	0	0	0	0	0
Days lost due to injury	n.a.	1,293	n.a.	1,438	n.a.	161	n.a.	414	n.a.	132	2,685	3,438
Frequency rate**	4.35	6.14	24.18*	14.55	1.86	2.95	6.91	3.35	17.82*	21.59	7.44	7.78
Injury rate***	0.12	0.19	0.88	0.63	0.01	0.09	1.64	1.39	0.06	0.36	0.26	0.30
Absenteeism rate	0.10%	0.15%	0.71%	0.52%	0.01%	0.08%	1.31%	1.16%	0.05%	0.31%	0.20%	0.25%
Ill heath (no.)	0	0	0	0	0	0	0	0	0	0	0	0
Ill health (rate)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

* The figures related to the frequency rate of Americas and Africa were restated following the fine-tuning of data collection in the relevant geographical areas. For information about the previously-published data, reference should be made to the 2018 edition of the Consolidated non-financial statement.

** The **frequency rate** is calculated as the number of injuries multiplied by one million and divided by the total hours worked

*** The **injury rate** is the product of the number of days lost per injury multiplied by a thousand, divided by the hours worked

In 2019, the Guala Closures Group recorded 88 incidents, compared to 78 in 2018 (29 facilities compared to 27 in 2018), with an increase in the frequency rate (number of incidents per million hours worked) of 5%, from 7.44 to 7.78, above the target of 4.5 (the objective was lowered last year from 7.68 based on the good performance).
The rate of severity (days of absence per incident per thousand hours worked) increased 15% from 0.26 to 0.30. The European facilities are those where the number of incidents has increased considerably, while there has been a good improvement in the American facilities.
Training hours dedicated to health & safety increased slightly from 18,276 in 2018 to 18,319 in 2019.
In relation to the fatal accident that took place on January 30, 2017 at the Magenta facility (Milan) of pre-merger Guala Closures, which was subsequently merged, compensation was fully paid to the heirs of the deceased employee in July 2018; 80% of it was covered by the insurance company of pre-merger Guala Closures and the remaining 20% by the health and safety manager at the time of the accident, Luigi Cichero. With respect to the liability pursuant to Legislative decree no. 231/01, as part of criminal proceedings no. 4361/2017 general criminal records registry, pre-merger Guala Closures settled its position by negotiating a fine of €80,000 on December 18, 2019.
In September 2019 there was an accident on the metallization line in the Ukrainian plant in Sumy which involved 8 people, following interventions entrusted to an external company. In the same year, the Group started important activities in the Health & Safety field to ensure the full implementation of the Group Policy:

- in the second quarter of 2019, the safety standards applied by the individual facilities were analysed to assess compliance with local laws and regulations through an e-mail survey;
- in the third quarter, internal audits were carried out at the Italian facilities;
- due to September 2019 accident, a project dedicated to the Ukrainian facility was launched in the fourth quarter, taking into consideration not only compliance with regulations, but also continuous improvement.

Auditing and standards compliance activities will continue in 2020, with a formalised plan, under the responsibility and coordination of the Group's EHS manager. This new role, which reports directly to the COO, will be operational from early January 2020.

Commitment to local communities

The attention to local communities is clearly reflected by the Ethical and Social Policy, whereby all Business Units are required to "... undertake initiatives and projects for improvement with local communities (schools, municipalities, ...), taking into account local characteristics, expectations and needs. The aim is to develop support projects, involving employees.
The Group directly supports reforestation projects, with the strong involvement of local communities, in countries where it has been present since 2011. In 2019, 35,000 trees were planted in Yucatan (Mexico) as the second year of a three-year project, financed entirely by Guala Closures in collaboration with the NGO Up2Green. In 2019, the Group contributed €70,000 to this project.
For each business unit, the aim is to contribute to improving the life of local communities through concrete actions. In 2019, the various projects included one in Kirkintilloch (Scotland) in collaboration with a school for disabled children, to carry out social and integration activities.
The Mexican facility in San José Iturbide participated in the "Mi clase, Mi bosque" project, in collaboration with the NGO Up2Green, to raise environmental awareness among the city's school students.
The Indian facilities in Goa and Ahmedabad are also active with children and schools, by purchasing games for a children's park and supporting the construction of classrooms.
Many facilities support food bank activities or, like in South Africa, training for sustainable cultivation. The vast majority of Business Units also financially support voluntary or service associations and sponsor local sports initiatives.

1.4.3 Protecting the planet

The increasing sensitivity of the national and international communities to the issue of environmental sustainability led to growing awareness and attention throughout the entire production cycle in order to minimise the possible impact on the environment.

Guala Closures has long understood and shared this sensitivity and has placed sustainability among its priority business objectives. Being a leader in the production of closures with many production units operating globally, the Group is constantly committed to ensuring that its facilities operating in 23 countries around the world can operate ethically and responsibly, respecting the regulations in force in the individual countries where it is present and committing itself to reducing the environmental impact throughout the entire life cycle of its products.

Guala Closures produces more than 16.5 billion closures in different models (15.2 in 2018), uses significant quantities of raw materials such as aluminium, plastics, inks and lacquers, consumes resources such as water and energy and produces waste.
In 2017, in order to define and confirm the mapping of environmental risks and in compliance with due diligence requirements, the Group engaged Bureau Veritas (BV) to perform a site environmental assessment of its facilities worldwide in order to obtain an independent professional report on the presence or possible presence of contaminants in the production area or in surface or groundwater on the site and neighbouring properties. The report shows that the greatest and most common potential risk to facilities arises from the use of substances in the production process such as paints, lubricating oils, inks, solvents and other potentially-harmful chemical compounds. Therefore, Guala Closures limits the use of these substances as much as possible and carefully monitors the control, storage and handling of these compounds, if used. Furthermore, there is an increasing focus on optimising the use of raw materials in the production process, the use of resources such as water and energy and limiting the emission of greenhouse gases and waste production .
Obtaining the ISO 14001:2015 environmental certification for all its facilities further confirms the Group's commitment. At the end of 2019, 19 facilities out of 29 were environmentally certified. The environmental certification will be extended to another 6 facilities in 2020 and the programme is expected to be completed in 2021.
The Group supports each facility in the development of the environmental management system, with an approach focused on risk assessment and product life cycle analysis. In addition to meeting compliance requirements, each facility has to set objectives and define an environmental performance improvement plan.
Guala Closures operates in accordance with a rigorous environmental policy, updated in April 2017, which applies to all its facilities. Similarly to the Group's other policies, the environmental policy is characterised by a commitment to sustainable development, fully observing ethical and social values, product and occupational safety, combining all this with environmental protection through three fundamental pillars:

- research, development and improvement of products and processes based on the products' life cycle, with the aim of safeguarding the environment and saving energy, reducing pollution and CO2 emissions per kg of finished product
- the engagement of all stakeholders, especially in the supply chain, to involve them in the goals of the sustainability programme
- confirm respect for the environment as a company value through concrete and measurable actions.

This policy applies to all Group facilities, and each general or facility manager is committed to complying with it, applying and disseminating it by sharing it with their organisation, setting concrete targets in accordance with the Group's sustainability programme and implementing actions to achieve them.

In 2019, there were no incidents of non-compliance with environmental laws and regulations.

Ambitions and risks posed by environmental challenges

These are closely related to the strategic risks described in paragraph 1.5 with reference to competition and the evolution of customers’ expectations, the “risks related to environmental topics” arising, in particular, from green and sustainable impact issues related to the future of plastics among the materials used in products and the use of energy sources with a lower environmental impact (e.g., renewables) or energy savings in general. Over the last few years, social and technological trends deriving from climate risk phenomena have gained pace. This has changed the landscape and continues to drive changes in values and therefore behaviour, especially of the younger generations, which are particularly responsive to products that meet environmental criteria (recyclable materials, plastic-free products, etc.) and companies that market production or a broader value chain which is environmentally sustainable or zero-impact.

A resulting evolutionary trend in regulations has been observed over time, which could lead to more stringent conditions both in terms of increased compliance costs and restrictions. From a strictly regulatory point of view, the Group’s activities and products are subject to multiple environmental regulations linked to the specific characteristics of the different countries in which it operates. These regulations are generally tending to become increasingly restrictive, also due to the growing attention of the international community to environmental sustainability. Guala Closures expects a progressive introduction of increasingly stringent environmental regulations for companies (atmospheric emissions, waste generation, impacts on the soil, use of water, etc.), as well as a change in the preferences of customers and consumers towards sustainability. Consequently, the Group expects its investments and/or the costs it incurs may be significant

In order to continuously and effectively monitor these evolutionary and regulatory risks, Guala Closures has adopted procedures and manuals on environmental issues and has implemented organisational structures to monitor them. As described in greater detail below, environmental objectives were also defined with a view to preventing pollution, reducing waste from production activities, recycling raw materials, water consumption and energy efficiency, as well as emissions.
In order to extend the environmental policy to all its activities, the Group outlines the indicators and objectives in the 2016-2022 sustainability programme “Working together for sustainable growth”. The environmental part of the programme is underpinned by six pillars, each defining the ambitions and targets to be achieved by 2022 through concrete actions to be implemented in each facility.

PILLARS	AMBITION	TARGETS	TARGET DATE
Environmental management	Identifying and minimising the environmental impacts of the production activities	Obtaining the ISO 14001 certification for all group plants	2020
Greenhouse gas emissions	Reducing our impact on climate change and engaging our suppliers.	Cutting carbon dioxide equivalent emissions (Scope 1 and 2) by 25% per tonne of finished product.	2022
		Certifying indirect CO_2 emissions.	Achieved (2017)
		Developing partnership projects with suppliers and reducing the use of raw materials and transport.	2020
Energy consumption	Reducing the use of fossil fuels.	Cutting energy consumption by 25% per finished product (Gj/ton FP).	2022
		Facilitating the supply of renewable energy.	2020
Waste	Reducing waste consumption and impact.	Reducing waste produced per tonne of finished product by 20%.	2020
		Reducing the percentage of hazardous waste as a proportion of total waste produced.	2020
		Zero waste to landfill.	2022
Raw materials	Optimising the use of raw materials and increasing the percentage of recycled materials.	Reducing the percentage of scraps below 2%.	2022
		Increasing the amount of recycled and/or low environmental impact aluminium compared to the total used.	2020
Water	Preserving water resources and reducing consumption.	Reducing waste withdrawn per tonne of finished product by 20%.	2020

Energy management

The management of energy consumption is key to reducing emissions and, at the same time, make production processes more efficient. The optimisation of consumption plays a crucial role in energy management. For this reason, the Group focused its efforts on identifying the processes that have the greatest impact on energy consumption and implementing specific improvement measures. In most facilities, electricity first and natural gas second are the energy resources most heavily used in production activities, and therefore having the greatest impact on consumption.
Fuel consumption is mainly due to the operation of thermal plants (furnaces for decoration processes and heating systems) and the need in some facilities, especially in India, to use generators to make up for the poor functioning of the local electricity grid.

In 2019, the Group's overall energy consumption increased by 7.4% on 2018, with an 8.4% and 4.1% rise in production in terms of volume of closures produced and weight of the finished product, respectively. Energy intensity rose by 3.4%. The energy mix changed with a 6.8% increase in electrical energy, a 4% reduction in diesel and a 10.4% rise in the use of natural gas.

Energy saving	2017	2018	2019
Energy consumption within the organisation (Gj)	1,266,139	1,303,869	**1,400,173**
Electrical energy consumed (kWh)	193,341,823	204,054,533	**218,011,998**
Diesel (litres)	1,099,505	1,088,977	**1,040,675**
Natural gas (Sm3)	12,684,604	12,530,260	**13,838,500**
Difference in energy consumption compared to the previous year (%)	-	2.98%	**7.39%**
Energy intensity (Gj/t)	17.86	16.12	**16.67**
Difference in energy intensity compared to the previous year (%)	-	-9.70%	**3.40%**

2019 was particularly affected by the start-up of production at the Nairobi facility, and the transfer of production lines in France and from Spain to Scotland.
The most important project in the energy field took place at the Spinetta Marengo facility with the roll-out of a trigeneration plant which uses natural gas to supply electrical energy, heating and refrigeration for cooling systems. The facility was inaugurated in December 2019 and will decrease energy consumption, thereby reducing the emissions in 2020.
One of the objectives of the Group's Sustainability programme is to increase the use of energy from renewable sources and to launch three projects in the same number of facilities in 2020. At the end of 2019, and in 2018, as certified by the supplier, the Brazilian facility in São Paulo used 100% renewable energy. The Group also signed an agreement with the Italian energy supplier in November to assess the use of electrical energy from renewable sources in European facilities. In particular, the Spanish facility in Olerdola began receiving 100% renewable electrical energy supplies in January 2020.
The other projects implemented in 2019, which will have an impact on energy consumption, include the installation of a new compressor at the Jerez facility and a system for the recovery and management of humidity and air temperature at the Sumy facility in Ukraine. Replacement of the old lighting systems with LED lamps continues in many facilities.

Management of raw materials

In the industrial sector in which the Guala Closures Group operates, the use and consumption of raw materials is undoubtedly one of the most decisive factors in defining the footprint of production activities on the environment. The Group focuses its efforts on making its products by combining a reduction of the environmental impact with customer expectations, designing its closures in compliance with food safety standards and regulations.

The main raw materials used in production processes are aluminium and various types of plastics. In terms of recycling and reuse, these two raw materials differ in one important aspect: while aluminium can be repeatedly recycled without losing its structural and qualitative characteristics and the collection and recycling chain is active and effective, for plastics it is not currently possible to use recycled material. This is largely due to the strict requirements governing suitability for food contact. In this respect, efforts are focused on the continuous search for new suppliers and the pursuit of new solutions aimed at progressively reducing the consumption of raw materials from non-renewable sources.
The Group has publicly confirmed its commitment to using eco-compatible product design guidelines, without impacting the functionality and quality of the closures. This will be achieved by reducing the different types of materials making up the individual product in order to facilitate recycling and increasing the use of raw materials with a low environmental impact. Furthermore, it has undertaken that at least 35% of plastic

and aluminium raw materials used will come from recycled sources by 2025. In 2018, this percentage was 29%, while in 2019, it is 26%. The reduction is due to lower aluminium consumption, compared to plastics.
In 2019, the percentage of recycled aluminium, certified by suppliers, is 58% of the total aluminium used, compared to 57% and 46.4% in 2018 and 2017, respectively.
The percentage of recycled plastic used is practically zero in 2019. However, contacts and trials have commenced, mainly for the production of PET bottles, one of the few plastic materials that has a dedicated recycling chain.
The entire industrial process, from raw materials to finished closures, generates scraps. Semi-finished and finished products which are deemed not compliant with the required characteristics during production, process changes, adjustments and machine fine-tuning and quality control, are rejected. Waste is also generated by complaints, laboratory tests and obsolete stocks. Each facility is committed to minimising such waste and disposing of it in the most correct way.

All facilities are implementing improvement programmes to bring the average scraps rate below 2% by 2022. These actions have led to a gradual reduction in scraps from 2.67% in 2018 to 2.51% in 2019, i.e., an improvement of 6%. Scraps from the Dharwad (India), Bridge of Allan (UK) and Nairobi (Kenya) facilities were not reported as the validation of the scrap data collection system has not yet been completed.

With respect to the use of raw materials, the considerable difference recorded by aluminium consumption is mainly due to the different product mix that is increasingly shifting towards lighter closures. The Bridge of Allan and Nairobi facilities were not considered in the calculation given the unavailability of comprehensive year-round data.

Raw materials indicators	2017	2018	2019
Waste incidence			
% of scraps on total finished product weight	2.87%	2.67%	**2.52%**
Raw materials consumption			
Total raw materials (t)	-	120,992	**108,801**
of which: aluminium (t)	-	48,333	**37,240**
of which: plastic (t)	-	46,070	**44,839**
of which: packaging (t)	-	14,533	**13,595**
of which: other (t)	-	12,056	**13,127**
% of recycled raw material (all materials)	-	22.8%	**27.0%**
% of recycled aluminium	-	57.0%	**59.5%**

In several facilities (Spinetta, France, Ukraine and Kirkintilloch), projects were launched to reduce the impact of product packaging, to both replace cardboard boxes with reusable plastic packaging (in collaboration with some important customers) and replace disposable wooden pallets with reusable recycled plastic pallets.

Waste management

The waste generated by the Guala Closures Group's production activities consists mainly of plastic processing materials (10 different polymers), aluminium and mixed packaging materials such as paper, cardboard and plastic. In addition, the facilities that produce some luxury closures generate waste from the cutting and turning of wood, consisting of residues such as wood shavings and cork.

To a lesser extent, waste from the use of ancillary materials (such as glass beads, a key component in the production of some safety closures), waste from the processing of ferrous materials other than aluminium (mainly tinplate) and waste from the production of PET bottles should also be considered.

Finally, with respect to liquid waste (which, in any case, is mostly purified and, therefore, does not constitute discharge into the receiving water bodies), the Group facilities produce waste oil emulsions and used mineral oils, generated by the production and maintenance of automatic machines. In addition to these, other liquid waste produced includes the waste resulting from the washing of the machines.

Since 2011, the Guala Closures Group has been actively involved in environmental protection, resource preservation and waste reduction. With respect to the latter, in 2016, the Group set three ambitious targets aimed at both reducing the total quantity of waste produced and improving its quality and treatment. This strategy is based on three pillars:

- Efficiency: reduce waste production per tonne of finished product;
- Quality: reduction of hazardous waste below 5%;
- Disposal: elimination of waste going to landfill.

All waste produced is collected separately by type and disposed of in compliance with the law (privileging plants that implement treatment aimed at recovering material for recycling) at each facility. Separate waste collection (toner, paper and cardboard, etc.) is also carried out in offices, as well as in refreshment areas and canteens (plastic, organic, etc.). Employees are periodically trained and informed about waste sorting criteria, with a view to reducing and recycling the waste produced.

Waste reduction and disposal	2017	2018	2019
Total waste produced (t)	19,078	18,497	21,200
Total non-hazardous waste	17,313	16,699	19,019
of which: for recycling (t)	15,892	15,803	17,361
of which: for incineration (t)	2	29	341
of which: for landfill (t)	1,419	867	1,317
Total hazardous waste(t)	1,765	1,798	2,181
Total hazardous waste (%)	9.20%	9.70%	10.29%
of which: for recycling (t)	817	699	744
of which: for incineration (t)	153	134	167
of which: for landfill (t)	796	965	1,270
Waste per finished product (kg/t of finished product)	272	229	252
Reduction of waste (%)	-	-3.05%	14.61%
Total waste to landfill (t)	2,215	1,832	2,588
Waste to landfill (%)	11.60%	9.90%	12.20%
Significant spills	-	0	0

Waste increased in general as shown by the rise in all relevant indicators. This increase is due only in part to start-ups and the relocation of production lines. In June 2019, an in-depth analysis of the different waste management methods at individual facilities was carried out and best practices were collected and shared at the most virtuous plants. In 2020, all facilities will pay particular attention to proper waste management in order to achieve the targets.

Water resources management

The use of water resources within the Group's production processes is limited. Water consumption is mostly related to three industrial processes:

- cooling of plastic moulding presses (usually using a closed circuit);
- rubber cooling in the facility producing closures for the pharmaceutical sector;
- degreasing of aluminium coils in the Magenta facility.

Although the vast majority of facilities show limited water consumption, the Group is committed to efficient water resource management, and pursues the progressive reduction in water withdrawals at its facilities

around the world. Guala Closures intends to reduce the water withdrawn per tonne of finished product by 20% between 2015 and 2020.
Water consumption, compared to the finished product, is practically unchanged from 2018, with a decrease of 0.4%. Water consumption relates, in particular, to the Spinetta Marengo facility and the 4 Indian facilities which account for about 75% of the Group's water consumption alone. At the Spinetta Marengo facility, the start-up of the trigeneration plant will have a positive impact on water consumption, reducing the use of evaporation towers.

Water consumption	2017	2018	2019
Total water withdrawn (m3)	262,549	263,122	273,784
Water withdrawn from the public supply network (m3)	70,170	71,796	74,487
Water withdrawn from the well (m3)	192,376	191,326	199,297
Water withdrawn per finished product (m3/t)	3.98	3.42	3.41

In most facilities, the release of pollutants into the water is minimal. Therefore, there is no specific equipment or infrastructure for water discharges. However, some facilities have wastewater treatment systems, where the quality and quantity of discharges are constantly monitored, applying treatments to remove pollutants and maintaining a level that does not cause negative impacts and, in any case, within the levels set by the relevant national regulations.
All Group's discharges flow to municipal sewerage networks, except for the Bridge of Allan facility (which discharges part of the wastewater into surface water after careful checks and treatment) and the Magenta facility (groundwater).

Carbon footprint and greenhouse gas emissions

The fight against climate change is undoubtedly one of the main topics of the Guala Closures Group's Sustainability programme. Guala Closures' activities generate greenhouse gas emissions and, therefore, contribute to climate change:

- Direct emissions (Scope 1), deriving from plant and machinery owned or fully operated by the company, such as thermal plants (fuelled by natural gas), machinery fuelled by diesel, cars in the company fleet (including company cars and trucks).
- Indirect emissions, deriving from the energy consumption (electricity) of all plants from external supplies (Scope 2) and from production inputs (energy used for the production of products, raw materials, etc.) and services purchased such as transport, etc. (Scope 3).

The goal is to reduce greenhouse gas emissions under Scope 1 and 2, but in order to further expand its environmental responsibility, the Group is committed to working with suppliers and partners to also reduce greenhouse gas emissions under Scope 3 as far as possible. To contribute to the fight against climate change, the Group has set three ambitious targets:

- cutting greenhouse gas emissions in Scope 1 and 2 by 25% per tonne of finished products by 2022 (base year: 2016);
- obtaining the certification for the Group's indirect emissions covered by Scope 3 (2017 target: achieved);
- developing partnerships with suppliers to reduce the use of raw materials and transport (2020).

In order to achieve these targets, the Group continues to assess its carbon footprint along the entire production chain in its facilities by having the greenhouse gas emissions covered by Scope 1 and 2 certified by Bureau Veritas, and to implement an action plan to mitigate the impact:

- **directly** at the production sites, by optimising processes and investing in new equipment for facilities, taking into account energy consumption and greenhouse gas emissions.
- **indirectly,** with members of the supply chain (raw materials, machinery, transport, customers and suppliers), by optimising loads and logistics.

In order to obtain a constantly updated map of the emissions of all its facilities, the Guala Closures Group, assisted by an external specialist consultancy firm, has used the non-financial reporting software CIS-Tool since 2016, which can monitor and estimate all the emission factors of the Group's operations.

The Group's global direct emissions (Scope 1) increased by an overall 8.4%, in line with the rise in production, while indirect emissions from energy (Scope 2) rose by 3.4% only, due to changes in the energy mix. The emission intensity (Scope 1 and 2) remained essentially unchanged. In 2019, Scope 1 and 2 emissions were certified following an audit by Bureau Veritas in February 2020 and include all Group facilities with the sole exception of Belarus, which became operative at the end of 2019.
The Bridge of Alan and Nairobi facilities were not included in Scope 3 emissions due to the lack of comprehensive data on raw material use.
The indirect emissions of Scope 3 decreased in absolute terms by 2.1%, while emission intensity increased by 3.8%. This is mainly due to the rise in the quantity of closures produced, though with a lower use of raw materials, which affected transport and packaging materials. The decrease in raw materials used had a positive impact on the reduction in total emissions, but a negative effect on emission intensity, that is referred to the products weight.

Greenhouse gas emissions	2017	2018	2019
Emissions			
Emissions Scope 1 (tCO2 eq)	34,123	34,236	**37,120**
Emissions Scope 2 (tCO2 eq)	118,653	126,371	**130,519**
Emissions Scope 3 (tCO2 eq)	427,593	466,090	**456,261****
Emissions intensity			
Emissions intensity Scope 1 + Scope 2 (tCo2eq/t)	2.16	2	**2**
Difference in emissions intensity compared to the previous year (%)	-	-7.40%	**0%**
Emissions intensity Scope 3 (tCo2eq/t)	6.05	5.77	**5.99****
Other harmful emissions			
Nitrogen oxides (tNOx)	-	20.8	**28.0**
Sulfur oxides (tSOx)	-	0.062	**0.197**
Carbon monoxide (tCO)	-	90.4	**113.4**
Volatile organic compounds (tVOC)	-	780.9	**762.8**

** The calculation of Scope 3 and the related emissions intensity excludes the Bridge of Allan plan. This is due to the difficulties in accounting for the raw materials used in production. The plant undertook to provide comprehensive figures in the next consolidated non-financial statement.

In particular, the Colombian facility in Bogota was awarded the *Programa de Excellencia Ambiental Distrital* under the PREAD (Programa de Excellencia Ambiental Distrital) programme for its success in the management of raw materials and waste.
Other projects carried out to reduce the environmental impact include the progressive replacement of forklifts, from gas to electric, at the Bogotà and São Paulo facilities.
The above-mentioned projects on the introduction of reusable packaging will have a positive impact on emission reductions.
In addition to its commitment to reducing greenhouse gas emissions, the Group intends to offset most of its direct CO2 emissions by buying carbon credits and by committing directly to reforestation programmes that actively involve local communities, preferably in the countries where the Group operates. Thanks to these programmes, between 2012 and 2018, over 300,000 trees were planted in Peru, India, Colombia and Mexico, involving over 6,000 families and offsetting more than 50,000 tons of carbon dioxide (the programmes are

monitored and certified by Ecocert Environnement). In 2018, a new three-year project was launched in Yucatan (Mexico). Designed and coordinated by Up2green Reforestation, a French non-governmental organisation (NGO), this program will enable Mayan communities to plant 100,000 trees. In 2019, 35,000 trees were planted, involving 152 families. The project will end in 2020 with an additional 30,000 trees planted.

1.4.4 Stakeholder satisfaction

Through its 29 facilities, the Guala Closures Group distributes its products in over 100 countries with different types of products for the spirits, wine, mineral water and beverages, oil and vinegar and pharmaceutical markets. As a world leader in the production of closures, the Groups' main objective is to maintain and strengthen its leadership not only through continuous product innovation, but also through the continuous pursuit of full customer, end consumer and investor satisfaction. The markets must be carefully monitored in order to react promptly to changing trends and anticipate customer expectations.
The priority of customer and investor satisfaction, together with attention to consumers and the enhancement of human resources, is reaffirmed in the Group's Corporate Responsibility and in its various policies.

Ambitions and challenges for stakeholder satisfaction

PILLARS	AMBITION	TARGETS	TARGET DATE
Production efficiency	Efficiency of the production system	Overall equipment effectiveness (OEE) > 85%	2022
Innovation	Innovation capacity	Developing at least 26 patentable ideas	2020
Customer satisfaction	Customer satisfaction	On Time In Full delivery (OTIF) > 95% for all plants	2022
		Sedex accreditation	2017
		ISO 22000 for all the group plants	2020

4.2 Customer satisfaction

Customer satisfaction, as represented by the Corporate Responsibility, is based on a number of fundamental pillars:

- the systematic innovation of products and processes;
- guarantees for consumers' health and safety;
- a punctual, effective and high-quality level of service;
- trademark protection and confidentiality of relationships.

The guarantees for consumers' health and safety are the result of the implementation, in each facility, of a food safety system which ensures:

- compliance with food contact laws and regulations applicable in the countries of production and destination of the products as agreed with customers;
- risk assessment, control of critical points according to HACCP (hazard analysis and critical control points) and implementation of good manufacturing practices;
- full traceability and identification of products throughout the entire production and supply cycle to the customer.

The aim is to obtain a food safety standard certification (ISO 22000, FSSC or BRC) for all the Group facilities by 2020. At the end of 2019, 21 sites were certified (76% of facilities).
The remaining facilities are continuously monitored by the Group's Quality assurance department, which also deals with regulatory updates and information relating to food safety alerts through a monthly newsletter which is sent to all facilities. In addition, by checking product suitability through third party laboratories, each facility can issue statements of compliance for the products supplied.
In 2019, there were no incidents relating to product and service information.

The ethics of relationships is another important aspect for customer satisfaction. In order to offer objective guarantees of compliance with occupational, health and safety, environmental and ethics standards, the Guala Closures Group has joined the SEDEX (social ethical data exchange) platform with the aim of keeping information on all facilities updated, making it transparent to customers and having its facilities subject to SMETA audits by third parties. At the end of 2019, 25 sites were included in the platform (83% of the facilities, one less than in 2018 following the closure of the Alcalà plant). Furthermore, throughout the year, SMETA audits were carried out in 5 facilities. In 2020, member sites are expected to increase to 29.

The level of customer service must be punctual and effective, as well as high quality. This requirement is measured by the OTIF indicator which considers the percentage of deliveries made On Time and In Full, compared to the total number of shipments made. This indicator is monitored on a monthly basis in each facility, with the aim of achieving at least 95% correct shipments in terms of time and quantity, by 2022.
In 2019, the indicator points to 89.7% compared to 88.9% in 2018, improving by 0.8 percentage points. The reporting scope of the indicator is the same as in 2018, as the Santiago (Chile), Dharwad (India), Bridge of Allan (UK) and Nairobi (Kenya) facilities have not been included as the validation of shipment data collection systems is nearing completion.

Customer satisfaction indicators	2017	2018	**2019**
On Time and In Full delivery (OTIF)	86.6%	88.9%	**89.7%**
Number of plants with SEDEX accreditation	27/27	26/29	**25/29**
Number of ISO 22000-certified plants	15/27	17/29	**21/29**
Number of complaints regarding breaches of customer privacy and data	n.a.	0	**0**
Number of injuries for non-compliance with product- and service-labelling information	n.a.	0	**0**
Number of complaints for non-compliance with product- and service-information in communication activities	n.a.	0	**0**

The Group exploits the geographical distribution of its facilities and the production lines of the various models to ensure continuity of service to customers and thus eliminating the potential risk of service disruption due to catastrophic events, as well as interruptions in the supply of utilities and malfunction.
Continuity plans were agreed with major customers that include production in alternative facilities or the identification of backup warehouses.

The Group employees and those responsible for or entrusted with data processing must scrupulously comply with the provisions of the Code of Ethics and respect the laws in force in order to ensure privacy and safeguard customer relations. In 2019, the Group did not receive any justified complaints relating to breaches of privacy and loss of customer data.

Supply chain management

Guala Closures consumes large quantities of raw materials such as aluminium and different types of plastics for the production of closures.
Most aluminium used is prepared by the Magenta facility starting directly from the coil, which is subsequently cleaned and degreased and cut into sheets to be decorated through a lithographic process before being allocated to the various facilities. Poland, Ukraine, South Africa, Argentina and Australia purchase part of their aluminium from local suppliers. The Group uses a total of 37,200 tons of aluminium.
The Group consumes more than 44,800 tons of different types of plastic (PE, PP, PS, PC, PET, etc.). A central control of plastic purchase prices is in place, while procurement is carried out locally.
Gaskets, or liners, are another component of closures for which a global agreement is in place with a single supplier covering all the Group's facilities except for Poland and Scotland which are supplied by local manufacturers.
Strategic suppliers are those with a strong impact on the production and shipping cycle to the customer, in particular raw materials (plastic and aluminium), inks and paints, energy, production and shipping equipment and transport. The table below shows 2019 figures compared with 2018 with reference to Guala Closures S.p.A..

	Strategic suppliers		% of expense turnover	
Sector	2018	2019	2018	2019
Aluminium	5	8	21.27%	38.63%
Plastic	11	8	8.21%	5.53%
Energy	n.a.	3	n.a.	3.96%
Shipping and transport	7	8	2.09%	2.53%
Ink and varnishes	5	5	2.61%	2.43%
Equipment	n.a.	6	n.a.	2.08%
Packaging	4	4	1.04%	0.94%

The rest of the supplies take place in each facility on a local basis.
The Guala Closures Group operates in 23 countries and is committed to ensuring that its facilities are strongly connected to the local areas, both through the direct employment of workers and through suppliers and subcontractors, developing responsible purchasing processes in line with its ethical and social and environmental policies. In 2019, the facilities' percentage of purchases of products and services from local suppliers remained at over 70%, with peaks of 90% for the Indian, São Paulo (Brazil) and Vasto (Italy) facilities.
In 2019, the Group set up a Group procedure for supplier qualification and monitoring, which will become effective in January 2020. This policy takes into account environmental and ethical and social aspects in relations with suppliers. In particular, the impacts of environmental and ethical and social issues are clearly reflected in the definition of supplier suitability and the periodic performance assessment.

Efficiency

The efficiency of production processes is key to achieving customer and investor satisfaction.
The Guala Closures Group uses the OEE (Overall Equipment Effectiveness) indicator to measure the total efficiency of facilities. This indicator monitors production efficiency starting from the individual machine or mould, to arrive at a complete production line, the entire facility and, finally, the entire Group. The Group has standardised the efficiency calculation methods in all facilities, considering all production losses due to testing, set-up, sampling, ordinary and extraordinary maintenance, cleaning, changes in machining operation, reworking, cycle losses, scraps and non-compliant products.
The target for 2022 is to exceed 85% OEE as a Group value.
In 2019, the improved performance reached 79.3%, up by 1.6 percentage points on 2018 and 5.5 percentage points on the baseline of 2015.
Facilities are monitored monthly using industrial indicators and figures are published in an internal report, which is the basis for the definition of action plans driven by continuous improvement.
The scope of the Group's efficiency assessment is the same as in 2018, as the Bridge of Allan (UK), Dharwad (India), Fairfield (USA), Santiago (Chile), Nairobi (Kenya) and Sumy (Ukraine) facilities have not been included pending the completion of the validation of efficiency data collection processes. The Magenta facility is monitored separately as its production process is not consistent with the other facilities.

Innovation

Achieving customer satisfaction by exceeding their expectations and proactively supporting their needs is one of the main priorities of the Group. Therefore, innovation becomes one of the most important ways to deliver value to customers and improve products and processes. There are five Research and Development centres in Italy (Spinetta Marengo), Luxembourg (Foetz), Mexico (San Josè Iturbide), Ukraine (Sumy) and the UK (Kirkintilloch). These centres work in collaboration with all Group departments to support all facilities. Guala Closures also develops exclusive projects, with the aim of creating innovative solutions to enhance and protect the brands of its main customers.
The Group has an intellectual property protection (IP) service to both protect its products and defend its customers' brands. In order to achieve these objectives, the Group plans to develop 26 new patents between 2016 and 2020. In 2019, the Group registered three new patents, which, in addition to the 15 registered between 2016 and 2018, brings the total to 18.
In addition to the patents of UCP (Bridge of Allan - UK) the company acquired at the end of December 2018 and those still in force, the new registrations bring the total to over 170 patents, utility models and designs.

Competition and corruption

The Group's Code of Ethics and Ethical and Social Policy are the two pillars underpinning the Group's employees' behaviour and the awareness of all the parties involved, about the respect for corporate integrity and sustainable development that the Group pursues.
In particular, those involved in the supply chain are required to actively comply with the Ethical and Social Policy, ensuring the full observance of ethical aspects, avoiding any potential act of corruption, intimidation or fraud, and the Group undertakes to do the same.
The relations with external communities must be based on the respect for people, without discrimination or exploitation, and considering the suggestions and needs of different parties.
The respect for customers, suppliers and competitors is the root of the Group's business relations. As outlined in the Code of ethics, particular care is taken to avoid any anti-competitive practices;

“… the Group intends to safeguard the value of fair competition by refraining from collusion, predatory behaviour and abuse of dominant position.”

In its relations with customers and suppliers, the Group undertakes to comply with EU and national laws, which protect competition, and to compete solely on the basis of the quality of its products and service.
The Code of Ethics also explicitly states that any form of gift, exceeding normal commercial practice, which may be interpreted as favourable treatment in the conduct of any activity connected with the Guala Closures Group, is not permitted. This also applies to any gifts to public officials, auditors, directors of Guala Closures and subsidiaries, statutory auditors and their families, in order to influence independence of judgement or gain benefits.
In case of doubts or non-compliance, all persons involved must comply with the provisions of the Code of Ethics, the provisions of the antitrust compliance policy and consult with the Group’s legal and general affairs department.
In 2019, the awareness and training plan for the Code of Ethics continued, involving the relevant managers and employees. 21% of the business units were involved and 249 people received training, compared to 143 in 2018.
In 2019, there were no incidents of corruption or anti-competitive behaviour.

Anti-corruption training and incident of corruption	2018	**2019**
Total employees with training	143	**249**
Trained managers (%)	36.0%	**14.9%**
Trained white collars (%)	64.0%	**16.5%**
Trained blue collars (%)	n.a.	**68.7%**
Confirmed incident of corruption	1	**0**
Legal actions for anti-competitive behaviour	0	**0**

Appendix

General disclosure

The consolidated non-financial statement of the Guala Closures Group ("NFS"), prepared in accordance with Legislative decree no. 254/2016 (the "Decree") provides information relating to environmental, social and personnel issues, the respect for human rights and the fight against corruption, to the extent necessary to ensure an understanding of the activities carried out by the Group, its results and impact. The NFS, approved by the board of directors on March 19, 2019, was prepared in accordance with articles 3 and 4 of the Decree and the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards", "in accordance – Core" option) defined in 2016 by the GRI-Global Reporting Initiative. The GRI Standards are the most widely used and internationally recognised standards for non-financial reporting today. In order to facilitate the reader in tracing the information in the document, the GRI Content Index is shown on pages 97-101. The non-financial reporting presented in the NFS reflects the principle of materiality or relevance: the issues dealt with in the NFS are those which, following an analysis and assessment of materiality, described on pages 66-68 of this document, have been identified as significant in that they are able to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

Reporting scope

Guala Closures S.p.A. (the "company" or the "parent") (formerly Space4 S.p.A.) was incorporated by Space Holding S.r.l. on September 19, 2017 with the name of Space4 S.p.A.. It was 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 December 21, 2017. On July 31, 2018, Space4 S.p.A. acquired Guala Closures S.p.A., the parent of Guala Closures Group ("pre-merger Guala Closures" or "pre-merger Guala Closures Group", respectively). On August 6, 2018, Guala Closures S.p.A. was merged into Space4 S.p.A.. Furthermore, following the above transaction, 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 registrar. Its registered office is in via Rana 12, zona industriale D6, Spinetta Marengo (Alessandria).

The qualitative and quantitative information contained in the NFS refers to the Group's non-financial performance for the year ended December 31, 2019. As provided for by Legislative decree no. 254/2016, the NFS includes the data of the parent (Guala Closures S.p.A.) and its consolidated subsidiaries. The scope of the financial data is the same as that of the 2019 consolidated financial statements, including all the Group's operating units. This NFS does not include the environmental data related to non-productive companies, which are considered of little impact (if compared to the overall total of the Group) with regard to the environment (in respect of the scope of Legislative decree no. 254/2016), given their impact in terms of turnover, employees and, above all, the type of business. Indeed, these are commercial or financial companies, whose activities are essentially of an administrative nature. Moreover, the Belarusian facility in Minsk, which commenced production in October 2019, is not included (except for personnel and injuries). Any limitations to this scope are appropriately disclosed in the document. The Guala Closures Group is committed to expanding the scope with a view to continuous improvement.

The in-scope facilities are the following, grouped by geographical macro-region:

EUROPE	AMERICAS	ASIA	OCEANIA	AFRICA
Spinetta Marengo	Fairfield	Goa	Auckland	Nairobi
Basaluzzo	S. J. Iturbide	Daman	Melbourne	Cape Town
Termoli	Bogota	Ahmedabad		
Magenta	Sao Paulo	Dharwad		
Vasto	Chivilcoy	Beijing		
Jerez de la Frontera	Santiago de Chile			
Olerdola				
Kirkintilloch				
Bridge of Allan				
Chambray				
Kazanlak				
Wloclawek				
Sumy				
Minsk				

Reporting process

The NFS was managed by the Groups’ sustainability and continuous improvement director and those responsible for each of the topics involved: human resources, product research and innovation, and purchasing. Data collection was coordinated by the corporate CSR team and the CSR managers of each business unit. The information was consolidated and checked by the corporate CSR team. CIS-Tool, Guala Closures’ CSR reporting software, is used monthly for reporting. To complete data collection, an additional questionnaire was sent out in 2019 to gather the qualitative- and quantitative information necessary to prepare this document. Currently, data on indicators are collected monthly, quarterly or annually basis depending on the type of indicator. Each business unit sends its data to the Corporate CSR team, which checks and compiles the information in a report. In addition, the central team annually collects all information about local actions and initiatives in order to prepare the annual report. The new software, called CIS-Tool, automates and optimises the data collection process. It is distributed and used worldwide. Most plants have received training in the use of CIS-Tool, and the 2019 reporting campaign was undertaken using this software.

KPMG S.p.A. has been engaged to perform a limited assurance engagement on the NFS. In a separate report, it confirms the compliance of information provided pursuant to article 3.10 of Legislative decree no. 254/2016. The engagement was carried out in accordance with the procedures described in the “Independent auditors’ report” section of this document.

Calculation methods

Direct and indirect emissions are measured and classified in accordance with the GHG Protocol method:

- Scope 1: Direct use of fuels, transport of goods and people by own means, leakage of refrigerant gases
- Scope 2: Direct use of electricity (excluding grid losses)

- Scope 3: Fuel production, electricity grid losses, consumption of raw materials, transport of goods and by means not owned by the company, but where the related costs are fully incurred by the company (excluding transport whose cost is borne by the supplier/customer), hazardous waste management and not in terms of disposal and recycling.

In the calculation of emissions, the following cut-offs were applied downstream of the calculation, excluding non-significant items that, in aggregate, contribute 0.85% of the final emissions. Specifically, the following were excluded:

- Scope 1: use of machines and company buses, with a total contribution of 0.049%.
- Scope 2: no exclusion.
- Scope 3: adhesive tape, metal and plastic ties, labels, with a contribution of 0.037%; phosphoric acid, glue and bicarbonate enamels, with a total contribution of 0.201%; cars, buses not owned and used for the movement of people and business travel by train and air, with a total contribution of 0.607%.

The emission factors used for emission calculations are as follows:

ELECTRICAL ENERGY	FUEL, WATER	RAW MATERIALS (INCLUDING PACKAGING)	TRANSPORT, WASTE
Re-DISS, 2016		European Aluminium Association (EAA), 2010	
IEA, 2015		Ecoinvent 2.2	
IEA, 2016	Ecoinvent 2.2	European Corrugated Packaging Association (FEFCO), 2015	Ecoinvent 2.2
IEA, 2017		Industry data 2.0 World Steel Association, 2011	

The market-based approach for calculating indirect emissions (Scope 2) requires the use of emission factors defined on a contractual basis with the electrical energy provider. Given the absence of specific contractual agreements (e.g., purchase of guarantee of origin certificates), the emission factors relating to the national residual mix were used. The factors used to calculate NOx emissions derive from the sampling of post-combustion plants, where the monitoring is carried out following the general forecasts of the UNICHIM 158/1988 method, with particular reference to the use of the specific UNI EN 14792:2017 (Spinetta) or UNI 10878 (Magenta) method. On the other hand, other facilities follow the methodology required by ISO 10849. As far as internal consumption is concerned, the table shows the factors used for the conversion from cubic metre/l/kg to GJ.

RESOURCE	UNIT OF MEASUR.	TOTAL ENERGY CONSUMPTION (Gj)
Electrical energy	kWh	0.0036
Diesel	litres	0.03771
LPG	kg	0.05
Propane	kg	0.05
Natural gas	Sm3	0.03884
Diesel fuel	litres	0.03884

Contacts

Guala Closures Group Registered and administrative office: Via Rana, 12 - zona industriale D/6 - 15122 Spinetta Marengo - Alessandria Subscribed and fully paid-in share capital €68,906,646 Tax code and Company registration no. 10038620968. We have tried to draw up this NFS in a clear, accurate, effective and understandable manner. Your opinion and suggestions for improving it are welcome. We invite you to send them to us at: mmittino@gualaclosures.com

Annex 1

GRI content index

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GRI 102: general disclosures 2016	ORGANIZATIONAL PROFILE			
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	102-3 Location of headquarters	Spinetta Marengo - Alessandria (Itaiy)		
	102-4 Location of operations	60		
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	102-6 Markets served	27		
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	102-11 Precautionary Principle or approach	102-110, 65		
	102-12 External initiatives	110		
	102-13 Membership of associations	63-64		
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	102-14 Statement from the senior decision-maker	iv		
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	102-40 List of stakeholder groups	63-64		
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	102-42 Identifying and selecting stakeholders	63-64		
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	REPORTING PRACTICE			
	102-45 Entities included in the consolidated financial statements	143-145		
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	102-47 List of material topics	66-68		
	102-48 Restatements of information	Any re-exposures of previously published comparative data are clearly indicated in the text		
	102-49 Changes in reporting	None		
	102-50 Reporting period	94		
	102-51 Date of the most recent report	19/03/2018		
	102-52 Reporting cycle	Annual		
	102-53 Contact point for questions regarding the report	96		
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GRI 103: Management approach 2016	103-2 The management approach and its components	92-93, Code of Ethics		
GRI 103: Management approach 2016	103-3 Evaluation of the management approach	92-93		
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	92-93		
	ANTI-COMPETITIVE BEHAVIOUR			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
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GRI 103: Management approach 2016	103-3 Evaluation of the management approach	92-93		
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	92-93		
Series 300: Environmental topics				
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
GRI 103: Management approach 2016	103-2 The management approach and its components	65, 81-83, 90-91		
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GRI 303: Water and effluents 2016	303-3 Water withdrawal	86-87		
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GRI 304: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	87-89		
GRI 304: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	87-89		
GRI 304: Emissions 2016	305-3 Other indirect (Scope 3) emissions	87-89		
GRI 304: Emissions 2016	305-4 GHG emissions intensity	87-89		
GRI 304: Emissions 2016	305-5 Reduction of GHG emissions	87-89		
GRI 304: Emissions 2016	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	87-89		

GRI Standard	Disclosure	Page	Omissions: Omitted part	Omissions: Reason
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Series 300: Environmental topics				
	WASTE AND EFFLUENTS			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
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	EMPLOYEMENT			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 73- 76		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 73- 76		
GRI 401: Employement 2016	401-1 New employee hires and employee turnover	73-76	Age ranges of new hires and leavers	This information is not available. We are committed to collecting the data in the next statement
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	76-77		
	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 78-79		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 78-79		
GRI 403: Occupational health and safety 2016	403-9 Work-related injuries	78-79	Injured employees gender. Collaborators accidents	This information is not available. We are committed to collecting the data in the next statement
	TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 76		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 76		
GRI 404: Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	76		
	404-3 Percentage of employees receiving regular performance and career development review	76		

GRI Standard	Disclosure	Page	Omissions: Omitted part	Omissions: Reason
Material topics				
Series 400: Social topics				
	DIVERSITY AND EQUAL OPPORTUNITIES			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics		
	103-3 Evaluation of the management approach	71-72, Code of Ethics		
GRI 405: Diversity and equal opportunities 2016	405-1 Diversity of governance bodies and employees	74, Corporate governance report		
	NON-DISCRIMINATION			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 77-78		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 77-78		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	77-78		
	CHILD LABOUR			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics		
	103-3 Evaluation of the management approach	71-72, Code of Ethics		
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	71-72		
	FORCED AND COMPULSORY LABOUR			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics		
	103-3 Evaluation of the management approach	71-72, Code of Ethics		
GRI 409: Forced and compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	71-72		
	LOCAL COMMUNITIES			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics		
	103-3 Evaluation of the management approach	71-72, Code of Ethics		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	80		
	CUSTOMER HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 89-91		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 89-91		
GRI 416: Customer shealth and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	89-91		

GRI Standard	Disclosure	Page	Omissions: Omitted part	Omissions: Reason
Material topics				
Series 400: Social topics				
	CUSTOMER PRIVACY			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	71-72, Code of Ethics, 89-91		
	103-3 Evaluation of the management approach	71-72, Code of Ethics, 89-91		
GRI 418: Customer privacy 2016	418-1 Substantial complaints concerning breaches of customer privacy and losses of customer data	89-91		
	SOCIO-ECONOMIC COMPLIANCE			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	62-63, Code of Ethics		
	103-3 Evaluation of the management approach	62-63, Code of Ethics		
GRI 419 Socio-ecpnomic compliance 2016	418-1 Non-compliance with laws and regulations in the social and economic area	During the reporting period, the Group did not receive significant penalties for non-compliance with laws or regulations in the socio-economic area		
Material topics not covered by GRI Standards				
	USE OF HARMFUL SUBSTANCES			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	65, 81-82		
	103-3 Evaluation of the management approach	65, 81-82		
	EMPLOYEE EMPOWERMENT			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	61-62, 69-70		
	103-3 Evaluation of the management approach	61-62, 69-70		
	INNOVATION			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	89-90, 92		
	103-3 Evaluation of the management approach	89-90, 92		
	PRODUCTION EFFICIENCY			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	66-68		
	103-2 The management approach and its components	89-90, 92		
	103-3 Evaluation of the management approach	89-90, 92		

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Guala Closures S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2019 consolidated non-financial statement of the Guala Closures Group (the "group") prepared in accordance with article 4 of the decree, included in the specific section of the directors' report and approved by the board of directors on 12 March 2020 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Guala Closures S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4 Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;

- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of Guala Closures de Colombia Ltda, Guala Closures South Africa Pty Ltd and Guala Closures Ukraine LLC. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check the correct aggregation of data in the quantitative information;
- we visited Guala Closures S.p.A. (Spinetta Marengo site), Guala Guala Closures de Colombia Ltda (Bogotà site), Guala Closures South Africa Pty Ltd (Cape Town site) and Guala Closures Ukraine LLC (Sumy site), which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 consolidated non-financial statement of the Guala Closures Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Other matters

The 2017 comparative figures presented in the NFS have not been examined.

Turin, 27 March 2020

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

1.5 OTHER INFORMATION

Financial and non-financial risk management and Group legal disputes

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The aim of the Guala Closures Group's internal control and risk management system is to contribute to sound and correct management in line with the short and medium/long-term goals set by the board of directors. This system is designed both to identify, measure, manage and monitor significant risks, also in order to contribute to the sustainable success of the company and the group, and to ensure the reliability, accuracy, integrity and timeliness of financial and non-financial reporting. Responsibility for the adoption of an adequate internal control and risk management system lies with the board of directors which, assisted by the director in charge of the internal control and risk management system and the risk and control committee, carries out the tasks assigned to it by the Code of conduct.

The Guala Closures Group's internal control and risk management system includes, inter alia, the definition of an integrated risk management process whose main objective is to adopt a structured and systematic approach to identify and assess the company's priority risks (also with respect to the ESG (environmental, social and governance) risks linked to sustainability issues) with a potential negative effect and the subsequent definition of appropriate mitigation actions.

To this end, Guala Closures has defined and recently updated a group risk model and specific risk evaluation & mapping methodologies, assigning a "risk materiality" valuation to each risk identified, which reflects the overall assessment of the general impact, the likelihood of occurrence and the level of maturity of the risk management system. Specifically, impacts are analysed by type of risk event at financial, operational, process and reputational level and for any sustainability matters (environmental, social and ethical governance).

MAIN RISKS AND UNCERTAINTIES

Given the volatility of the macroeconomic context, the instability of the financial markets, the complexity of management processes and the continuous regulatory changes, we have to be able to protect and maximise the sources of value, both tangible and intangible, that characterise our business model.

The Guala Closures Group is exposed to external risks and uncertainties, which derive from external factors related to the general macroeconomic context or specific to its sector, the financial markets, changes in the regulatory framework, risks deriving from strategic choices and linked to operational management processes, as well as further risks, which partly derive from those listed above, related to environmental, social and governance matters. Although the groups' forecasts are based on the most up-to-date estimates available, the financial situation and the international scenario are characterised by a certain level of uncertainty and, therefore, they may be subject to volatility.

The group's risk management process was introduced last year to ensure the cross-business and integrated management of risks, also from a sustainable perspective, by the various organisational units which comprise the group. The ultimate goal is to mitigate the resulting impacts and the degree of volatility of the targets.

Furthermore, the Guala Closures Group has recently adopted a proactive risk management model which adopts a structured process to identify, analyse and assess risk areas, providing the board of directors and management with a greater degree of awareness, tools to manage the effects of such risks and, where possible, guidelines on the necessary actions to prevent or mitigate them. The model is based on the international principles of the Enterprise Risk Management and, in particular, the CoSO ERM Framework, as well as the guidelines from organisations such as the Sustainability Accounting Standards Board and the Global Reporting Initiative.

The Guala Closures' risk model examines the six following risk areas:

1. **External risks** whose occurrence is beyond the control of the group. This category includes risks related to macroeconomic and socio-political changes in countries, as well as events related to climate change, natural disasters or intentional disaster.
2. **Strategic risks** typical of the group's business, whose proactive and adequate management generates value or, conversely, could lead to the failure to achieve the objectives of the plan.
3. **Operational risks** generated by the organisation and the group's business processes. This category includes the risks related to governance & organisation, human resources, the purchase and sale of goods and services, production processes and logistics, information technology and reporting and communication.
4. **Financial risks** generated by the market through changes in the carrying amount of a financial asset due to exchange, interest rate or price fluctuations.
5. **Cross-business risks** associated with the above categories which mainly relate to the risk linked to the introduction of new local and international regulations (health, safety & environment, privacy, antitrust, food safety and other local regulations) and legal & compliance and company policies covering existing ones.
   These risks may, in turn, give rise to reputational risks linked to actions or events causing a negative perception of the group by its main stakeholders.
6. **Environmental, social and ethical governance risks** that focus, in particular, on risk events or general conditions that are difficult to predict and/or have an impact in the medium/long term and potential effects on business continuity. This risk category has been included with the agreement of the group's sustainability department. In recent years, the group has managed the mitigation of these risk categories through the widespread implementation of sustainability programmes.

RISK FACTORS

1. EXTERNAL RISKS

Country risk

Because of its production and marketing operations in international markets, the group is exposed to a series of risks deriving mainly from changes and structural elements of political, economic, social, regulatory and financial instability in the various countries in which it operates. These elements of risk can alter normal market conditions and, more generally, business operating conditions.
At present, the group has production facilities and sales offices in 23 countries. The areas of greatest importance are Italy, India, Poland, UK, Ukraine, Mexico, Spain and Australia. The parent regularly monitors the political and economic situation in the countries in which it operates at December 31, 2019.
Where appropriate, the group adopts a local-for-local strategy, creating production facilities in rapidly-developing countries in order to meet local demand with competitive industrial and logistic costs. This strategy is aimed at increasing the group's competitiveness as well as overcoming potential protectionist measures (customs barriers, technical prerequisites, product certification, etc.).
The growth and expansion of its market shares in the various international markets, including developing countries, plays a particularly important role in the group's corporate strategy. In this context, the economies of some emerging countries in which the group plans to expand sometimes have higher-than-average risk profiles, particularly with regard to export and import restrictions, investment limitations and restrictions and limitations on dividend repatriation.

Climate risk

Production activities and the implementation of group strategies are subject to the effects of natural events. Environmental changes, some of which can have significant impacts, could affect the supply chain locally and hurt some customers. These events are generally unpredictable and can affect the seasonality of sales, just as destructive natural events (e.g., hurricanes) can damage products and disrupt the production of some facilities. Certain weather conditions may also have a positive impact on some geographical areas, while adversely affecting other areas. The group monitors the risks related to climatic events, has adopted contingency and production reallocation plans and has insurance coverage for direct and indirect damage arising from business interruption.

Business risks

As concerns business risks (such as risks related to international trade and transactions in emerging markets and country risk), the Guala Closures Group currently operates across numerous markets and continues its policy to expand its operations to countries where the group is not yet present (for instance, by setting up the Kenyan and the Belarus subsidiaries in 2018 and 2019, respectively). 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 fluctuations and related hedging issues, and potential export and import restrictions.

The group carries out a considerable part of its business in the United Kingdom and this has further increased since its acquisition of the Scottish company United Closures and Plastics ("UCP") in 2018.

The United Kingdom officially left the European Union on January 31, 2020, three and a half years after the referendum of June 23, 2016 which endorsed the troubled Brexit process. The transition period thus commenced, during which the status quo is expected to be maintained in the trade agreements still in place between the parties, until a new trade deal is agreed by the parties or the end of the negotiations.

The duration of the transition period is uncertain, although the aim is to reach an agreement before the end of 2020. Considering the scope and the complexity of the trade deals that have to be agreed for all exchanges of goods and services between the United Kingdom and the EU, this timeframe may be extended.

At the preparation date of this report, the expectation is that the United Kingdom and the European Union intend to sign a trade deal.

If the negotiation fails and a trade deal is not reached, the risk is that customs duties will be applied on transactions between the United Kingdom and the European Union.

The Guala Closures Group has closely monitored the Brexit process and has deemed that there are no significant related risks that could significantly affect the group's assets and liabilities at the reporting date.
The group does not expect that the future financial performances of its operations in the United Kingdom will be significantly impacted by Brexit, due to a local presence which is strongly tied to the local market and its customers and to a market which offers stable real growth in volumes.

The group has taken the following mitigating factors into account in evaluating the Brexit-related risks:

- its consolidated relationships with its customers, which are mainly local companies belonging to large groups with which the Guala Closures Group has longstanding commercial relationships.
- a stable market which is resilient to changes in socio-political conditions
- the group's position as market leader of its sector
- most of the UK cross-border transactions are with the European Union and a trade deal between the parties is, at, present, likely
- the expectation that the market will absorb any customs duties through consumer prices and that they are recharged to the added value of the products sold
- financial liabilities are mostly in euros and only a small portion is in pounds sterling. There are no significant non-current financial assets and liabilities in pounds sterling

- the group's local companies that operate in the United Kingdom do not have exposures to banks in the United Kingdom
- the human resources in the United Kingdom are local and there are no significant risks expected in relation to customs restrictions on the entrance of people into the United Kingdom
- no significant contractual risks have been identified.

The group and especially Guala Closures UK and Guala Closures UCP are prepared for a hard Brexit outcome and have introduced new procedures for imports to manage the flow of goods between the EU and the United Kingdom.

While there is great uncertainty about future events, based on the above-mentioned internal assessments and supported by meetings with the customers of the local group companies, the group has not identified significant indicators that would suggest that its production and sales will be greatly affected by Brexit.

Although it is not currently expected to have a material impact on the group's operations, the Brexit process remains uncertain and could give rise to restrictions on imports and exports between the United Kingdom and the member states of the European Union, exchange fluctuations and more stringent regulations which could negatively and significantly impact the group's operations and financial performance.

The Group is closely monitoring developments of the global health situation following the spread of COVID-19. Since February 22, the Group has provided its Italian plants with the tools needed to tackle this situation. At present, all of the group's production and sales activities are functioning as usual. Thanks to our diversified geographical footprint, which enables us to best exploit any growth in the consumption of local products as well as having a large number of sources of supply for our raw materials and services, we believe that we can absorb supply chain and demand repercussions, although at the moment it is too early to make forecasts on possible impacts over the coming months.

2. STRATEGIC RISKS

Market risks and competitive forces

The social and technological trends that have emerged over the last few decades could have a significant impact in the medium to long term in terms of a contraction in the alcoholic beverages sector, leading to a reduction in the demand for the closures produced by Guala Closures. These trends reflect the changes in values and behaviour of the younger generations. The group constantly monitors trends in demand in the reference sectors of its key customers, although in the short to medium term, there are no significant risks related to production processes or the markets in which it operates. In addition, in some of the group's countries of operation, sales are concentrated with a limited number of key customers; therefore, any change in priorities or deterioration in the financial conditions of these customers could negatively affect the group's projections.

Risks connected with changing in customers' needs and expectations

For the Guala Closures Group, the innovation of its closures and its products in general has been a key driver of growth. Future success will to some extent depend on the ability to launch new and innovative products, while constantly updating the existing ones in order to provide the group's customers with high quality standards and sophisticated products that are both stylish and technological. In addition, the group will continue the Research & Development concerning the study of alternative materials to traditional plastics and the improvements and strategies at the end of product life. Management of the risk of being unable to anticipate customers' preferences and/or needs in terms of technological and product development, or the late launch of new products, requires significant investments. In fact, product and process/plant innovation requires considerable financial and organisational efforts in the research and development sector as well as in monitoring trends. Over the past few years, the group has allocated significant resources to this area to ensure that it maintains its competitive edge.

3. OPERATIONAL RISKS

Risks related to product conformity and safety

The group is exposed to the risks associated with alleged defects in the materials sold and to the "foodsafety" regulations which also include the production of food contact materials. In order to control the risks of non-compliance, products are subject to careful quality analyses before they leave the production sites and specific control procedures are applied to the entire production process in order to guarantee quality, conformity and safety, also in terms of the healthiness of the products manufactured in the group's facilities, in line with current legal requirements, as well as voluntary certifications with increasingly stringent safety and performance objectives.

Risks associated with fluctuations in raw material prices and rising energy and/or transport costs

The production of Guala Closures Group products requires different types of raw materials, the main ones being aluminium and plastics, whose price fluctuations have a direct impact on production costs.
The group is exposed to the risk that any unforeseen changes in the price of aluminium on the London Metal Exchange could lead to an increase, even significant, in its procurement costs, thereby negatively affecting results.

At December 31, 2019, the Group has six contracts for the forward purchase of aluminum, for a total of over 1,000 tons, spread over various maturity dates based on forecasted monthly requirements.
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 aluminum price trend, which has fluctuated wildly and prevented the Group from offering customers consistent and stable sales prices.

In addition to aluminium, plastic is also exposed to price fluctuations due to multiple factors, including changes in the prices of natural gas, oil and other petrochemical products used in their production. Instability on the global oil and natural gas markets could, in particular, have a significant impact on the price and supplies of raw materials of the Guala Closures Group with negative effects on margins.
With respect to energy and transport costs, the group uses third-party suppliers.
Due to the highly energy-intensive nature of the production processes, the group's results can be influenced not only by fluctuations in the prices of the raw materials used, but also by the price trends of a number of energy sources, including: diesel, electricity and natural gas, with a negative impact on profitability.
These risks are adequately mitigated through short- and medium/long-term mitigation strategies applied to both raw materials and energy and transport purchases, such as: increases in sales prices, specific agreements with customers, partial forward hedges on raw material purchases and/or various cost-cutting initiatives (use of alternative energy sources also with a view to sustainability and not only economic efficiency, improvement of process quality, product modifications or closure systems based on alternative materials, new agreements/re-negotiations with energy suppliers) to minimise the negative effects and ensure the expected levels of profitability.

Business interruption risks

The territorial fragmentation of operating activities and their partial interconnection exposes the group to risk scenarios that could lead to the interruption of business activities for longer or shorter timeframes, with repercussions on its "operational" ability and results. Risk scenarios related to natural or accidental events (fires, floods, earthquakes, etc.), malicious behaviour (vandalism, sabotage, etc.), the malfunctioning of auxiliary systems or the disruption of utilities supplies could cause significant damage to property, decreases and/or interruptions to production, particularly where the event affects production sites with high volumes or specific (high-end) products. Guala Closures monitors vulnerability to catastrophic natural events (specifically, floods, hurricanes and earthquakes) and estimates the potential damage for all its production sites. The analyses confirm that business interruption risks are adequately monitored, thanks to a series of security measures, systems for preventing harmful events and to mitigate impacts on the business, also considering the current security programmes and the insurance policies covering property damage. However, the group's insurance coverage may not be sufficient to cover all potential losses and liabilities in the event of catastrophic events.

Risks associated with information systems and network infrastructure

The role of information systems in supporting the group's business, planning and control processes, and its operational activities, as well as their evolution and development, are increasingly important for the achievement of results. The operation of the group's production facilities and sales, distribution and support activities depend on the efficient and uninterrupted operation of complex and sophisticated information and data processing systems. On the one hand, information and data processing systems require continuous updating and alignment with the requirements of strategic objectives, on the other hand, the connected infrastructures (data centres, hardware and local and non-local networks) are exposed to multiple risks deriving from anomalies, viruses, equipment failures, work or connectivity disruptions, programming errors, illegal conduct by third parties (e.g., attacks by hackers) that may jeopardise their proper functioning. The group mainly works to prevent and mitigate the risks connected to possible system malfunctions through high-reliability solutions and protection of its information assets by strengthening security systems against unauthorised access and company data management solutions.

4. FINANCIAL RISKS

Interest rate and market risk

Interest rate 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.

Considering the favourable market interests rates, the group does not have any derivatives at the reporting date.

The market warrants are measured at fair value through profit or loss. Therefore, the following changes in fair value could significantly affect the parent's performance:

- a rise in the market warrants' fair values could lead to an increase in the parent's liabilities and financial expense;
- a reduction in the market warrants' fair values could lead to a decrease in the parent'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.

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 companies.
The group is exposed to currency risk, particularly in relation to fluctuations of the US dollar, the Australian dollar, the British pound sterling, the Indian rupee, the Ukrainian hryvnia and the Polish zloty.
It mitigates part of this risk by matching the currency of any financial exposure to the currency of the underlying transactions.
The Guala Closures Group manages the currency risk using hedges that provide for the forward purchase and/or sale of foreign currency when significant differences are noted between cost and revenue in foreign currency. At the reporting date, a hedge is in place for trade receivables denominated in pounds 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 meet 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 Guala Closures 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 27) 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.

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 sector 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 longstanding customers.
The group reduces its credit risk using supplier financing lines made available by the group's main customers, factoring without recourse part of its trade receivables.
The group's historical figures indicate a modest amount of credit losses. The risk is fully covered by the corresponding loss allowance recognised in the consolidated financial statements.
There are no cases of particularly concentrated credit risk in geographical terms.

5. CROSS-BUSINESS RISKS

Risks of non-compliance with laws and regulations

The group is subject to many and various rules and regulations at local and corporate level. Therefore, this scenario, especially in terms of evolution and subsequent implementation within the group, leads to the risk of potential non-compliance that may have an impact not only in terms of financial penalties, but also damage its reputation.
The group monitors this risk situation through a structured system of internal policies and procedures, which also includes the Code of ethics that governs the conduct and behaviour of employees, as well as internal compliance activities carried out both locally and at corporate level.

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 dispute against the competitor Alcopack was settled in its favour.

In addition, annulment proceedings are pending before the European Patent Office (OPO)’s board of appeal concerning the patent owned by Doron Rigel/Jumpn’Pour in addition to another proceeding against the same party before the Court of Rome to declare the invalidity of the Italian extension of the same European Patent. During the latter proceeding, the court-appointed expert confirmed the invalidity of the patent, also confirming that the Guala Closures product did not constitute interference.

The parent also received a claim for damages from the customer Altia, in relation to certain allegedly defective closures, which would have resulted in direct damage to the customer.
Although this claim is still under discussion, the parent has accrued €250 thousand, equal to the excess not covered by the insurance policy.

Risks relating to health and safety regulations

In carrying out its activities, the Guala Closures Group bears the costs and charges for the measures necessary to ensure full compliance with the obligations provided for by Italian, national and international (health & safety) regulations on occupational health and safety.

In particular, in Italy, occupational health and safety regulations (Legislative decree no. 81/08) and subsequent updates (Legislative decree no. 106/09) introduced specific requirements that affected the management of site operations and the allocation of responsibilities. Failure to comply with these regulations entails criminal and/or civil penalties and, in some cases of violation of health and safety regulations by companies, according to a European model of objective corporate liability implemented also in Italy (Legislative decree no. 231/01).

In order to monitor these risks continuously and effectively, the Guala Closures Group set up a Health & safety structure (both at corporate and subsidiary level) which uses specific procedures to monitor workplace safety and compliance with the regulations in force in the individual countries in which the group operates. A further objective will be launched from 2020 which envisages the progressive implementation of internal policies consistently in all subsidiaries, in line with international best practices, in order to further increase the safety level of plants and facilities and protect its employees.

For additional information about the occupational health and safety management system and the related medium-term objective, reference should be made to the Consolidated non-financial information section.

Tax risks

The group operates in many countries with different tax regulations. Such differences could influence the actual taxation of the Guala Closures Group over time as the profits made by the individual companies vary. Significant changes in the international tax environment could suddenly increase the overall business costs due to an increase in the group's effective tax rate and lead to uncertain and/or unexpected tax exposures. The group regularly reviews its business strategy and tax policy in the light of regulatory changes and assesses the likelihood of any negative outcomes resulting from tax audits in order to determine the adequacy of tax provisions.

In addition to the complexity of taxation, the recent introduction of tax crimes in the list of predicate crimes in Decree no. 231/01 is a further element of tax risk which could have a greater impact on possible sanctions by amplifying their scope.

6. ENVIRONMENTAL, SOCIAL AND ETHICAL GOVERNANCE RISKS

Risk management for the Guala Closures Group also includes the management of environmental, social, governance and ethical issues. These risk factors are in part linked to other business risks already described (e.g., compliance with occupational health and safety), either directly with specific impacts or indirectly as a consequence thereof.

These risks are monitored through the group's complex sustainability system which sets medium/long-term objectives, the continuous monitoring of indicators through the collection and preparation of specific centralised reports, periodic audits by specialised third-party companies and related action plans to meet the objectives.

For a description of the specific environmental, social and governance risks as well as the short and medium/long-term mitigation methods, reference should be made to the Consolidated non-financial information section.

Corporate Governance

For information on corporate governance, reference should be made to the report on the corporate governance and shareholding structure drawn up pursuant to article 123-bis of the Consolidated finance act, approved by the company's board of directors along with the directors' report and made available by the company at its registered offices and on the group's website (www.gualaclosures.com – Investor Relations sections).

The information referred to in article 123-bis.1/2 of Legislative decree no. 58/1998 is disclosed in the report on the corporate governance and shareholding structure, which makes reference to the remuneration report prepared pursuant to article 123-ter of Legislative decree no. 58/1998 for some information on remuneration. Both reports, approved by the board of directors, are published on the company's website www.gualaclosures.com within the required timeframes.

Management and coordination

The parent is not managed or coordinated by another party pursuant to article 2497-bis of the Italian Civil Code.

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 note 37) Related party transactions to the consolidated financial statements.

Following the sale of pre-merger Guala Closures to Space4 S.p.A. and the simultaneous reorganisation of the Luxembourg companies, which previously controlled pre-merger Guala Closures, the Luxembourg company GCL Holdings S.C.A. is now wholly owned by the managers and their family and legally controlled by Marco Giovannini.

The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has four members on the board of directors of Guala Closures S.p.A. since August 6, 2018, as well as two independent members who were appointed jointly with Space Holding S.r.l.;
- it has two standing members and a substitute member of the board of statutory auditors since September 10, 2018, who were appointed on the indication of GCL Holdings S.C.A.;
- GCL Holdings S.C.A. has held 14.24% of the share capital of Guala Closures S.p.A. since July 31, 2018 and it holds 24.28% of the voting rights as a result of the 4,322,438 B shares carrying multiple votes;
- there was a loan of €135 thousand granted by GCL International S.à r.l. in favor of GCL Holdings S.C.A., as well as a commercial receivable of GCL International S.à r.l. against GCL Holdings S.C.A. for transactions related to the restructuring process of the Luxembourg company which took place in 2018, when all the activities of GCL Holdings S.C.A. were transferred to GCL International S.à r.l.. These payables/receivables were extinguished in March 2020, the related amounts being paid by GCL Holdings S.C.A..
- the transactions with GCL Holdings S.C.A. took place on an arm's length basis.

Space Holding S.r.l. can also be considered a related party.

The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has two members (one of whom is independent) on the board of directors of Guala Closures S.p.A. since August 6, 2018 (the date the merger became effective), as well as two independent members who were appointed jointly with GCL Holdings S.C.A.;
- it has one standing member and a substitute member of the board of statutory auditors since September 10, 2018, who were appointed on the indication of Space Holding S.r.l.;
- Space Holding S.r.l. has held 4.70% of the share capital of Guala Closures S.p.A. since July 31, 2018 and it holds 3.14% of the voting rights, partly as a result of the 805,675 C shares with no voting rights;
- transactions with Space Holding S.r.l. took place on an arm's length basis. Space Holding S.r.l. provided consulting services for €1,239 thousand between January 1, 2018 and August 6, 2018, as per the contract dated September 27, 2017, subsequently amended on November 16, 2017, and from August 7, 2018 to December 31, 2018, as per the contract dated December 18, 2018 and €60 thousand for the services offered in 2019.

Peninsula Capital II sarl (as general partner of Peninsula Investments II S.C.A., which controls PII G S.à r.l.) can be considered a related party.

The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has one member on the board of directors of Guala Closures S.p.A. since August 6, 2018 (the date the merger became effective);
- Peninsula has held 9.84% of the share capital of Guala Closures S.p.A. and 8.92% of the voting rights since July 31, 2018.
- transactions with Peninsula took place on an arm's length basis.

Tan Advisory S.r.l. indirectly held by Filippo Giovannini for 17.43%, who also holds the position of sole director, can be considered a related party.

The relations between this company and the Group at December 31, 2019 are summarized below:

- Tan Advisory S.r.l. advised and assisted the subsidiary GCL International S.à r.l. relating to the negotiation and completion of the investment made by the Luxembourg subsidiary in SharpEnd, by virtue of which a 20% stake in said company was acquired.

The consideration paid to Tan Advisory S.r.l. for this activity it was equal to €80 thousand.

Related parties also include the 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 31) Employee benefits for additional information.

Guala Closures S.p.A. also had transactions with other group companies. For further information, reference should be made to notes 5) Net revenue, 6) Other operating income, 8) Costs for raw materials, 9) Costs for services, 12) Financial income, 13) Financial expense, 14) Dividends, 18) Current and non-current financial assets, 19) Trade receivables, 24) Other current assets, 25) Equity investments, 33) Trade payables, 38) Other current liabilities, to the separate financial statements.

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.

Own shares

On February 14, 2019, in their ordinary meeting, the shareholders of Guala Closures S.p.A. authorised the repurchase of ordinary shares of the parent up to a maximum of 3% of the outstanding ordinary shares at that date (equal to approximately 1,861,500 ordinary shares), to be carried out, including in more than one tranche, within 18 months of the shareholders' resolution.
No repurchases had taken place at the date of this report.

Management regulations and procedures

Mauro Boano is the processor pursuant to Law no. 196/2003 and Regulation (EU) 679/2016 (GDPR).

Lorenzo Ferrarese, a company employee, has been confirmed as the health and safety manager.

Although the organisational model had been updated on January 31, 2018, as a result of the acquisition of pre-merger Guala Closures and subsequent business combination, an engagement was assigned for a further update of such model in light of Guala Closures S.p.A.'s changed status, i.e., to include market abuse crimes.

In accordance with the requirements of Legislative decree no. 231/01, Guala Closures S.p.A. has a surveillance committee which meets at least four times a year to plan the quarterly checks and to examine the findings thereof. The committee reports to the board of directors. Roberto Malvezzi is the committee chairman, while Marco Andreoletti has been confirmed as deputy chairman and external technical expert.

Following the business combination and the related listing on the STAR segment of the Italian stock exchange (Mercato Telematico Azionario), the company has also set up a risk and control committee and a remuneration committee.

The risk and control committee is comprised of:

Francesco Caio (chairman)

Lucrezia Reichlin

Nicola Colavito

The duties of the risk and control committee may be summarised as follows:

- assisting the board of directors with enquiry, advisory and consultative functions as part of the evaluation and decisions relating to the internal control and risk management system, as well as those related to the approval of the regular financial reporting;

- supporting the board of directors in carrying out the following duties: (i) establishing guidelines for the internal control and risk management system, such that the main risks related to the issuer and its subsidiaries are properly identified, measured, managed and monitored, establishing compatibility criteria between the risks identified and sound and proper management of the company consistent with the strategic goals identified; (ii) checking, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the issuer's characteristics and its risk profile; (iii) approving, at least annually, the work plan prepared by the manager of the internal audit department; (iv) describing the main features of the internal control and risk management system in its corporate governance report in order to assess its adequacy; (v) having consulted with the board of statutory auditors, evaluating the findings set out in the independent auditors' report and any management letters and in the report on the key audit matters; (vi) appointing and removing the manager of the internal audit department.

Specifically, the aim of the risk and control committee is to:

(i) evaluate, together with the manager in charge of financial reporting and after consulting the independent auditors and the board of statutory auditors, the proper application of the accounting policies and their consistency for the purposes of the preparation of the consolidated financial statements;

(ii) establish control mechanisms to check compliance with the assigned proxies and to periodically monitor their operation, giving immediate notification of any irregularities to the board of directors;

(iii) express opinions on specific aspects related to the identification of the main corporate risks;

(iv) examine the periodic assessments of the internal control and risk management system;

(v) report, at least every six months, to the board of directors (at the time of the approval of the annual and half-year reports) on their activities and the adequacy of the internal control and risk management system; and

(vi) carry out any additional tasks assigned by the board of directors.

The remuneration committee is comprised of:

Luisa Maria Virginia Collina (chairwoman)

Francesco Caio

Edoardo Subert

The tasks of the remuneration committee are as follows:

(i) presenting policies to the board of directors for the fixed and variable remuneration of directors and key management personnel of the post-merger issuer, availing of the information provided by the CEO;

(ii) evaluating, at least annually, the adequacy, overall coherence and actual application of the policy for the remuneration of directors and key management personnel of the post-merger issuer, availing of information provided by the CEO in relation to the latter issue; presenting proposals in this regard to the board of directors;

(iii) presenting proposals or expressing opinions to the board of directors on the remuneration of the executive and other key directors, as well as establishing the performance goals linked to the variable part of such remuneration, monitoring the application of the board's decisions and whether the performance goals are achieved.

Moreover, the remuneration committee:

(a) checks that the remuneration of key management personnel complies with the policy for fixed and variable remuneration and expresses an opinion thereon;

(b) assists the board of directors in examining the proposals for equity-settled share-based payments;

(c) examines and submits to the board of directors the annual remuneration report which sets out the following, individually for each board member and as an aggregate for key management personnel:

• an accurate breakdown of remuneration; and

• a detailed breakdown of the remuneration paid during the year for any reason and of any nature by the post-merger issuer and by its subsidiaries.

The remuneration committee may access company information and departments and it establishes the necessary functional and operational links therewith in order to carry out its duties. It may avail of external consultants at the post-merger issuer's cost to the extent of the budget approved by the board of directors, after having ascertained that such consultants are not in a position that would compromise their independence of judgement and, specifically, that they do not provide the HR department, the directors or key management personnel with services such to compromise their independence of judgement.

In line with the recommendations of the application criteria 6.C.6 of the corporate governance code, no director shall take part in the meetings of the remuneration committee during which the remuneration proposals to the board of directors are presented.

With effect from August 6, 2018, the company has appointed Anibal Diaz to replace Edoardo Subert as the manager in charge of financial reporting pursuant to article 154-bis of the Consolidated finance act.

In compliance with the recommendations of the application criteria 9.C.1 of the corporate governance code, the parent has also appointed Alessandro Baj Badino as Investor relator.

Moreover, on December 18, 2018, the parent also approved the new market abuse regulation (MAR), establishing the relevant information list, in addition to the insider list; the MAR has also incorporated the regulations governing internal dealing.

The procedure for related party transactions approved in March 2019 is currently in force.

Other information

There are no stock option plans or any share based payment arrangements in place at December 31, 2019.

At December 31, 2019, there were no free allocations of shares to employees.

Reference should be made to note 37) Related party transactions to the consolidated financial statements for information on the roles and responsibilities of the parent's directors.

At the reporting date, 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 authorise the repurchase of treasury shares.

Reconciliation of consolidated loss and equity and loss and equity of the parent

	December 31, 2019	2019
(Thousands of Euros)	**Equity**	**Profit for the year**
Separate financial statements of the parent	654,961	
Profit for the year	(12,475)	12,475
Equity and Profit of consolidated equity investments	379,211	51,803
- Elimination of carrying amount of investments and other consolidation adjustments	(319,205)	(8,776)
- Elimination of intragroup gains and profit margin (including impact of deferred taxes)	(11,759)	(514)
- Elimination of intragroup dividends	(40,330)	(40,330)
- Total profit for the year	14,659	
Consolidated financial statements	**665,060**	**14,659**
- Equity and profit attributable to non-controlling interests	(41,680)	(6,954)
Equity and profit attributable to the owners of the parent	**623,381**	**7,705**

Source: financial statements figures

1.6 OUTLOOK

2020 began with the acquisition of CLOSURELOGIC GmbH in Germany, consolidating our leadership in the premium mineral water market. We expect further growth in this sector thanks to this increased production capacity.

The mineral water market in glass bottles is expected to record significant growth rates in the coming years, driven by growing attention towards sustainability and environmental impact of consumption and the premiumisation of this sector.

In addition, in February 2020 we acquired a 20% stake in the English company SharpEnd, an agency based in London specialised in innovative technological services, to sustain our strategy to penetrate the digital packaging market, with the intention of extending our services to customers from pure hardware (closures) to an IoT software platform and supply chain management, thus integrating hardware and software into related packaging solutions.

The Group is closely monitoring developments of the global health situation following the spread of COVID-19. Since February 22, the parent has provided its Italian plants with the tools needed to tackle this situation. At present, all of the group's production and sales activities are functioning as usual. Thanks to our diversified geographical footprint, which enables us to best exploit any growth in the consumption of local products as well as having a large number of sources of supply for our raw materials and services, we believe that we can absorb supply chain and demand repercussions, although at the moment it is too early to make forecasts on possible impacts over the coming months.

On behalf of the board of directors
Chairman and CEO
Marco Giovannini
(signed on the original)

March 12, 2020

Annexes to the Directors' report

Annex A)

Calculation of the 2018 pro forma financial performance of the Guala Closures Group

Annex B)

Reconciliation between the tables included in the directors' report with the classification used in the consolidated financial statements

Annex C)

Restatement of the financial position of the Guala Closures Group as at December 31, 2018

Annex D)

Calculation of the 2018 pro forma financial performance of Guala Closures S.p.A.

Annex E)

Reconciliation between the tables included in the directors' report with the classification used in the separate financial statements

Annex F)

Restatement of the financial position of Guala Closures S.p.A. as at December 31, 2018

Annex A)

Calculation of the 2018 pro forma financial performance of the Guala Closures Group

The table shows how the pro forma financial performance for 2018, presented in this report, was obtained.

The pro forma figures were obtained by consolidating the figures of the IFRS financial statements of Space4 S.p.A., the Guala Closures Group and the Lux BU for 2018.

Statement of profit or loss and other comprehensive income Guala Closures Group - 2018

(Thousands of Euros)	Reported statement of profit or loss and OCI (*)	7 months Guala Closures Group (*)	7 months LUX BU	Intragroup write-offs and reclass.	Pro forma (*)
	i	ii	iii	iv	i+ii+iii+iv
Net revenue	237,419	305,675	8	(1)	543,100
Change in finished goods and semi-finished products	(13,097)	10,422	-	-	(2,675)
Other operating income	7,858	1,920	3,600	(3,492)	9,886
Internal work capitalised	2,789	3,504	-	-	6,293
Costs for raw materials	(102,946)	(145,191)	(76)	1	(248,212)
Costs for services	(47,643)	(63,756)	723	3,492	(107,183)
Personnel expense	(43,258)	(59,412)	(2,160)		(104,830)
Other operating expense	(4,753)	(6,381)	(490)	-	(11,624)
Impairment losses	95	(308)			(213)
Gross operating profit	**36,464**	**46,472**	**1,604**	**(0)**	**84,540**
Amortisation and depreciation	(22,352)	(18,684)	(320)	-	(41,356)
Operating profit	**14,112**	**27,788**	**1,284**	**(0)**	**43,184**
Financial income	21,410	6,091	5,028	(7,767)	24,763
Financial expense	(28,388)	(28,756)	(2,790)	4,990	(54,943)
Net financial income (expense)	**(6,977)**	**(22,665)**	**2,238**	**(2,777)**	**(30,180)**
Profit before taxation	**7,135**	**5,123**	**3,522**	**(2,777)**	**13,004**
Income taxes	(4,326)	(8,564)	(28)	-	(12,917)
Profit (loss) for the period/year	**2,809**	**(3,440)**	**3,494**	**(2,777)**	**86**
Profit/(loss) for the period/year attributable to the owners of the parent	96	(4,757)	3,494	(5,553)	(6,720)
Profit/(loss) for the period/year attributable to the holders of participating financial instruments of the parent		(2,777)	-	2,777	-
Profit/(loss) for the period/year attributable to non-controlling interests	2,713	4,093	-	-	6,806
Adjusted gross operating profit	**49,785**	**54,653**	**82**	**-**	**104,520**

(*) Figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP.

The "Reported statement of profit or loss and OCI" column shows the results of operations of the financial statements which, in accordance with IFRS, following the Space4 S.p.A.-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 January 1 to December 31, 2018 and the results of operations of the post-merger Guala Closures Group from August 1 to December 31, 2018.

The "7 months Guala Closures Group" column shows the results of operations of the pre-merger Guala Closures Group from January 1 to July 31, 2018 (i.e., until the date of the business combination) derived from the condensed interim consolidated financial statements at September 30, 2018, adjusted following the PPA adjustments to the statement of financial position at July 31, 2018.

The "7 months LUX BU" column shows the results of operations of the Lux business unit from January 1 to July 31, 2018, the date the business unit was transferred from the parent GCL Holdings S.C.A. to the pre-merger Guala Closures Group.

The "Intragroup write-offs and reclass." column shows the intragroup write-offs between the Guala Closures Group and the Lux BU and the reclassification of the interest accrued on the PFI between January 1 and July 31, 2018 from equity to interest recognised in the consolidated financial statements of the pre-merger Guala Closures Group.

Finally, the "Pro forma" column shows the results of operations of the pre-merger Guala Closures Group for the twelve months of 2018, including those of Space4 S.p.A. and the Lux BU, in order to compare them with the twelve months of 2019 on a like-for-like basis.

Calculation of the pro forma reclassified statement of changes in net financial indebtedness for the Guala Closures Group

The table shows how the pro forma net financial indebtedness at December 31, 2018, presented in the directors' report, was calculated.
The pro forma figures were obtained by consolidating the figures of Space4 S.p.A. at December 31, 2018 and the figures of the Guala Closures Group and the Lux BU at July 31, 2018.

€'000	Reported statement of cash flows (*)	7 months Guala Closures Group (*)	7 months LUX BU	Intragroup write-offs	7 months 2018 Pro forma	Acquisition	2018 Pro forma (*)
	i	ii	iii	iv	v=ii+iii+iv	vi	i+v+vi
Opening net financial indebtedness	**-**	**(488,286)**	**945**	**(65,173)**	**(552,513)**	**-**	**(552,513)**
Opening net cash	**499,706**	**-**	**-**	**-**	**-**	**(354,040)**	**145,666**
A) Opening net financial indebtedness	**499,706**	**(488,286)**	**945**	**(65,173)**	**(552,513)**	**(354,040)**	**(406,848)**
Gross operating profit	36,464	46,472	1,604		48,076		84,540
Profit generated by the UCP acquisition	(5,490)				-		(5,490)
Purchase price allocation - fair value loss on inventories	7,424				-		7,424
Gains on fixed assets disposal	(118)	(37)			(37)		(155)
Change in net working capital	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 flows from (used in) operating activities	**39,206**	**12,202**	**(3,160)**	**-**	**9,042**	**-**	**48,248**
Net investments	(15,497)	(19,983)	(348)		(20,331)		(35,828)
Change in liabilities for investments	503	(513)			(513)		(10)
Proceeds from sale of assets held for sale		2,130			2,130		2,130
UCP acquisition (net of cash acquired)	(18,616)				-		(18,616)
Acquisition of Guala Closures Group	(354,040)				-	354,040	-
Acquired cash	47,666				-	(47,666)	-
C) Cash flows used in investing activities	**(339,984)**	**(18,366)**	**(348)**	**-**	**(18,714)**	**306,374**	**(52,324)**
Acquisition/assumption of non-controlling interest in Guala Closures Argentina		(114)			(114)		(114)
Withdrawal	(31,323)				-		(31,323)
Assumption of initial financial assets (liabilities) of Guala Closures Group	(606,186)	(677)			(677)	606,863	-
Net interest income (expense)	(7,756)	(17,586)	2,238	(2,777)	(18,124)		(25,880)
Borrowing costs due to transaction costs on the previous bond issue and revolving facility	(7,995)				-		(7,995)
Initial impact of market warrants	(9,367)				-		(9,367)
Fair value gains on market warrants	17,529				-		17,529
Derivatives and other financial items	(12,355)	460	325		784		(11,571)
Termination of 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 exchange fluctuation	152	593			593		745
D) Change in net financial indebtedness due to financing activities	**(658,437)**	**(64,747)**	**2,563**	**65,173**	**2,989**	**606,863**	**(48,585)**
E) Total change in net financial indebtedness (B+C+D)	**(959,215)**	**(70,911)**	**(945)**	**65,173**	**(6,683)**	**913,237**	**(52,661)**
F) Closing net financial indebtedness (A+E)	**(459,509)**	**(559,197)**	**-**	**-**	**(559,196)**	**559,197**	**(459,509)**

(*) Figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP.

The "Reported statement of cash flows" column shows the cash flows of the merging company, Space4 S.p.A. from January 1, 2018 to December 31, 2018 and the cash flows of the post-merger Guala Closures Group from August 1 to December 31, 2018.

The "7 months Guala Closures Group" column shows the cash flows in the pre-merger Guala Closures Group's statement of cash flows from January 1 to July 31, 2018.

The "7 months LUX BU" column shows the cash flows in the Lux BU's statement of cash flows from January 1 to July 31, 2018.

The "Intragroup write-offs" column shows the intragroup write-offs between the pre-merger Guala Closures Group and the Lux BU.

Finally, the "2018 Pro forma" column shows the cash flows in the pre-merger Guala Closures Group's statement of cash flows for 2018, inclusive of the cash flows for the year of Space4 S.p.A. and the Lux BU, in order to compare them with 2019.

ANNEX B)

Reconciliation between the tables included in the directors’ report with the consolidated financial statements

€'000

Classification in reclassified financial income and expense	**2018 (*)**	**2019**	**CClassification in the notes to the consolidated financial statements (notes 14-15)**
Net exchange gains	2,049	7,830	Exchange gains
Net exchange losses	(7,569)	(12,386)	Exchange losses
Fair value gains on market warrants	17,529	465	Fair value gains on market warrants
Fair value losses on derivatives	-	(485)	Fair value losses on derivatives
Fair value losses on financial liabilities to non-controlling investors	(3,235)	(2,311)	Financial expense on financial liabilities to non-controlling investors
Net interest expense	828	464	Interest income
Net other financial expense	1,004	2,451	Other financial income
Net interest expense	(8,624)	(21,719)	Interest expense
Net other financial expense	(965)	(2,729)	Other financial expense
Financial expense on the refinancing	(7,995)	-	Non-recurring financial expense on the refinancing
Total net financial expense	**(6,977)**	**(28,420)**	

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

ANNEX B)

Reconciliation between the tables included in the directors' report with the consolidated financial statements

€'000

Classification in the reclassified statement of financial position	December 31, 2018 (*)	December 31, 2019	Classification in the statement of financial position
Net working capital	102,805	104,093	Trade receivables
Net working capital	93,258	100,342	Inventories
Net working capital	(71,331)	(76,556)	Trade payables
Total net working capital	**124,732**	**127,880**	
Derivative assets	146	10	Derivative assets
Derivative liabilities	(58)	(172)	Derivative liabilities
Net derivative assets / (liabilities)	**88**	**(162)**	
Other net liabilities	4,044	2,783	Current direct tax assets
Other net liabilities	8,100	10,453	Current indirect tax assets
Other net liabilities	6,670	5,131	Other current assets
Other net liabilities	6,393	17,940	Deferred tax assets
Other net liabilities	29	130	Contract costs
Other net liabilities	25	28	Contract assets
Other net liabilities	486	365	Other non-current assets
Other net liabilities	(3,364)	(4,342)	Current direct tax liabilities
Other net liabilities	(7,035)	(8,821)	Current indirect tax liabilities
Other net liabilities	(1,789)	(1,980)	Current provisions
Other net liabilities		(301)	Contract liabilities
Other net liabilities	(34,779)	(28,745)	Other current liabilities
Other net liabilities	(117,981)	(113,211)	Deferred tax liabilities
Other net liabilities	(252)	(348)	Non-current provisions
Other net liabilities	(570)	(1,203)	Other non-current liabilities
Total net other liabilities	**(140,022)**	**(122,123)**	

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination which took place on July 31, 2018, and the PPA procedure for UCP. The changes are illustrated in Annex C) to this report.

ANNEX B)

Reconciliation between the tables included in the directors' report with the consolidated financial statements

€'000

Classification in the reclassified statement of financial position	December 31, 2018 (*)	December 31, 2019	Classification in the statement of financial position
Net financial liabilities - third parties	(653)	(627)	Current financial assets
Net financial liabilities - third parties	(273)	(451)	Non-current financial assets
Net financial liabilities - third parties	18,261	11,170	Current financial liabilities
Market warrants	4,338	3,873	Current financial liabilities
Financial liabilities - IAS 17 / IFRS 16 effects	2,685	6,542	Current financial liabilities
Net financial liabilities - third parties	454,889	458,285	Non-current financial liabilities
Financial liabilities to non-controlling investors	24,647	26,958	Non-current financial liabilities
Financial liabilities - IAS 17 / IFRS 16 effects	3,410	13,816	Non-current financial liabilities
Cash and cash equivalents	(47,795)	(57,056)	Cash and cash equivalents
Total net financial indebtedness	**459,509**	**462,511**	

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination which took place on July 31, 2018, and the PPA procedure for UCP. The changes are illustrated in Annex C). The Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

ANNEX B)

Reconciliation between the tables included in the directors' report with the consolidated financial statements

€'000	December 31, 2018 (*)	December 31, 2019
Total change in net financial indebtedness	**(953,068)**	**13,960**
Increase in right-of-use assets	-	4,604
Proceeds from new borrowings and bonds	916,985	2,276
Repayment of borrowings and bonds	(1,019,028)	(8,917)
Repayment of finance leases	(1,000)	(7,293)
FX translation effect on foreign currency assets and liabilities	(581)	839
Change in fair value of the put option on non-controlling interests	1,477	2,311
Impact of the initial debt acquired by the Guala Closures Group	606,186	-
Change in liabilities for financial expense	(1,011)	2,350
Transaction costs paid for bonds issued in 2018	(14,633)	(718)
Change in financial assets	261	(151)
Total change in financial assets and liabilities	**488,657**	**(4,699)**
Total change in cash and cash equivalents	**(464,411)**	**9,262**

(*) 2018 figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination and the completion of the purchase price allocation procedure for UCP.

Annex C)

Restatement of the financial position as at December 31, 2018

The table below reconciles the statement of financial position balances as at December 31, 2018 shown in the consolidated financial statements at the same date with the balances restated following the PPA procedure for the group re-organization in 2018 and for Guala Closures UCP acquisition:

(€'000)	December 31, 2018	Restatement effect	December 31, 2018 (*)
Intangible assets	806,104	77,429	883,533
Property, plant and equipment	205,984	36,660	242,644
Right-of-use assets		-	-
Contract costs	29	-	29
Net working capital	124,732	-	124,732
Net contract assets	25	-	25
Net derivative assets	88	-	88
Employee benefits	(6,461)	-	(6,461)
Other liabilities	(34,131)	(105,946)	(140,077)
Net invested capital	**1,096,370**	**8,143**	**1,104,513**
Net financial liabilities - third parties	472,224	-	472,224
Financial liabilities - IAS 17 / IFRS 16 effects	6,095	-	6,095
Financial liabilities - non-controlling investors	18,500	6,147	24,647
Market warrants	4,338	-	4,338
Cash and cash equivalents	(47,795)	-	(47,795)
Net financial indebtedness	**453,362**	**6,147**	**459,509**
Equity	**643,008**	**1,996**	**645,004**
Sources of financing	**1,096,370**	**8,143**	**1,104,513**

The tables below detail the restated captions:

(€'000)	*December 31, 2018*	*Restatement effect*	*December 31, 2018 (*)*
Patents	7,143	47,539	54,683
Trademarks	8,871	64,886	73,757
Goodwill	785,201	(280,732)	504,469
Trade relationships with customers and other intangible assets	4,889	245,736	250,624
Total intangible assets	**806,104**	**77,429**	**883,533**

(€'000)	*December 31, 2018*	*Restatement effect*	*December 31, 2018 (*)*
Land and buildings	53,156	(411)	52,745
Plant and machinery	130,193	37,071	167,264
Industrial and commercial equipment and other assets	22,635	-	22,635
Total property, plant and equipment	**205,984**	**36,660**	**242,644**

(€'000)	*December 31, 2018*	*Restatement effect*	*December 31, 2018 (*)*
Deferred tax liabilities	(11,718)	(106,263)	(117,981)
Deferred tax assets	5,807	586	6,393
Other liabilities, net	(28,221)	(268)	(28,489)
Total other liabilities	**(34,131)**	**(105,946)**	**(140,077)**

Annex D)

Calculation of the 2018 pro forma financial performance of Guala Closures S.p.A.

The table shows how the pro forma financial performance for 2018, calculated based on the IFRS separate financial statements at December 31, 2018.

Statement of profit or loss and other comprehensive income Guala Closures S.p.A. - 2018	**Reported statement of profit or loss and OCI (*)**	**Guala Closures S.p.A. until 8/5/2018**	**Pro forma (*)**
(€'000)	i	ii	i+ii
Net revenue	47,399	74,515	121,914
Change in finished goods and semi-finished products	(4,637)	2,326	(2,312)
Other operating income	8,673	11,459	20,133
Internal work capitalised	1,270	1,692	2,962
Costs 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 loss	**(5,615)**	**(86)**	**(5,700)**
Amortisation and depreciation	(6,439)	(4,703)	(11,142)
Operating loss	**(12,054)**	**(4,789)**	**(16,843)**
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 income (expense)	**22,017**	**(12,531)**	**9,487**
Profit (loss) before taxation	**9,963**	**(17,319)**	**(7,356)**
Income taxes	718	(247)	471
Profit (loss) for the year/period	**10,681**	**(17,566)**	**(6,885)**
Adjusted gross operating profit	**5,519**	**6,779**	**12,298**

(*) Figures were restated to reflect the effects of the completion of the PPA procedure, thereby impacting the recognition of the business combination with Space 4 S.p.A..

The "Reported statement of profit or loss and OCI" column shows the 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 January 1 and the results of operations of post-merger Guala Closures from August 6 to December 31, 2018, adjusted to reflect the PPA procedure.
The "Guala Closures S.p.A. until 8/5/2018" column shows pre-merger Guala Closures' results of operations from January 1 to August 5, 2018, i.e., until the effective date of the merger with Space4 S.p.A..
Finally, the "Pro forma" column shows the figures of post-merger Guala Closures for the twelve months of 2018.

Calculation of the pro forma reclassified statement of changes in net financial indebtedness for Guala Closures S.p.A.

The table shows how the pro forma net financial indebtedness at December 31, 2018, presented in the directors' report, was calculated based on the figures of the IFRS separate financial statements at December 31, 2018.

€'000	Reported statement of cash flows	Guala Closures Pre-Merger until 08/05/2018	Acquisition	December 31, 2018 Guala Closures S.p.A. "Pro-forma"
	i	ii	iii	i+ii+iii
Opening net financial indebtedness		**(285,360)**		**(285,360)**
Opening net cash	**499,706**		**(354,040)**	**145,666**
A) Opening net financial indebtedness	**499,706**	**(285,360)**	**(354,040)**	**(139,694)**
Gross operating profit (loss)	(4,624)	(86)		(4,710)
Purchase price allocation - fair value losses on inventories	(990)			(990)
Gains on fixed assets disposal	(12)	(41)		(52)
Change in net working capital	4,003	(11,207)		(7,204)
Other operating items	(2,058)	5,296		3,238
Taxes	(1,886)	1,070		(815)
B) Net cash flows from (used in) operating activities	**(5,567)**	**(4,967)**	**-**	**(10,534)**
Net investments	(4,294)	(3,425)		(7,719)
Change in liabilities for investments	1,190	(1,759)		(569)
Proceeds from sale of assets held for sale		2,130		2,130
Guala Closures Group acquisition	(354,040)		354,040	-
Cash acquired	12,408		(12,408)	-
C) Cash flows used in investing activities	**(344,736)**	**(3,055)**	**341,632**	**(6,158)**
Withdrawal	(31,323)			(31,323)
Guala Closures Group initial financial liabilities	(360,993)		360,993	-
Net interest expense	(2,385)	(10,951)		(13,336)
Borrowing costs due to transaction costs on the previous bond issue and revolving facility	-	(7,995)		(7,995)
Initial impact of market warrants	(9,367)			(9,367)
Fair value gains on market warrants	17,529			17,529
Derivatives and other financial items	142	92		233
Termination of participating financial instruments		(67,949)		(67,949)
Share capital increases		25,000		25,000
Dividends from Guala Closures International B.V.	7,000	6,600		13,600
Effect of exchange fluctuation	(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: 2018 pro forma figures

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

ANNEX E)

Reconciliation between the tables included in the directors' report with the separate financial statements

€'000

Classification in the reclassified financial income and expense	2018 (*)	2019	Classification in the notes to the separate financial statements (notes 12-13-14)
Net exchange gains	149	1,271	Exchange gains
Net exchange losses	(195)	(956)	Exchange losses
Dividends from investees	7,000	22,500	Dividends received
Net interest income - third parties	701	0	Interest income
Fair value gains on market warrants	17,529	465	Fair value gains on market warrants
Net interest expense - third parties	(7,457)	(19,836)	Interest expense
Net interest expense - third parties	(170)	(388)	Other financial expense
Net interest income - related parties	4,541	9,535	Financial income - related parties
Net interest expense - related parties	(81)	-	Exchange losses - related parties
Total net financial expense	**22,017**	**12,109**	

(*) reported statement of profit or loss and OCI figures

ANNEX E)

Reconciliation between the tables included in the directors' report with the separate financial statements

€'000

Classification in the reclassified statement of financial position	December 31, 2018 (*)	December 31, 2019	Classification in the financial statements
Net working capital	12,765	12,952	Trade receivables - third parties
Net working capital	28,094	30,567	Trade receivables - related parties
Net working capital	14,238	16,603	Inventories
Net working capital	(20,699)	(24,291)	Trade payables - third parties
Net working capital	(1,215)	(3,348)	Trade payables - related parties
Total net working capital	**33,182**	**32,482**	
Derivative assets	146	10	Derivative assets
Derivative liabilities	(58)	(172)	Derivative liabilities
Total financial derivative assets/liabilities	**88**	**(162)**	
Other assets/liabilities	461	371	Current direct tax assets
Other assets/liabilities	1,534	692	Current indirect tax assets
Other assets/liabilities	182	87	Other current assets - third parties
Other assets/liabilities	3,966	2,517	Other current assets - related parties
Other assets/liabilities	885	9,342	Deferred tax assets
Other assets/liabilities	18	18	Other non-current assets
Other assets/liabilities	(123)	(524)	Current direct tax liabilities
Other assets/liabilities	(955)	(870)	Current indirect tax liabilities
Other assets/liabilities	(1,119)	(966)	Current provisions
Other assets/liabilities	(12,923)	(7,854)	Other current liabilities - third parties
Other assets/liabilities	(529)	(1,042)	Other current liabilities - related parties
Other assets/liabilities		(212)	Other non-current assets - related parties
Other assets/liabilities	(42,888)	(42,842)	Deferred tax liabilities
Other assets/liabilities	(226)	(322)	Non-current provisions
Total other current assets/liabilities	**(51,717)**	**(41,604)**	

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 6, 2018. The changes are illustrated in Annex F) to this report.

ANNEX E)

Reconciliation between the tables included in the directors’ report with the separate financial statements

€'000

Classification in the reclassified statement of financial position	December 31, 2018 (*)	December 31, 2019	Classification in the financial statements
Net financial liabilities – third parties	(38)	(28)	Non-current financial assets - third parties
Net financial liabilities – third parties	10,832	10,934	Current financial liabilities – third parties
Net financial liabilities – third parties	454,912	457,456	Non-current financial liabilities – third parties
Net financial liabilities - related parties	(989)	(35,657)	Current financial assets - related parties
Net financial liabilities - related parties	(218,581)	(198,899)	Non-current financial assets - related parties
Cash and cash equivalents	(16,108)	(14,463)	Cash and cash equivalents
Total net financial assets	**230,029**	**219,343**	

ANNEX E)

Reconciliation between the tables included in the directors' report with the separate financial statements

(€'000)	December 31, 2018	December 31, 2019
Total change in net financial indebtedness	**(729,735)**	**12,533**
Proceeds from new borrowings and bonds	916,224	2,276
Repayment of borrowings and bonds	(1,002,396)	(1,176)
Repayment of finance leases	(965)	(3,312)
FX translation effect on foreign currency assets and liabilities	(45)	650
Impact of the initial debt acquired by Guala Closures S.p.A.	360,993	-
Impact of the initial debt - IFRS 16 FTA	-	(2,532)
Change in liabilities for financial expense	(3,301)	(424)
Transaction costs paid for the bridge facility agreement,	(14,633)	(718)
new bonds and the senior revolving facility	(22,241)	(8,941)
Total change in financial assets and liabilities	**233,637**	**(14,178)**
Total change in cash and cash equivalents	**(496,098)**	**(1,644)**

Annex F)

Restatement of the financial position as at December 31, 2018

The table below reconciles the statement of financial position balances as at December 31, 2018 shown in the separate financial statements at the same date with the balances restated following the company's PPA procedure:

(€'000)	**December 31, 2018**	**Restatement effect**	**December 31, 2018 (*)**
Intangible assets	726,133	(560,552)	165,582
Property, plant and equipment	45,891	14,233	60,125
Net working capital	33,182	-	33,182
Investments	84,841	584,419	669,260
Net derivative assets	88	-	88
Employee benefits	(3,958)	-	(3,958)
Other liabilities	(11,445)	(40,271)	(51,717)
Net invested capital	**874,733**	**(2,171)**	**872,562**
Net financial liabilities - third parties	455,842	-	455,842
Financial liabilities - IAS 17 / IFRS 16 effects	5,526	-	5,526
Market warrants	4,338	-	4,338
Financial assets - related parties	(219,570)	-	(219,570)
Cash and cash equivalents	(16,108)	-	(16,108)
Net financial indebtedness	**230,029**	**-**	**230,029**
Equity	**644,704**	**(2,171)**	**642,533**
Sources of financing	**874,733**	**(2,171)**	**872,562**

The tables below detail the restated captions:

(€'000)	***December 31, 2018***	***Restatement effect***	***December 31, 2018 (*)***
Patents	358	10,045	10,403
Trademarks	8,871	64,886	73,757
Goodwill	714,492	(665,524)	48,969
Trade relationships with customers and other intangible assets	2,412	30,041	32,453
Total intangible assets	**726,133**	**(560,552)**	**165,582**

(€'000)	***December 31, 2018***	***Restatement effect***	***December 31, 2018 (*)***
Land and buildings	19,464	-	19,464
Plant and machinery	20,413	14,233	34,647
Industrial and commercial equipment and other assets	6,014	-	6,014
Total property, plant and equipment	**45,891**	**14,233**	**60,125**

(€'000)	***December 31, 2018***	***Restatement effect***	***December 31, 2018 (*)***
Deferred tax liabilities	(2,617)	(40,271)	(42,888)
Deferred tax assets	885	-	885
Other assets/liabilities	(9,713)	-	(9,713)
Total other liabilities	**(11,445)**	**(40,271)**	**(51,717)**

1. Consolidated financial statements as at and for the year ended December 31, 2019

Statement of profit or loss and other comprehensive income

(€'000)	**2018 (*)**	*of which :* Related parties	*of which :* Non-recurring expense	**2019**	*of which :* Related parties	*of which :* Non-recurring expense	**Note**
Net revenue	**237,419**			**606,546**		-	7
Change in finished goods and semi-finished products	(13,097)		(7,424)	1,929		(197)	
Other operating income	7,858		5,504	4,945		294	8
Internal work capitalised	2,789			5,087		-	9
Costs for raw materials	(102,946)			(263,706)		(185)	10
Costs for services	(47,643)	(1,279)	(11,108)	(109,874)	(140)	(1,599)	11
Personnel expense	(43,258)		(115)	(125,316)		(241)	12
Other operating expense	(4,753)		(273)	(10,856)		(2,900)	13
Impairment losses on trade receivables and contract assets	-			(39)		-	
Impairment losses	95		95	(599)		(599)	23
Amortisation and depreciation	(22,352)			(62,909)		-	23-24-25
Operating profit	**14,112**	**(1,279)**	**(13,321)**	**45,208**	**(140)**	**(5,426)**	
Financial income	21,410			11,263	4	-	14
Financial expense	(28,388)		(7,995)	(39,683)		-	15
Net financial expense	**(6,977)**	**-**	**(7,995)**	**(28,420)**	**4**	**-**	
Profit before taxation	**7,135**	**(1,279)**	**(21,316)**	**16,788**	**(136)**	**(5,426)**	
Income taxes	(4,326)		1,906	(2,129)			17
Profit for the year	**2,809**	**(1,279)**	**(19,410)**	**14,659**	**(136)**	**(5,426)**	

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

(*) The 2018 comparative figures include seven months of operations of Space 4 S.p.A., prior to the business combination with pre-merger Guala Closures Group, and five months of operations of Guala Closures Group.
The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure related to the following business combinations: i) Guala Closures Group (July 31, 2018) and ii) Guala Closures UCP (December 12, 2018).
The financial effects of the PPA procedure included in non-recurring expense relate to: i) the fair value recognition of inventories at July 31, 2018 and ii) the gain from the net assets acquired as part of the UCP business combination compared to the consideration transferred. The financial effects ceased in 2018.

Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Statement of profit or loss and other comprehensive income

Other comprehensive income

(€'000)	2018 (*)	2019
Items that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit plans	(160)	(257)
Taxes on items that will not be reclassified to profit or loss		35
	(160)	*(222)*
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(4,139)	12,727
Hedging reserve for cash flow hedges reclassified to profit or loss	57	58
Tax on items that are or may be reclassified subsequently to profit or loss	(14)	(14)
	(4,095)	**12,771**
Other comprehensive income (expense) for the year, net of tax	**(4,255)**	**12,549**
Comprehensive income (expense) for the year	**(1,446)**	**27,208**
Profit for the year attributable to:		
owners of the parent	96	7,705
non-controlling interests	2,713	6,954
Profit for the year	**2,809**	**14,659**
Comprehensive income (expense) attributable to:		
owners of the parent	(4,159)	17,711
non-controlling interests	2,713	9,497
Comprehensive income (expense) for the year	**(1,446)**	**27,207**
Basic earnings per share (€)	**0.00**	**0.12**
Diluted earnings per share (€)	**0.00**	**0.10**

(*) The 2018 comparative figures include seven months of operations of Space 4 S.p.A., prior to the business combination with pre-merger Guala Closures Group, and five months of operations of Guala Closures Group.
The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure related to the following business combinations: i) Guala Closures Group (July 31, 2018) and ii) Guala Closures UCP (December 12, 2018).
The financial effects of the PPA procedure included in non-recurring expense relate to: i) the fair value recognition of inventories at July 31, 2018 and ii) the gain from the net assets acquired as part of the UCP business combination compared to the consideration transferred. The financial effects ceased in 2018.

Statement of financial position - ASSETS

(€'000)	**December 31, 2018 (*)**	*of which:* Related parties	**December 31, 2019**	*of which:* Related parties	**Note**
ASSETS					
Current assets					
Cash and cash equivalents	47,795		57,056		20
Current financial assets	653		627	139	
Trade receivables	102,805		104,093	115	21
Contract assets	25		28		
Inventories	93,258		100,342		22
Current direct tax assets	4,044		2,783		
Current indirect tax assets	8,100		10,453		
Derivative assets	146		10		
Other current assets	6,670		5,131		
Total current assets	**263,495**	-	**280,523**	**255**	
Non-current assets					
Non-current financial assets	273		451		
Property, plant and equipment	242,644		228,911		23
Right-of-use assets	-		27,630		24
Intangible assets	883,533		872,035		25
Contract costs	29		130		
Deferred tax assets	6,393		17,940		
Other non-current assets	486		365		
Total non-current assets	**1,133,358**	-	**1,147,461**	-	
TOTAL ASSETS	**1,396,854**	-	**1,427,984**	**255**	

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

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on July 31, 2018, and the UCP PPA. Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Statement of financial position - LIABILITIES

(€'000)	December 31, 2018 (*)	of which: Related parties	December 31, 2019	of which: Related parties	Note
LIABILITIES AND EQUITY					
Current liabilities					
Current financial liabilities	25,284		21,585		27
Trade payables	71,331	-	76,556	10	28
Contract liabilities	-		301		
Current direct tax liabilities	3,364		4,342		
Current indirect tax liabilities	7,035		8,821		
Current provisions	1,789		1,980		29
Derivative liabilities	58		172		
Other current liabilities	34,779		28,745		
Total current liabilities	**143,640**	-	**142,502**	**10**	
Non-current liabilities					
Non-current financial liabilities	482,946		499,060		27
Employee benefits	6,461		6,599		
Deferred tax liabilities	117,981		113,211		
Non-current provisions	252		348		29
Other non-current liabilities	570		1,203	-	
Total non-current liabilities	**608,209**	-	**620,421**	-	
Total liabilities	**751,849**	-	**762,923**	**10**	
Share capital and reserves attributable to non-controlling interests	36,620		34,726		
Profit for the year attributable to non-controlling interests	2,713		6,954		
Equity attributable to non-controlling interests	**39,333**	-	**41,680**	-	**33**
Equity attributable to the owners of the parent					
Share capital	68,907		68,907		
Share premium reserve	423,837		423,837		
Legal reserve	-		643		
Translation reserve	(4,139)		6,041		
Hedging reserve	43		-		
Losses carried forward and other reserves	116,928		116,249		
Profit for the year	96		7,705		
Equity attributable to the owners of the parent	**605,671**	-	**623,381**	-	**32**
Total equity	**645,004**		**665,060**		
TOTAL LIABILITIES AND EQUITY	**1,396,854**	-	**1,427,984**	**10**	

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

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on July 31, 2018, and the UCP PPA. Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Statement of cash flows

(€'000)	2018 (*)	2019	Note
Opening cash and cash equivalents	**512,206**	**47,795**	**20**
A) Cash flows from operating activities			
Profit before taxation	7,135	16,788	
Adjustments:			
Amortisation and depreciation	22,352	62,909	23-24-25
Net financial expense	6,977	28,421	
Income on UCP acquisition	(5,490)	-	
Gains on fixed assets disposal	(118)	(404)	
Variation:			
Receivables, payables and inventories	25,578	991	21-22-28
Other operating items	(4,247)	(3,064)	
VAT and indirect tax assets/liabilities	(1,070)	(565)	
Income taxes paid	(11,480)	(18,424)	
Net cash flows from operating activities	**39,637**	**86,652**	
B) Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(15,608)	(36,453)	23-24-25
Proceeds from sale of property, plant and equipment and intangible assets	610	1,015	23-24-25
Contingent consideration for the acquisition of Axiom Propack (India)	-	(554)	
Acquisition of the Guala Closures Group, net of cash and cash equivalents acquired	(306,374)	-	6.1
Acquisition of UCP (United Closures and Plastic Ltd, UK), net of cash and cash equivalents acquired	(18,616)	-	6.2
Net cash flows used in investing activities	**(339,988)**	**(35,991)**	
C) Cash flows from financing activities			
Withdrawal of the former Space4 shareholders	(31,323)	-	
Interest received	1,832	2,914	
Interest paid	(10,135)	(22,298)	
Transaction costs paid for bonds issued in 2018	(14,633)	(718)	27
Other financial items	(5,457)	(831)	
Dividends paid	(1,134)	(8,643)	
Proceeds from new borrowings and bonds	916,985	2,276	27
Repayment of borrowings and bonds	(1,019,028)	(8,917)	27
Repayment of leases	(1,000)	(7,293)	27
Change in financial assets	261	(151)	
Flusso monetario utilizzato per attività finanziaria	**(163,632)**	**(43,660)**	
Flusso monetario netto dell'esercizio	**(463,983)**	**7,001**	
Effect of exchange fluctuations on cash held	(428)	2,261	
Closing cash and cash equivalents	**47,795**	**57,056**	**20**

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

(*) The 2018 comparative figures were restated to reflect the effects of the completion of the PPA procedure related to the following business combinations: i) Guala Closures Group (July 31, 2018) and ii) Guala Closures UCP (December 12, 2018). Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Statement of changes in equity

(€'000)	Attributable to the owners of the parent								Non-controlling interests			
	Share capital	*Share premium reserve*	*Legal reserve*	*Translation reserve*	*Hedging reserve*	*Losses carried forward and other reserves*	*Profit for the year*	*Equity*	*Share capital and reserves*	*Profit for the year*	*Equity*	*Total equity*
January 1, 2018	**51,340**	**455,160**				**(4,677)**	**(6,577)**	**495,246**			**-**	**495,246**
Coverage of 2017 loss						(6,577)	6,577	-	-	-	-	-
Profit for the year							96	96		2,713	2,713	2,809
Other comprehensive expense				(4,139)	43	(160)		(4,255)			-	(4,255)
Comprehensive expense for the year	***-***	***-***	***-***	***(4,139)***	***43***	***(6,737)***	***6,673***	***(4,159)***	***-***	***2,713***	***2,713***	***(1,446)***
Guala Closures business combination and share capital increase for the merger	17,567					137,709		155,275	37,676		37,676	192,951
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 from/to shareholders and other changes	***17,567***	***(31,323)***	***-***	***-***	***-***	***128,342***	***-***	***114,585***	***36,620***	***-***	***36,620***	***151,205***
December 31, 2018 (*)	**68,907**	**423,837**	**-**	**(4,139)**	**43**	**116,928**	**96**	**605,671**	**36,620**	**2,713**	**39,333**	**645,004**
January 1, 2019 (*)	**68,907**	**423,837**	**-**	**(4,139)**	**43**	**116,928**	**96**	**605,671**	**36,620**	**2,713**	**39,333**	**645,004**
Allocation of 2018 profit			643			(547)	(96)	-	2,713	(2,713)	-	-
Profit for the year							7,705	7,705		6,954	6,954	14,659
Reclassification					(87)	87		-			-	-
Other comprehensive income				10,180	44	(218)		10,006	2,543		2,543	12,549
Comprehensive income for the year	***-***	***-***	***643***	***10,180***	***(43)***	***(677)***	***7,609***	***17,711***	***5,256***	***4,241***	***9,497***	***27,207***
Dividends to non-controlling interests								-	(7,296)		(7,296)	(7,296)
Capital increase by non-controlling interests									146		146	146
Total contributions and distributions from/to shareholders and other changes	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***(7,150)***	***-***	***(7,150)***	***(7,150)***
Balance at December 31, 2019	**68,907**	**423,837**	**643**	**6,041**	**-**	**116,249**	**7,705**	**623,381**	**34,726**	**6,954**	**41,680**	**665,060**

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

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure related to the following business combinations: i) Guala Closures Group (July 31, 2018) and ii) Guala Closures UCP (December 12, 2018). Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Notes to the consolidated financial statements at December 31, 2019

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 September 19, 2017 with the name of Space4 S.p.A.. It was 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 December 21, 2017.

On July 31, 2018, Space4 S.p.A. acquired Guala Closures S.p.A., the parent of Guala Closures Group (“pre-merger Guala Closures” or “pre-merger Guala Closures Group”, respectively). On August 6, 2018, Guala Closures S.p.A. was merged into Space4 S.p.A..

Following the above transaction, 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 commercial register. Its registered office is in via Rana 12, zona industriale D6, Spinetta Marengo (Alessandria).

Further to the acquisition of pre-merger Guala Closures Group completed by Space4 S.p.A. on July 31, 2018, the 2018 comparative figures included in these consolidated financial statements comprise those of just Space4 S.p.A. for the period from January 1, 2018 to July 31, 2018 and post-merger Guala Closures Group (i.e., consolidation scope including Space4 S.p.A. and pre-merger Guala Closures Group) for the period from August 1, 2018 to December 31, 2018. Therefore, they cannot be compared with 2019. The directors’ report provides a complete analysis of the pro forma figures referring to the scope of pre-merger Guala Closures Group and Space 4 S.p.A..

These consolidated financial statements reflect the completion of the procedure to allocate the purchase prices to the identifiable assets acquired, the identifiable liabilities assumed and the non-controlling interests acquired by Guala Closures Group as part of the acquisition of pre-merger Guala Closures Group (note 6.1) and the acquisition of United Closures and Plastics (UCP). Consequently, the December 31, 2018 comparative figures have been restated in order to recognise the effects of the business combinations that took place on July 31, 2018 (Guala Closures Group) and UCP on December 12, 2018 as of such dates (note 6.2).

Guala Closures Group’s main activities involve the design and manufacturing of closures for spirits, wine and non-alcoholic beverages such as water, olive oil and vinegar, as well as pharma products to be sold mainly on 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, specialised in the production of Safety closures (safety product line), customised closures (luxury product line), aluminium closures (wine product line), roll-on closures (standard product line) and closures for the pharmaceutical and other sectors;

- the PET division, which produces PET bottles and miniatures. This division is no longer considered a core business and, as a result of the reorganisation which entailed the sale of part of the assets and the transfer of the residual ones from Spain to the United Kingdom during the year, the division is now closely connected to the Closures division as its customers and those of the Closure division's Spirit sector are the same and because the PET division's activities are substantially an accessory market related to the sale of closures to group customers.

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.

(2) Accounting policies

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements of Guala Closures S.p.A. and its subsidiaries at December 31, 2019 are the first set of annual consolidated financial statements which cover the group's 12-month operations after Guala Closures Group was acquired by Space4 S.p.A. on July 31, 2018.
The comparative figures at December 31, 2018 include the 12-month operations of Space 4 S.p.A. and the 5-month operations of Guala Closures Group, i.e., between July 31, 2018 and December 31, 2018.

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

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives, market warrants and contingent consideration arising in a business combination (i.e., the put option on non-controlling interests) 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.

The consolidated financial statements have been prepared using 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 ("OCI") 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.

For each asset and liability caption including amounts due within and after one year, the amount which is expected to be received or paid after one year is shown.
Pursuant to Consob resolution no. 15519 of July 27, 2006 on financial statements, significant related party transactions and non-recurring items have been indicated separately in the consolidated financial statements.

a) 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 at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised 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 recognised immediately in profit or loss in the other income caption.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised 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 within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.
When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate 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 non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Consolidation procedures

The financial statements of the subsidiaries are prepared for each reporting period using the same accounting policies as those of the parent. Consolidation adjustments are recognised to make those captions impacted by the application of different accounting policies consistent. All intragroup balances and transactions, including any unrealised profits on transactions within the group, are completely eliminated. Unrealised losses, other than impairment losses, are eliminated. The related tax effects are measured on all consolidation adjustments.

The group companies are listed below, stating name, registered office, share/quota capital, direct and indirect investments held by the parent and each subsidiary and method of consolidation at December 31, 2019.

List of investments in subsidiaries at December 31, 2019

	Registered office	Currency	Share/quota capital	Investment percentage	Type of investment	Method of consolidation
EUROPE						
Guala Closures International B.V.	The Netherlands	€	92,000	100%	Direct	Line-by-line
GCL Pharma S.r.l.	Italy	€	100,000	100%	Direct	Line-by-line
GCL International Sarl	Luxembourg	€	6,640,700	100%	Indirect (*)	Line-by-line
Guala Closures UK Ltd.	United Kingdom	GBP	134,000	100%	Indirect (*)	Line-by-line
Guala Closures UCP Ltd.	United Kingdom	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	Ukraine	UAH	90,000,000	70%	Indirect (*)	Line-by-line
Guala Closures Bulgaria AD	Bulgaria	BGN	6,252,120	70%	Indirect (*)	Line-by-line
Guala Closures DGS Poland S.A.	Poland	PLN	595,000	70%	Indirect (*)	Line-by-line
Guala Closures BY LLC	Belarus	BYN	1,158,800	70%	Indirect (*)	Line-by-line
Guala Closures Deutschland GmbH	Germany	EUR	25,000	100%	Indirect (*)	Line-by-line
ASIA						
Guala Closures India pvt Ltd.	India	INR	170,000,000	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	100,000,000	100%	Indirect (*)	Line-by-line
LATIN AMERICA and NORTH						
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	320,946,330	100%	Indirect (*)	Line-by-line
Guala Closures do Brasil LTDA	Brazil	BRL	10,736,290	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 South Africa Pty Ltd.	South Africa	ZAR	60,000,000	100%	Indirect (*)	Line-by-line
Guala Closures East Africa Pty Ltd.	Kenya	KES	30,400,000	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) as they are not consolidated due to their immaterial size.

(b) Use of estimates and judgments

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 next financial year is included in the following notes: loss allowance (note (p) estimated expected credit loss) and allowance for inventory write-down (note 22 inventory estimated recoverability), amortisation/depreciation and impairment of non-current assets (notes (i) (k) estimated useful life), employee benefits (note 31 estimated actuarial assumptions), taxes (note 17 estimated future taxable income), provisions (note 29), measurement of financial derivatives, effects of business combinations (note 6 estimated fair value of acquired assets and liabilities), market warrants (note 27 estimated fair value of market warrants), financial liabilities to non-controlling investors (note 27 fair value put option).

Such estimates and assumptions are reviewed regularly. Any changes arising therefrom are recognised 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 recognised in the year in which the review takes place.

(c) Changes in accounting standards

Except for that set out below, the accounting policies applied in the preparation of these consolidated financial statements are the same as those applied to the consolidated financial statements of Guala Closures Group at December 31, 2018, to which reference should be made.

<u>New applicable standards</u>

The new standards and/or amendments thereto applicable to annual reporting periods beginning on or after January 1, 2019 are set out below:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amdendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual improvements to IFRS's 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The only standard that had a significant impact on the consolidated financial statements has been the IFRS 16 Leases.

IFRS 16 Leases

The group has applied IFRS 16 starting from January 1, 2019. Other new standards became applicable on the same date but did not have a significant impact on the group's consolidated financial statements.

IFRS 16 introduces a single 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. The accounting model for lessors has not changed substantially from the IAS 17 model.

Guala Closures Group has elected to apply the modified retrospective approach whereby the comparative figures are not adjusted and no FTA effects were recognised in the reserves at January 1, 2019. Therefore, the comparative figures for 2018 are presented in line with those reported in the consolidated financial statements at December 31, 2018 prepared in accordance with IAS 17.

A. Definition of a lease

Prior to application of IFRS 16, Guala Closures Group determined whether a contract was, or contained, a lease at the inception date in accordance with IFRIC 4 - Determining Whether an Arrangement Contains a Lease. The group now determines whether a contract is, or contains, a lease based on the new definition of IFRS 16. Specifically, the new standard establishes that a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

B. Leases in which the group is a lessee

The group has recognised new assets and liabilities for its operating leases (as per the definition of IAS 17) of land, warehouse and factory facilities, production lines, vehicles used within the facilities and IT hardware.
The nature of expenses related to those leases has changed because the group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities and no longer has lease payments.
Previously, the group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.
Short-term leases, i.e., with a term of less than 12 months, and leases for which the underlying asset is of low value, which have been excluded from the scope of IFRS 16 as per the practical expedient, are recognised as operating expense on a straight-line basis over the lease term.

i. Recognition and measurement

The group recognises a right-of-use asset, separately from property, plant and equipment and intangible assets, and a lease liability at the commencement date of the lease, which is the date on which the lessor makes an underlying asset available for use to the lessee.

The group initially measures the right-of-use asset at cost and subsequently at cost less any accumulated depreciation/amortisation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.
It depreciates/amortises the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses the incremental borrowing rate of the lessee (the group company) or the group.
The lease liability is subsequently increased to reflect interest on the lease liability and decreased to reflect the lease payments made.
The group remeasures the lease liability to reflect changes in the in-substance fixed or variable lease payments that depend on an index or a rate used to determine those payments, in any residual value guarantees provided to the lessor by the lessee or, if appropriate, there is a change in the assessment of whether the lessee is reasonably certain it will exercise a purchase or extension option or it is reasonably certain it will not exercise a termination option.

The lessee considered the renewal options when determining the lease term and, specifically, considered as reasonably certain the exercise of the first renewal option which may be included in the lease. With respect to leases that do not contain annual automatic renewal options, the group considered the lease term based on the time horizon of the business plan prepared by group management (five years), assuming that this time horizon properly reflects a period of time adequate to assess the lease term with a reasonable certainty. Assessment of the reasonable certainty of exercising the renewal option affects the lease term which, in turn, significantly affects the lease liability and the right-of-use asset.

ii. First-time adoption (FTA)

Guala Closures Group elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.
It also elected to adopt the following simplifications and practical expedients provided by IFRS 16 to decrease the costs of FTA:

- exclusion from the list of leases identified as being, or containing, a lease at the date of initial application (January 1, 2019) of short-term leases, i.e., with a term of less than 12 months, and leases for which the underlying asset is of low value;
- with respect to leases identified as finance leases under IAS 17 at the date of initial application (January 1, 2019), the right-of-use asset and the lease liability are recognised at the carrying amounts shown in the consolidated financial statements at December 31, 2018 in accordance with IAS 17;
- with respect to leases identified as operating leases under IAS 17 at the date of initial application (January 1, 2019), the lease liability is initially recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, while the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

As a result of the simplifications and practical expedients adopted by the group, there are no effects of the FTA recognised in the reserves at January 1, 2019.

C. Leases in which the group is a lessor

The recognition and measurement of leases as a lessor have not changed from IAS 17. Sub-leases are classified considering the right-of-use asset of the head lease and not the identified underlying asset.
The group has not made any adjustments due to transition to IFRS 16 for leases where it is the lessor.

D. Effects on the consolidated financial statements

At the date of initial application (January 1, 2019), the group recognised the following amounts for the right-of-use assets and lease liabilities for leases not already recognised under IAS 17.

(€'000)	**January 1, 2019**
Land and buildings	13,448
Plant and machinery	825
Equipment	1,662
Other assets	1,027
Lease liabilities	(16,962)
Effect on equity at January 1, 2019	**0**

As noted, the adoption of IFRS 16 has not generated differences to be recognised in the reserves at January 1, 2019 due to the group's application of the practical expedients.

The group used the interest rate implicit in the lease to measure the lease liability or if that rate cannot be readily determined, the lessee's incremental borrowing rate (i.e., the incremental borrowing rate of the group companies) or alternatively, as a last resort, the group's incremental borrowing rate.

A reconciliation of the lease liabilities recognised at the date of initial application at January 1, 2019 with the minimum lease payments for non-cancellable leases shown in the notes to the consolidated financial statements at December 31, 2018 is provided below.

(€'000)	**Total**
Minimum future payments for non-cancellable leases shown in the notes to the consolidated financial statements at December 31, 2018	12,713
Discounted minimum future payments for non-cancellable leases shown in the notes to the consolidated financial statements at December 31, 2018	11,335
Finance lease liabilities recognised in the consolidated financial statements at December 31, 2018	6,095
Leases where the underlying asset is of a low value and short-term leases excluded from the scope of IFRS 16	(857)
Lease extension options that the group is reasonably certain to exercise	6,485
Lease liabilities at January 1, 2019	**23,057**

At the date of initial application, the group recognised a right-of-use asset and a lease liability of €17.0 million as the effect of FTA of IFRS 16 for leases previously classified as operating leases.

(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 Euros, the parent's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the same date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the transaction date. Exchange differences are generally recognised in profit or loss and presented within financial expense.

However, exchange differences arising from the translation of the following items are recognised in other comprehensive income:

- an investment in equity securities designated as at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into euro at the exchange rates at the transaction date.

Hyperinflationary economy: since 2018 Argentina has been considered an hyperinflationary economy as defined by IFRS, specifically IAS 29. Consequently, following Argentina's inclusion in the list of hyperinflationary economies, as of July 1, 2018 and effective from January 1, 2018, Guala Closures Group has applied IAS 29: Financial Reporting in Hyperinflationary Economies.
At December 31, 2019, the group's operations in Argentina represented approximately 2% of its revenue, 2% of its operating performance and 1% of its net assets.

Exchange differences are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the operation is connected to 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 that 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 reallocated 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 = x foreign currency	December 31, 2018	December 31, 2019
Pound sterling	0.8945	0.8508
US dollar	1.1450	1.1234
Indian rupee	79.7298	80.1870
Mexican peso	22.4921	21.2202
Columbian peso	3,721.8100	3,688.6600
Brazilian real	4.4440	4.5157
Chinese renmimbi	7.8751	7.8205
Argentinian peso	43.1593	67.2749
Polish zloty	4.3014	4.2568
New Zealand dollar	1.7056	1.6653
Australian dollar	1.6220	1.5995
Ukrainian hryvnia	31.7362	26.7195
Bulgarian lev	1.9558	1.9558
South African rand	16.4594	15.7773
Japanese yen	125.8500	121.9400
Chilean peso	794.3700	844.8600
Kenyan shilling	116.6284	113.8986
Belarus ruble	n.a.	2.3687

Statement of profit or loss and other comprehensive income

€1 = x foreign currency	2018	2019
Pound sterling	0.88475	0.87731
US dollar	1.18149	1.11958
Indian rupee	80.72773	78.85016
Mexican peso	22.71603	21.55728
Columbian peso	3,488.42250	3,673.07250
Brazilian real	4.30874	4.41353
Chinese renmimbi	7.80736	7.73388
Argentinian peso	43.15930	67.27490
Polish zloty	4.26058	4.29753
New Zealand dollar	1.70585	1.69928
Australian dollar	1.57992	1.61059
Ukrainian hryvnia	32.11569	28.92921
Bulgarian lev	1.95580	1.95580
South African rand	15.6134	16.1731
Japanese yen	130.4096	122.0564
Chilean peso	756.9625	786.9642
Kenyan shilling	116.4073	114.1884
Belarus ruble	n.a.	2.2936

(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 realisable value. Net realisable 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 realisable 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 groups

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 recognised 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 operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative year.

(i) Property, plant and equipment

Property, plant and equipment are recognised 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, capitalised.

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 depreciated over the related asset's residual useful life. All other expenditure is expensed in the year in which it is 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 depreciated over the related asset's residual useful life. All other expenditure is expensed in the year in which it is 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.

(k) Intangible assets

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

Research expenditure
Expenditure on research undertaken to gain scientific and technical knowledge and information is recognised 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 capitalised 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.
Capitalised development expenditure is measured at cost, net of accumulated amortisation 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 amortisation 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 amortisation periods for intangible assets are as follows:

	Amortisation period (years)
Development expenditure	5
Patents and trademarks	5 - 10
Software	5
Licences	5
Customer list	20
Other capitalised 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 amortised 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 recognised in profit or loss at the time of disposal.

(l) Income taxes

Income taxes comprise current and deferred tax. They are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in 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 and unused tax credits 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 recognised 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. 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 year that such a determination is made.

(m) Financial instruments

Recognition and measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

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 financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset 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 (n)). 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 measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: business model assessment

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 key managers;
- 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, value 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 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

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, for the credit risk associated with the principal amount outstanding in a given period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as for the 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 significant discount or premium on 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 immaterial at initial recognition.

Financial assets: subsequent measurement and gains and losses

Financial assets 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. See note (n) for derivatives designated as hedging instruments.
Financial assets measured 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, 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 investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, 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 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 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 exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Derecognition

Financial assets

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 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) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

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 exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of currency risk on a net investment in a foreign operation.

At the 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 present 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 inventories, 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 year or years 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 year or years 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.

(o) Share capital and equity

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a decrease in equity, net of any tax effects.

Repurchase and reissue of ordinary shares (treasury 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 investors exercise a put option and the non-controlling investor still has present access to the economic benefit associated with the underlying ownership interests, it recognises a liability calculated by discounting the estimated value at the exercise date using the present access method whereby a liability is recognised decreasing the equity caption “Retained earnings (losses carried forward)” in the first year, with subsequent remeasurement recognised in profit or loss as financial expense.

Warrants

Warrants are recognised in accordance with the conditions set out in the relevant regulations governing their operation.

Warrants with fixed conversion parameter

Some warrants (sponsor warrants and management warrants) have fixed and predetermined subscription prices and exercise ratios at the date of issue within predefined time windows. In these cases, the warrant regulation provides for the number of shares that will be issued and the price (if any) that the holder must pay to the company on the date of exercise of the warrants. These instruments are accounted for by the group as equity instruments.

Warrants with variable conversion parameter

Some warrants (market warrants) have a conversion ratio that varies over time and according to the variability of the market price of the underlying share and other parameters provided for in the relevant regulation. Despite the variability of the conversion ratio, the expiry date of the warrant is brought forward when certain thresholds of the price of the underlying share are achieved (thus representing a cap on its appreciation) with the right to settle the instrument through the delivery of shares or cash to the bearer of the rights or to the issuer. Due to the mentioned features, these instruments are considered and classified as derivative financial liabilities under IFRS 9, the change in fair value are accordingly recognized in the profit & loss.

(p) Impairment

Non-derivative financial instruments

Financial instruments and contract assets

The group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- contract assets.

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as enforcing a security (if any is held).

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

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

<u>Credit-impaired financial assets</u>

At each reporting date, the group assesses whether financial assets carried 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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The gross carrying amount of a financial asset is partially or fully impaired to the extent the group has no reasonable expectations of its recovery. For customers, the group individually makes an assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

<u>Non-financial assets</u>

At each reporting date, the group reviews the carrying amounts of its non-financial assets, except for 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 contribution plans relates the post-employment benefit plans whereby the group companies pay fixed contributions to an entity that is legally separated on a mandatory, contractual or voluntary basis without there being any actual or constructive obligation to make additional payments if the entity does not hold sufficient assets to pay all accrued pension benefits relating to current or past services. Contributions payable are recognised in profit or loss on an accruals basis and classified as personnel expense.

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 year 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 year 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 benefits 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.

For Italian entities, starting from January 1, 2007, the Finance Act (Law no. 296 of December 27, 2006, the “2006 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 after January 1, 2007 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 consolidated financial statements at the end of the year refer to the amount due to employees, not yet paid but vested up to December 31, 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 recognised 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 expected future cash flows 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 recognised as financial expense.

(s) Revenue

The group has applied IFRS 15 Revenue from Contracts with Customers since January 1, 2018. Specifically, IFRS 15 introduced a new model for revenue recognition based on the following five steps:

- 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.

Revenue is recognised, net of returns, discounts, rebates and bonuses, as well as taxes directly related to the sale of products and the provision of services. They are measured taking into account the consideration specified in the contract with the customer. The group, which generally operates as principal, recognises revenue when it transfers control of the goods or services (point in time). Control of the safety and standard closures is transferred to the customers when the goods are delivered to their premises, i.e., when the goods are taken over by the carrier selected by the customer if earlier and, accordingly, the group recognises the related revenue at such times. There are generally no further contractual obligations for the group.

There are no significant discounts for final customers and there are no contracts which enable customers to return products in exchange for new ones or cash reimbursements.

Usually, no costs are incurred to obtain or perform contracts with customers.

(t) Government grants

Grants relating to assets and income are recognised 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 recognised 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 recognised under Other operating income.

(u) Financial income and expense

The group's financial income and finance expense include:

- interest income;
- interest expense;
- dividend income;
- dividends on preference shares classified as financial liabilities;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the exchange gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- 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 to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.
The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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 categorised 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 measurement.

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

(w) Standards, amendments and interpretations not yet applicable

The new standards and/or amendments thereto applicable to annual reporting periods ending after December 31, 2019 are set out below.

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the group has not early adopted the new or amended standards in preparing these consolidated financial statements since they are not expected to have a significant impact thereon:

- Amendments to References to the Conceptual Framework in IFRS Standards. The Conceptual Framework describes the concepts for financial reporting in accordance with IFRS. It is a practical tool that helps the IASB to develop new standards, assists preparers of financial statements to develop consistent accounting policies when no standard applies and assists all parties to understand and interpret IFRS [CF.SP1.1]. The EU does not endorse the new Conceptual Framework since this document only provides a conceptual framework of IFRS and is not a standard. The main changes and innovations include:
  - new concepts for the measurement, presentation, transparency and derecognition of previously recognised items;
  - updates to the definition of assets and liabilities and the recognition of financial assets and liabilities;
  - greater clarity on the principles of prudence, uncertainties in assessments, substance over form and directors' responsibility.
- Definition of "material" (Amendments to IAS 1 and IAS 8). As part of the Better Communication in Financial Reporting project, with which the IASB intends to improve the way financial information is communicated to users of the financial statements, the definition of "material" was amended. This is a pervasive principle in IFRS and affects not only the recognition, measurement and presentation of financial statements items, but also the selection of the disclosure in the notes thereto. Prior to the amendment, the definition of "material" was covered by both paragraph 7 of IAS 1 Presentation of Financial Statements and paragraph 5 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Following the amendment, this definition was amended and extended only in the first standard, while the second standard only makes reference to the definition included in IAS 1.7. The aim of the amendment is to clarify that not all omitted information is material. Consequently, financial statements preparers are not obliged to provide mandatorily all disclosures required by the individual standards. Rather, they must provide only those that are material for financial statements users. Another amendment clarifies that information is material not only if it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make if omitted or misstated, but also if concealed. Indeed, the effect would be the same as an omission or misstatement.
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). In this first phase of the project, the IASB amended IFRS 9, IAS 39 and IFRS 7 to enable entities not to terminate hedging transactions, until the interest rate benchmark reform is completed. Specifically, it provides temporary relief from applying specific hedge accounting requirements (IFRS 9 and IAS 39) to be mandatorily applied to all hedging transactions directly affected by the interest rate benchmark reform.

At the reporting date, the European Union had not yet completed the endorsement process for the following standards and amendments:

- IFRS 14 Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Definition of business (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

(4) Brexit

The group carries out a considerable part of its business in the United Kingdom and this has increased since its acquisition of the Scottish company United Closures and Plastics (“UCP”) in 2018.

The United Kingdom officially left the European Union on January 31, 2020, three and a half years after the referendum of June 23, 2016 which followed an extended and troubled internal Brexit review process. A formal transition period has now commenced, during which the status quo is expected to be maintained in the existing trade agreements between both parties, until a new trade deal is agreed by the parties before the end the negotiations.

The duration of the transition period is uncertain, although the aim is to reach an agreement before the end of 2020. Considering the scope and the complexity of the trade deals that have to be agreed for all exchanges of goods and services between the United Kingdom and the EU, this timeframe is ambitious and may be extended.

At the time of writing, the expectation is that the United Kingdom and the European Union intend to sign a trade deal.

If the negotiation fails and a trade deal is not reached, the risk is that customs duties will be applied on transactions between the United Kingdom and the European Union, significant fluctuations in the exchange rate of the Pound against the Euro and the possibility of even stricter regulations being applied.

The Guala Closures Group has closely monitored the Brexit process and has deemed that there are no significant related risks that could materially affect the group’s assets and liabilities at the reporting date.

The group does not expect that the future financial performance of its operations in the United Kingdom will be significantly impacted by Brexit due to a local presence with long established customer relationships and to a market which offers stable real growth in volumes and the possibility of hedging in order to maintain the assumptions on profit margins envisaged in the budget.

The group has taken the following mitigating factors into account in evaluating the Brexit-related risks:

- its consolidated relationships with its customers, which are mainly local companies belonging to large groups with which the Guala Closures Group has longstanding commercial relationships;
- a stable market which is resilient to changes in socio-political conditions;
- the group’s position as market leader of its sector;
- most of the UK cross-border transactions are with the European Union and a trade deal between the parties is, at, present, likely;
- the expectation that the market will absorb any customs duties through consumer prices and that they are recharged to the added value of the products sold;
- financial liabilities are mostly in euros and only a small portion is in pounds sterling. There are no significant non-current financial assets and liabilities in pounds sterling;
- the group’s local companies that operate in the United Kingdom do not have exposures to banks in the United Kingdom;
- the human resources in the United Kingdom are local and there are no significant risks expected in relation to customs restrictions on the entrance of people into the United Kingdom;
- no significant contractual risks have been identified.

The group and, especially, Guala Closures UK and Guala Closures UCP are prepared for a hard Brexit outcome and have introduced new procedures for imports to manage the flow of goods from the EU and to the United Kingdom.

While there is great uncertainty about future events, based on the above-mentioned internal assessments and supported by meetings with the customers of the local group companies, the group has not identified significant factors that would suggest that its production and sales will be greatly affected by Brexit.

Although it is not currently expected to have a material impact on the group's operations, the Brexit process remains uncertain and could give rise to restrictions on imports and exports between the United Kingdom and the member states of the European Union, fluctuations in the exchange rate between the pound sterling and the Euro and more stringent regulations which could negatively and significantly impact the group's operations and financial performance.

(5) 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 which did not meet any of the quantitative thresholds for determining reportable segments under IFRS 8 in December 2019.

During the second quarter of 2019, Guala Closures Group launched the reorganisation of the PET division, the activities of which were only performed by Guala Closures Iberica, up until the acquisition of the British UCP on December 12, 2018. After acquiring UCP, the group decided to reorganise the division by transferring part of the assets to a non-group operator in this sector and to concentrate the remaining ones with the newly acquired Guala Closures UCP. The reorganisation was undertaken to benefit from the sale of a non-strategic business to a third party and to concentrate production in a single group facility, thereby generating economies of scale.

As a result of the reorganisation, the division is closely connected to the Closures division as its customers and those of the Closure division's Spirit sector are the same and because the PET division's activities are substantially an accessory market related to the sale of closures to group customers.

Information regarding the results of the group's reportable segment is included below. Performance is measured based on segment revenue, operating profit, amortisation and depreciation, trade receivables, inventories, trade payables, property, plant and equipment, right-of-use assets 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 2018 comparative figures included in these consolidated financial statements comprise those of just Space4 S.p.A. for the period from January 1, 2018 to July 31, 2018, and those of post-merger Guala Closures Group for the period from August 1, 2018 to December 31, 2018.

Statement of profit or loss and other comprehensive income

(€'000)	Closures		Other operations		Total	
	2018 (*)	**2019 (**)**	**2018 (*)**	**2019 (**)**	**2018 (*)**	**2019 (**)**
Net revenue	236,364	601,027	1,055	5,519	237,419	606,546
Operating profit (loss)	14,316	46,091	(204)	(883)	14,112	45,208
Amortisation and depreciation	(22,301)	(62,728)	(52)	(181)	(22,352)	(62,909)

(*) The 2018 comparative figures were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on July 31, 2018 and UCP PPA procedure.

(**) Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.
Amortisation and depreciation recognised in 2019 include the depreciation of the right-of-use assets.

Statement of financial position

(€'000)	Closures		Other operations		Total	
	December 31, 2018 (*)	**December 31, 2019 (**)**	**December 31, 2018 (*)**	**December 31, 2019 (**)**	**December 31, 2018 (*)**	**December 31, 2019 (**)**
Trade receivables	102,198	103,347	606	746	102,805	104,093
Inventories	92,232	99,799	1,026	543	93,258	100,342
Trade payables	(70,383)	(76,141)	(948)	(415)	(71,331)	(76,556)
Property, plant and equipment	241,434	255,362	1,210	1,179	242,644	256,541

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combination which took place on July 31, 2018.

(**) Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

Information by geographical segment

The Closures segment operates from a network of production facilities in all five continents and the main countries in terms of third-party sales are the United Kingdom, India, Italy, Poland, Mexico, Spain, Ukraine, Australia, North America, South Africa and France.

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

(€'000)	**Net revenue**	
	2018	**2019**
United Kingdom	28,000	109,638
India	30,657	73,120
Italy	28,463	68,348
Poland	25,012	64,121
Mexico	21,112	49,163
Spain	15,777	44,471
Ukraine	24,460	43,809
Australia	12,610	28,380
North America	5,593	16,548
South Africa	7,857	15,194
France	4,631	13,467
Other countries	33,248	80,287
Net revenue	**237,419**	**606,546**

(€'000)	Non-current assets other than financial instruments and deferred tax assets: property, plant and equipment, right-of-use assets and intangible assets	
	December 31, 2018 (*)	December 31, 2019 (**)
Italy	597,609	589,933
Australia	83,525	86,761
India	73,780	70,746
Poland	52,333	50,252
Spain	41,197	40,933
Mexico	36,112	38,159
Ukraine	34,415	40,489
Brazil	14,714	14,316
South Africa	18,860	16,826
Other countries	101,428	113,611
Consolidation adjustments	72,204	66,551
Property, plant and equipment, right-of-use assets and intangible assets	**1,126,177**	**1,128,576**

(€'000)	Deferred tax assets	
	December 31, 2018 (*)	December 31, 2019 (**)
Australia	1,233	2,383
Argentina	1,121	1,845
Italy	885	9,342
Chile	652	1,151
India	479	751
Spain	326	295
New Zealand	208	170
South Africa	143	400
China	100	148
Mexico	41	59
Poland	586	0
Other countries	2	593
Consolidation adjustments	617	803
Deferred tax assets	**6,393**	**17,940**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combination which took place on July 31, 2018.
(**) Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

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

Information about major customers

In the Closures segment, at December 31, 2019, there are two customers that generate over 10% of revenue: the turnover of the first customer amounts to around €87 million for 2019 (roughly 14% of net revenue), while that of the second customer is approximately €72 million for the same year (roughly 12% of net revenue).

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

No non-recurring acquisitions of subsidiaries, business units or non-controlling interests took place during the year.

These consolidated financial statements fully reflect the completion of the procedure to allocate the purchase prices to the identifiable assets acquired, the identifiable liabilities assumed and the non-controlling interests acquired by Guala Closures Group as part of the acquisitions of pre-merger Guala Closures Group and United Closures and Plastics, described in detail in the 2018 Annual Report to which reference should be made.

(6.1) Acquisition of pre-merger Guala Closures Group

(6.1.1) Introduction

On July 31, 2018, Space4 S.p.A. acquired 67% of pre-merger Guala Closures, the parent of pre-merger Guala Closures Group and, on August 6, 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.

Furthermore, GCL transferred:
(a) 2,601,089 ordinary shares to GCL Holdings LP S.à.r.l. ("LP");
(b) 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 August 6, 2018, Space4 S.p.A. carried out a €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 (€6.75381)/Price per Space4 share (€10.00).

The transaction, which is in line with Space4 S.p.A.'s business object, generated a positive difference between the consideration transferred (equal to the consideration transferred by Space4 S.p.A. increased by the fair value of the shares issued to serve the merger in favour of GCL Holdings SCA, PII G S.a.r.l., Quaestio Capital SGR, GCL Holdings LP S.a.r.l. and PEOF) and the fair value of the management warrants and the carrying amount of the non-controlling interests proportionally to the percentage of investment in Guala Closures' assets and liabilities and the net assets acquired. Under IFRS 3, if the sum of the transferred consideration exceeds the fair value of the net assets acquired and liabilities assumed on the acquisition date, the excess amount shall be allocated to goodwill (for additional information, reference should be made to the section on "Goodwill").
The effects of the transaction have been recognised as of July 31, 2018, the date on which the former shareholders transferred control over the group.

(6.1.2) Consideration transferred

Space4's net cash flows used by the acquisition are composed as follows:

(€'000)	
Consideration transferred at the acquisition date by Space4 S.p.A.	354,040
Cash and cash equivalents acquired	(47,666)
Net cash flow used at the acquisition date	**306,374**

The consideration transferred to acquire 100% of pre-merger Guala Closures shares may be analysed as follows:

€'000		
Consideration transferred at the acquisition date by Space4 S.p.A.	**(A)**	**354.040**
<u>Space4's equity instruments in exchange</u>		
Capital increase to serve the merger pertaining to GCL Holdings SCA		95,666
Capital increase to serve the merger pertaining to PII G S.à.r.l.		50,000
Capital increase to serve the merger pertaining to Quaestio Capital SGR		10,000
Capital increase to serve the merger pertaining to GCL Holdings LP S.a.r.l.		16,921
Capital increase to serve the merger pertaining to PEOF		2,372
Total Space4 equity instruments in exchange	**(B)**	**174,960**
Fair value of the management warrants of pre-merger Guala Closures	**(C)**	**1,334**
Total consideration transferred to acquire 100% of 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 €174,960 thousand.

On July 30, 2018, pre-merger Guala Closures made a capital increase against consideration which was fully subscribed and paid-in by GCL for approximately €25 million. These shares carried 1,480,646 GCL management warrants which were exchanged as part of the merger and, on the date the merger became effective, 1,000,000 management warrants were issued at the same exchange ratio as the merger. Therefore, the fair value of the management warrants amounted to €1,334 thousand and was included in the consideration transferred as part of the business combination.

(6.1.3) Transaction costs

The group incurred acquisition-related costs of approximately €11 million related to legal fees and due diligence costs. These costs have been mainly included in legal/consultancy expenses of the group's statement of profit or loss and other comprehensive income.

(6.1.4) Identifiable assets acquired and liabilities assumed

Recognised assets acquired and liabilities assumed are summarised below:

(€'000)	Carrying amounts before acquisition	Adjustment to trademarks, patents and other intangible assets	Adjustments for fair value measurement	Goodwill adjustments	Amounts recognised at acquisition
Property, plant and equipment	193,440		34,385		227,825
Goodwill	361,007			143,462	504,469
Other intangible assets	14,707	(9,639)	376,991		382,059
Inventories	98,637		7,424		106,061
Trade receivables	113,107				113,107
Trade payables	(70,960)				(70,960)
Net deferred tax assets	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 liabilities	(5,992)		(110,090)		(116,082)
Net 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 assets acquired and liabilities assumed	**108,250**	**(9,639)**	**308,710**	**143,462**	**550,783**
Reclassification of financial liabilities - non-controlling investors	17,700				17,700
Adjustment of tax assets	(1,916)				(1,916)
Adjusted net assets acquired and liabilities assumed	**124,034**	**(9,639)**	**308,710**	**143,462**	**566,567**
Adjustment of goodwill recognised under intangible assets	(361,007)			(143,462)	(504,469)
Net identifiable assets and liabilities	**(236,973)**	**(9,639)**	**308,710**	**-**	**62,098**

Measurement of fair values

Below is a summary of the valuation techniques used in measuring the fair values of the main assets acquired:

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**.**
Plant and machinery	The fair value of plant and machinery is estimated using the "replacement cost" method, whereby: - the cost to repurchase the asset is recalculated at current market costs; - the residual useful life of each asset is calculated based on an internal technical analysis carried out by the group's specialists; - a depreciation factor is determined in accordance with the IOWA curve; - fair value is taken to be the replacement cost. For some recently-acquired companies, the carrying amount at the measurement date was considered in line with the fair value.
Trademark	The fair value of Guala Closures' trademark was estimated using the relief from royalties method, whereby the intangible asset is measured at the present value of the consideration (royalty flows) to which the owner of the asset would be entitled as a right to use the asset over a period equal to the estimated residual useful life of the asset, assuming that it did not own the asset. The main assumptions applied to the trademark are as follows: - Useful life: 20 years - Royalty rate: 2% as per the group's policy and current market practices, net of the estimated maintenance costs - Italy's tax rate
Trade relationships with customers	The fair value of trade relationships with customers was calculated using the multi-period excess earnings method (MEEM) whereby the income pertaining to the asset is the difference between total income and the remuneration of other assets (property, plant and equipment, intangible assets and working capital). The main assumptions applied to the trade relationships with customers are as follows: - Useful life: 25 years - Churn rate: 4% calculated as the average between the company's churn rate and the churn rate embedded in the average useful life of the trade relationships with customers shown in the PPA procedures of comparable companies - Tax rate weighted by EBIT generated by the group's divisions
Patents	The fair value of patents was estimated using the relief from royalties method, whereby the intangible asset is measured at the present value of the consideration (royalty flows) to which the owner of the asset would be entitled as a right to use the asset over a period equal to the estimated residual useful life of the asset, assuming that it did not own the asset. The main assumptions applied to patents are as follows: - Specific useful life as per each patent registration document - Royalty rate: 4% as per the group's policy and current market practices, net of the estimated maintenance costs - Specific tax rate of the country of registration

(6.1.5) Goodwill

Goodwill arising from the acquisition was recognised as follows:

€'000		
Calculation of the total consideration		
Consideration		529,000
Fair value of management warrants		1,334
Consideration transferred to acquire 100% of shares	**(A)**	**530,334**
Equity attributable to non-controlling interests at the acquisition date		22,898
Adjustments for fair value measurement of equity attributable to non-controlling interests		13,335
Non-controlling interests proportionally to the percentage of investment in Guala Closures' assets and liabilities	**(B)**	**36,233**
Total consideration	**(C=A+B)**	**566,567**
Calculation of net identifiable assets and liabilities		
Net assets acquired and liabilities assumed		108,250
Reclassification of financial liabilities - non-controlling investors		17,700
Adjustment of tax assets		(1,916)
Adjusted net assets acquired and liabilities assumed	**(D)**	**124,034**
Adjustment of goodwill already recognised under intangible assets	(E)	(361,007)
Net identifiable assets and liabilities	**(G=D+E)**	**(236,973)**
Calculation of the initial difference to be allocated		
Adjustment to trademarks, patents and other intangible assets recognised under intangible assets	(F)	(9,639)
Initial difference to be allocated	**(H=C-G+F)**	**813,179**
Adjustments for fair value measurement of net identifiable assets and liabilities		
Plant and machinery		34,385
Inventories		7,424
Guala Closures trademark		75,327
Trade relationships with customers		252,205
Patents		49,459
Deferred tax liabilities		(110,090)
Total adjustments for fair value measurement of net identifiable assets and liabilities	**(I)**	**308,710**
Goodwill arising from the acquisition		
Total goodwill arising from the acquisition	**(L=H-I)**	**504,469**

"Non-current financial liabilities" include the financial liabilities to non-controlling investors related to the right to exercise the put option if certain conditions are met. This amount was not included in the calculation of the net assets acquired and net liabilities assumed as it related to the existing liability for the acquisition of non-controlling interests under the "present access method". It was recognised under non-current financial liabilities with a balancing entry in equity when calculating the goodwill arising from the acquisition.

The latter goodwill mainly related to the technical skills and knowledge of Guala Closures' personnel.

The recognised goodwill will not be deductible for income tax purposes.

(6.2) Acquisition of United Closures and Plastics

On December 12, 2018, through the Luxembourg subsidiary GCL International S.à r.l., the group completed the acquisition of United Closures and Plastics ("UCP"), a Scottish company with registered office in Bridge of Allan with a long-standing presence in the Scottish market, which supplies some landmark scotch whisky brands, with which it has forged well-established relationships.

This transaction enabled the Guala Closures Group to expand its footprint in the Scottish market, enhancing sales activities and its innovation and production processes. Indeed, the group will be able to consolidate its collaboration with the spirits multinationals in Scotland, particularly those of whisky, one of the most important segments in the spirits market. The transaction will also boost the industrial reorganisation process launched by the group in 2018 in the pursuit of greater production efficiency.

The following table summarises the acquisition-date (December 12, 2018) fair value of each major class of consideration transferred:

(€'000)	
Consideration paid to purchase shares	11,540
Consideration paid to purchase intangible assets	6,725
Consideration paid as repayment of the loan previously obtained by the RPC Group to UCP	1,442
Consideration paid at the acquisition date	**19,708**
Cash and cash equivalents acquired	(1,092)
Net cash flow used at the acquisition date	**18,616**

The Guala Closures Group acquired UCP and its intangible assets.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

(€'000)	**Carrying amounts before acquisition**	**Adjustments for fair value measurement**	**Amounts recognised at the acquisition date**
Property, plant and equipment	13,281	2,747	16,028
Intangible assets	6,725	-	6,725
Inventories	8,133	-	8,133
Trade receivables	3,363	-	3,363
Tax liabilities	(1,601)	-	(1,601)
Other current assets	1,979	-	1,979
Cash and cash equivalents	1,092	-	1,092
Provisions for risks	-	(266)	(266)
Trade payables	(7,264)	-	(7,264)
Liabilities - capital expenditure	(4)	-	(4)
Deferred tax liabilities	(388)	(471)	(860)
Other current liabilities	(2,143)	-	(2,143)
Net identifiable assets and liabilities	**23,173**	**2,009**	**25,182**
Profit generated by the acquisition	**3,465**	**2,009**	**5,474**
Consideration paid at the acquisition date	**19,708**	-	**19,708**

Based on the assessment, the profit generated by the acquisition was recognised under “Other revenue” (€5.5 million), equal to the difference between the greater value of the consolidated net assets of the UCP and the consideration transferred. This income component derives from the subjective conditions of negotiation of the acquisition of the business and its non “strategic” nature for the seller.

(€’000)	Amounts recognised at the acquisition date
Consideration paid at the acquisition date	19,708
less: net identifiable assets and liabilities	(25,182)
Profit generated by the acquisition	**(5,474)**

Measurement of fair values

Below is a summary of the valuation techniques used in measuring the fair values of the main assets acquired:

Assets acquired	Valuation technique
Property	The fair value of property was calculated based on the valuation carried out by an independent expert at June 12, 2018. The fair value was calculated assuming that the industrial use remains unchanged.
Plant and machinery	The fair value of plant and machinery is estimated using the “replacement cost” method, whereby: - the cost to repurchase the asset is recalculated at current market costs; - the residual useful life of each asset is calculated based on an internal technical analysis carried out by the group’s specialists; - a depreciation factor is determined in accordance with the IOWA curve; - fair value is taken to be the replacement cost. For some recently-acquired companies, the carrying amount at the measurement date was considered in line with the fair value.

The group incurred acquisition-related costs of €0.4 million related to legal fees and due diligence costs, which were included in the group’s statement of profit or loss and other comprehensive income for 2018, and €0.1 million related to stamp duties, included under Other operating expense in the group’s statement of profit or loss and other comprehensive income for the same year.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Further to the acquisition of pre-merger Guala Closures Group completed by Space4 S.p.A. on July 31, 2018, the 2018 comparative figures included in these consolidated financial statements comprise those of just Space4 S.p.A. for the period from January 1, 2018 to July 31, 2018 and post-merger Guala Closures Group (i.e., consolidation scope including Space4 S.p.A. and pre-merger Guala Closures Group) for the period from August 1, 2018 to December 31, 2018. Therefore, they cannot be compared with 2019. The directors' report provides a complete analysis of the pro forma figures referring to the scope of pre-merger Guala Closures Group and Space 4 S.p.A..

(7) Net revenue

The table below shows a breakdown of net revenue by geographical segment based on the location of the Group company that has generate such net revenue:

(€'000)	**2018**	**2019**
Europe	131,613	358,228
Asia	33,595	80,137
Latin and North America	46,566	109,754
Oceania	17,787	40,093
Africa	7,857	18,334
Total	**237,419**	**606,546**

The table below illustrates net revenue by product type:

(€'000)	**2018**	**2019**
Safety closures	102,806	256,148
Luxury closures (customised)	11,459	32,823
Wine closures	38,853	108,253
Pharma closures	3,352	8,184
Roll-on closures (standard)	69,719	179,273
PET	977	5,520
Other revenue	10,253	16,344
Total	**237,419**	**606,546**

The table below illustrates net revenue by destination market:

(€'000)	**2018**	**2019**
Spirits closures	156,696	402,267
Wine closures	38,853	108,253
Oil and vinegar closures	4,616	12,124
Pharma closures	3,352	7,863
Closures for other markets	22,672	54,174
PET	977	5,520
Other revenue	10,253	16,344
Total	**237,419**	**606,546**

(8) Other operating income

This caption includes:

(€'000)	2018	2019
Sundry recoveries/repayments	1,721	3,355
Gains on sale of non-current assets	122	396
Gain on the acquisition of UCP (UK)	5,474	-
Other	541	1,194
Total	**7,858**	**4,945**

(9) Internal work capitalised

(€'000)	2018	2019
Internal work capitalised	2,789	5,087
Total	**2,789**	**5,087**

(10) Costs for raw materials

This caption includes:

(€'000)	2018	2019
Raw materials and supplies	88,806	245,162
Packaging	4,386	11,614
Consumables and maintenance	2,297	6,804
Fuels	202	470
Other purchases	1,227	3,042
Change in inventories	6,029	(3,385)
Total	**102,946**	**263,706**

(11) Costs for services

This caption includes:

(€'000)	**2018**	**2019**
Electricity / heating	9,833	28,639
Transport	9,442	26,264
External processing	2,571	11,517
External labour / porterage	685	1,941
Sundry industrial services	2,285	6,046
Maintenance	2,145	7,534
Travel	2,013	5,082
Insurance	1,101	3,163
Legal and consulting fees	10,849	6,520
Directors' fees	618	1,191
Administrative services	2,534	3,022
Cleaning service	442	1,282
Technical assistance	677	1,745
Commissions	417	1,089
Entertainment expenses	403	783
Telephone costs	271	684
Security	201	429
Advertising services	309	253
Commercial services	103	290
Expos and trade fairs	165	401
Other	581	1,999
Total	**47,643**	**109,874**

In 2019, legal and consulting fees include €60 thousand related to the consultancy services provided by Space Holding S.r.l. (2018: €1,239 thousand) and €80 thousand (2018: €40 thousand) related to consultancy services provided by TAN Advisory S.r.l..

Details of fees paid to the key management personnel are provided in note 37) Related party transactions.

(12) Personnel expense

This caption includes:

(€'000)	**2018**	**2019**
Wages and salaries	33,304	98,509
Social security contributions	5,563	14,287
Expense from defined benefit plans	482	1,570
Expense from defined contribution plans	27	30
Other costs	3,882	10,920
Total	**43,258**	**125,316**

Details of fees paid to the key management personnel are provided in note 37) Related party transactions.

At December 31, 2018 and 2019, the group had the following number of employees:

Number	December 31, 2018	December 31, 2019
Blue collars	3,485	3,476
White collars	1,023	1,029
Managers	239	259
Total	**4,747**	**4,764**

(13) Other operating expense

This caption includes:

(€'000)	2018	2019
Rent and leases	2,221	1,552
Taxes and duties	897	2,280
Other costs for the use of third party assets	498	707
Accruals for risks and loss allowances	303	3,667
Other charges	833	2,651
Total	**4,753**	**10,856**

Accruals for risks relates primarily to provision for restructuring and provision for returns.
Accruals for bad debts are still confirmed as not significant and equate to €33 thousand.

(14) Financial income

This caption includes:

(€'000)	2018	2019
Exchange gains	2,049	7,830
Fair value gains (losses) on derivatives	-	53
Interest income	828	464
Fair value of market warrants	17,529	465
Other financial income	1,004	2,451
Total	**21,410**	**11,263**

Market warrants are listed instruments which are recognised under current financial liabilities. The financial income related to their fair value refers to the change in the official price of these instruments set by Borsa Italiana during the reporting period. A decrease in the official price generates financial income (as in 2018 and 2019) since it results in the reduction of the underlying financial liability. Conversely, an upturn in the official price generates expense, since it results in the increase of the underlying financial liability.

(15) Financial expense

This caption includes:

(€'000)	2018	2019
Interest expense	8,624	21,719
Exchange losses	7,569	12,386
Financial expense on financial liabilities to non-controlling investors	3,235	2,311
Non-recurring financial expense related to the refinancing	7,995	-
Fair value gains (losses) on derivatives	-	538
Other financial expense	965	2,729
Total	**28,388**	**39,683**

Financial expense on financial liabilities to non-controlling investors refer to the recognition of the increase in the financial liabilities 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.

Non-recurring financial expense related to the refinancing, amounting to €8.0 million in 2018, refers to the write-off of the unamortised transaction costs due to the pre-merger Guala Closures Group's refinancing on August 1, 2018 (early redemption of the Floating Rate Senior Secured Notes due in 2021 and the previous Senior Revolving Facility due in 2021).

In 2019, other financial expense includes €970 thousand related to the FTA of IFRS 16.

(16) Income and expense on financial assets/liabilities

The following table shows income and expense on financial assets/liabilities, specifying which are recognised in profit or loss and which directly in equity:

(€'000)	2018	2019
Recognised in profit or loss		
Interest income	828	464
Fair value of market warrants	17,529	465
Fair value gains (losses) on derivatives	-	53
Exchange gains	2,049	7,830
Other financial income	1,004	2,451
Total financial income	**21,410**	**11,263**
Interest expense on financial liabilities measured at amortised cost	(8,624)	(21,719)
Exchange losses	(7,569)	(12,386)
Fair value gains (losses) on derivatives	-	(538)
Other financial expense	(12,195)	(5,040)
Total financial expense	**(28,388)**	**(39,683)**
Net financial expense recognised in profit or loss	**(6,977)**	**(28,420)**
Recognised directly in equity in the Hedging reserve		
Net change in fair value of cash flow hedges reclassified to profit or loss	57	58
Total recognised directly in equity	**57**	**58**

(17) Income taxes

This caption includes:

(€'000)	2018	2019
Current taxes	(8,718)	(20,511)
Deferred taxes	4,392	18,382
Total	**(4,326)**	**(2,129)**

The changes in deferred tax assets recognised in profit or loss do not reflect the change in the corresponding captions of the statement of financial position due to the effect of transactions recognised directly in OCI (+€21 thousand), as described in the following table:

Change in deferred tax liabilities recognised directly in OCI

(€'000)	2018	2019
Change in deferred tax liabilities on fair value adjustments on cash flow hedges	(14)	(14)
Taxes on items that will not be reclassified to profit or loss		35
Total	**(14)**	**21**

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, tax-exempt revenue, non-deductible costs and the use of prior year tax losses.

(€'000)	2018	2019
Pre-tax profit	**7,135**	**16,788**
Income taxes using Italian tax rate (2018: 24%; 2019: 24%)	**(1,712)**	**(4,029)**
Effect of tax rates in foreign jurisdictions	(574)	756
Reduction in tax rate	-	-
Non-deductible expenses	(4,030)	(6,907)
Tax-exempt income	322	1,532
Tax incentives	289	938
Current year losses for which no deferred tax assets were recognised	164	837
Recognition and use of previously unrecognised tax losses	2,769	9,538
Changes in estimates related to prior years	23	1
Total increase	(1,037)	6,695
Effective tax	(2,750)	2,666
IRAP	(23)	(393)
Other taxes, other than income taxes	(1,554)	(4,402)
Total taxes for the year	**(4,326)**	**(2,129)**

Guala Closures S.p.A. participates in the national tax consolidation scheme pursuant to articles 117-128 of Presidential decree no. 917 of December 22, 1986 with its 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 forecasted taxable income.

(18) Notes to the statement of cash flows

The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2019:

(€'000)		**Note**
Total liabilities at January 1, 2019	**508,230**	
Derivative and similar assets at January 1, 2019	(88)	
Total liabilities from financing activities at January 1, 2019	**508,142**	
Cash effect (*)		
Proceeds from new borrowings and bonds	6,881	
Repayment of borrowings and bonds	(8,917)	
Repayment of finance leases	(7,293)	
Interest paid	(22,298)	
Non-cash effect		
Change due to IFRS 16 FTA	16,962	
Net fair value gains on market warrants	(465)	
Interest and other financial expense	21,761	14-15
FX translation effect	839	
Net fair value losses on derivatives	250	
Net fair value losses on financial liabilities to non-controlling investors	2,311	15
Transaction costs amortisation	2,686	15
Other changes	(53)	
Total liabilities from financing activities at December 31, 2019	**520,806**	
Derivative and similar liabilities at December 31, 2019	162	
Total liabilities at December 31, 2019	**520,644**	

(*) In relation to the cash effect, reference should be made to the consolidated statement of cash flows.

(19) Earnings per share – basic and diluted

(€'000)	**2018**	**2019**
Profit for the year attributable to the owners of the parent	96	7,705
Weighted average number of shares	56,638,673	66,372,404
Earnings per share (in Euro)	**0.00**	**0.12**

(€'000)	**2018**	**2019**
Profit for the year attributable to the owners of the parent	96	7,705
Weighted average number of shares (including warrants)	62,735,098	78,032,699
Diluted earnings per share (in Euro)	**0.00**	**0.10**

In 2019, the basic earnings per share amounted to €0.12 (€0.00 in 2018).

In 2019, the diluted earnings per share amounted to €0.10 (€0.00 in 2018), calculated on the basis of the outstanding ordinary shares and the maximum potential ordinary shares arising on the possible conversion of:

- 19,367,393 outstanding market warrants,
- 2,500,000 outstanding sponsor warrants,
- 1,000,000 outstanding management warrants,
- 812,500 outstanding special shares.

STATEMENT OF FINANCIAL POSITION

(20) Cash and cash equivalents

Cash and cash equivalents rose to €57,056 thousand at December 31, 2019 (€47,795 thousand at December 31, 2018). The increase is mainly due to the improvement in cash flows from operating activities in 2019.

(21) Trade receivables

This caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Trade receivables	104,898	106,022
Loss allowance	(2,093)	(1,929)
Total	**102,805**	**104,093**

The balance of trade receivables reflects the positive impact of various group companies' use of reverse without-recourse factoring. This impact at December 31, 2019 was €28.2 million, compared to €28.5 million December 31, 2018.

The loss allowance changed as follows:

(€'000)	2019
Opening balance	2,093
Net exchange gains	8
Impairment losses	33
Utilisations of the year	(205)
Closing balance	**1,929**

At December 31, 2019, the allowance 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 financial difficulties.

(22) Inventories

This caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Raw materials, consumables and supplies	46,694	51,843
(Allowance for inventory write-down)	(1,068)	(1,536)
Work in progress and semi-finished products	23,623	25,300
(Allowance for inventory write-down)	(468)	(492)
Finished products and goods	24,741	25,942
(Allowance for inventory write-down)	(534)	(1,030)
Payments on account	270	315
Total	**93,258**	**100,342**

Changes in 2019 are as follows:

(€'000)	
January 1, 2019	93,258
Exchange gains	1,725
Change in raw materials, consumables and supplies	3,385
Change in finished goods and semi-finished products	1,929
Change in payments on account	45
December 31, 2019	**100,342**

The allowance for inventory write-down changed as follows:

(€'000)	2019
Opening balance	2,070
Net exchange gains	61
Accruals	926
Closing balance	**3,058**

(23) Property, plant and equipment

The following table shows the changes in this caption in 2019:

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost at December 31, 2018 (*)	53,516	179,068	13,074	1,854	8,977	**256,489**
Accumulated depreciation and impairment losses at December 31, 2018 (*)	(771)	(11,804)	(1,008)	(263)	-	**(13,845)**
Carrying amount at December 31, 2018 (*)	**52,745**	**167,264**	**12,066**	**1,591**	**8,977**	**242,644**
Effects of IFRS 16 FTA	(10,657)	(1,590)	-	-	-	**(12,248)**
Carrying amount at January 1, 2019	**42,087**	**165,674**	**12,066**	**1,591**	**8,977**	**230,396**
Net exchange gains	750	3,202	275	28	42	**4,295**
Additions	361	7,873	497	855	22,604	**32,190**
Disposals	(24)	(450)	(67)	(15)	(32)	**(589)**
Impairment losses	(98)	(486)	(2)	-	-	**(585)**
Reclassifications	499	18,446	2,051	173	(21,169)	**-**
Depreciation	(1,553)	(31,970)	(2,611)	(655)	-	**(36,789)**
Historical cost at December 31, 2019	44,445	206,547	15,830	2,894	10,421	**280,138**
Accumulated depreciation and impairment losses at December 31, 2019	(2,423)	(44,266)	(3,620)	(918)	-	**(51,227)**
Carrying amount at December 31, 2019	**42,022**	**162,282**	**12,210**	**1,976**	**10,421**	**228,911**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combinations of Guala Closures Group and UCP which took place on July 31, 2018 and December 12, 2018, respectively.

Net capital expenditure in 2019, equate to €31.6 million, mainly refer to plant and machinery and covered all five continents where the group operates, with focus in Europe area and in particular in Italian, Ukraine and United Kingdom plants.

Capital expenditure in Italy mainly related to the development of new products and the increase in production capacity, with a particular focus on the mineral water market and the extraordinary maintenance of systems.

Capital expenditure in Ukraine mainly related to the development of new products, the increase in production capacity and the safety of the production systems.

Considerable capital expenditure in extraordinary maintenance and safety was made at the facilities of the newly-acquired Guala Closures UCP.

Capital expenditure at the Polish facility in 2019 related to the construction of the new warehouse and the development of production capacity and the extraordinary maintenance of the existing plant and machinery.

At the French facility, capital expenditure focussed on the reorganisation of production with a new layout and new machinery.

Finally, in Europe, capital expenditure went to new product development and increasing the production capacity of the group's facilities in Spain and Bulgaria; capital expenditure continues at the Luxembourg research centre for the development of new products and in streamlining and increasing production capacity.

In Asia, substantial capital expenditure was undertaken at the group's Indian facilities, particularly in relation to the expansion of the Dharwad production facility during the year.

In the LATAM-USA area, capital expenditure mainly focussed on the group's Mexican facility with projects to cut production costs and increase production capacity; smaller capital expenditure was also made in all the other facilities in the area.

In Africa, most capital expenditure was directed at Guala Closures East Africa's Kenyan facility, where production began in February 2019.

In Oceania and, specifically, in Australia and New Zealand, only small investments of immaterial amounts were made for maintenance.

The impairment losses of the year were recognised in connection with the reorganisation of the subsidiaries Guala Closures France and Beijing Guala Closures, as described in detail in the directors' report.

The historical cost of property, plant and equipment was restated following the above-mentioned PPA procedure. Plant and machinery reflect the fair value calculated at cost, as described in note 6.1.4.

As a result of the application of IFRS 16, the group reclassified finance leases recognised under IAS 17 in the 2018 consolidated financial statements (€12.2 million) to "Right-of-use assets" at January 1, 2019.

Property, plant and equipment include the cost of internal work capitalised.

Disposals mainly relate to the sale of the PET sector assets owned by Guala Closures Iberica (Spain). During the year, these assets were transferred to third parties following the sector reorganisation as discussed in the paragraph on operating segments.

None of the group's property, plant and equipment has been pledged as collateral at year end, except for the items indicated in note 36) Commitments and guarantees.

(24) Right-of-use assets

The following table shows the changes in this caption in 2019:

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at December 31, 2018					-
Accumulated depreciation and impairment losses at December 31, 2018					-
Carrying amount at December 31, 2018	-	-	-	-	-
Effects of IFRS 16 FTA	24,148	2,424	1,662	1,027	**29,260**
Carrying amount at January 1, 2019	**24,148**	**2,424**	**1,662**	**1,027**	**29,260**
Net exchange gains (losses)	(200)	(212)	(216)	74	**(554)**
Additions	2,978	118	921	736	**4,754**
Depreciation of right-of-use assets	(3,524)	(869)	(725)	(712)	**(5,829)**
Historical cost at December 31, 2019	26,926	2,331	2,367	1,837	**33,460**
Accumulated depreciation and impairment losses at December 31, 2019	(3,524)	(869)	(725)	(712)	**(5,829)**
Carrying amount at December 31, 2019	**23,402**	**1,462**	**1,642**	**1,125**	**27,630**

Following the application of IFRS 16, €29.3 million was recognised at January 1, 2019. Of this amount, €12.2 million related to the reclassification of the finance leases recognised in accordance with IAS 17 in the 2018 consolidated financial statements from Property, plant and equipment and €17.0 million related to the leases previously classified as operating leases.

The main increases in right-of-use assets relate to land and buildings, specifically those of the operating buildings of Guala Closures Australia and Guala Closures Bulgaria.

(25) Intangible assets

The following table shows the changes in this caption in 2019:

(€'000)	Development expenditure	Licences and patents	Goodwill	Other	Assets under development and payments on account	Total
Historical cost at December 31, 2018 (*)	2,083	131,978	504,469	251,843	1,566	**891,937**
Accumulated amortisation and impairment losses at December 31, 2018 (*)	(382)	(3,431)	-	(4,558)	(33)	**(8,404)**
Carrying amount at December 31, 2018 (*)	**1,700**	**128,547**	**504,469**	**247,285**	**1,533**	**883,533**
Carrying amount at January 1, 2019	**1,700**	**128,547**	**504,469**	**247,285**	**1,533**	**883,533**
Net exchange gains (losses)	19	(42)	-	6,849	5	**6,832**
Additions	507	166	-	-	1,246	**1,919**
Disposals	-	(22)	-	-	0	**(22)**
Reclassifications	377	488	-	-	(865)	**0**
Amortisation	(690)	(9,013)	-	(10,524)	-	**(20,227)**
Historical cost at December 31, 2019	2,986	132,569	504,469	258,692	1,919	**900,634**
Accumulated amortisation and impairment losses at December 31, 2019	(1,073)	(12,445)	-	(15,082)	-	**(28,600)**
Carrying amount at December 31, 2019	**1,913**	**120,124**	**504,469**	**243,610**	**1,919**	**872,035**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combinations of Guala Closures Group and UCP which took place on July 31, 2018 and December 12, 2018, respectively.

The historical cost of intangible assets was restated following the above-mentioned PPA procedure. As described in note 6.1.4, Licences and patents reflect the fair value of the Guala Closures trademark and patents, calculated using the relief from royalty method. Other mainly reflects the fair value of the trade relationships with customers, calculated using the multi-period excess earnings method, while the fair value of the other items comprising this caption was deemed equal to the carrying amount at the date of the business combination.

The goodwill recognised at the end of the PPA procedure was measured as the excess amount of the sum of the consideration transferred and the amount of non-controlling interests and the net carrying amount of identifiable assets acquired and liabilities assumed at the acquisition date. Additional details are provided in section 6.1.5.

As described in note (2) Accounting policies, goodwill is not amortised, but is tested for impairment. The group checks the recoverability of goodwill at least once a year, or more frequently if specific events or circumstances indicate impairment, by testing each CGU (cash-generating unit).

Goodwill is allocated entirely on Closures division and it is tested at consolidated level. Indeed:

- the investment strategy is unique and integrated at group level, pursued on the basis of the central development of cost/benefit analyses that maximise the return on investment for the entire Guala Closures Group, while taking into account the performance objectives of the individual legal entities;
- by virtue of the centralised strategy described above, the investments of the individual legal entities are subject to the group approval in accordance with its strategy;
- strategic guidance and coordination activities are carried out centrally by a single management team;
- consistency with the representation of the group's financial results provided to the market is ensured. In particular, the results and the KPIs are disclosed at consolidated level, while for the individual legal entities only the figures relating to revenues are shown.

The CGU identified by the group to monitor goodwill coincides with the level of aggregation of operations set out in IFRS 8 - Operating Segments which, for the group, is the Closures division.

Goodwill allocated to the Closures CGU was successfully tested for impairment at the reporting date. Consequently, no impairment loss was recognised on goodwill at December 31, 2019.

The recoverability of the recognised amounts is tested by comparing the net invested capital (carrying amount) of the CGU with the related recoverable amount. The recoverable amount of goodwill is equal to value in use, i.e., the present value of the operating cash flows which arise from the forecasts included in the long-term plans approved by the group, and the normalised terminal value, used to express a summary estimate of future figures over the explicit given timeframe . These cash flows are subsequently discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the group asset or CGU.

The discounted cash flow model is based on the cash flow projections for five years based on the business plan approved by the board of directors on March 9, 2020 which envisages a CAGR of net revenue and EBITDA of 4% and 6%, respectively. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make. Such growth rate is consistent with the expected inflation rate for the countries in which the Group operates weighted for revenue by geographical area.

In the 2019 valuation, the following assumptions were used:

- the WACC for the Closures division was weighted by the 2019 net revenue percentage of each destination market country in respect of the 2019 consolidated revenues, with a weighted average of 8.4%;
- long-term growth rate "g": a value equal to 2.7% was used, calculated by weighting the expected inflation rate for net revenue percentage of each destination market country in respect of the 2019 consolidated revenues, in line with the calculation for the terminal value.

The discount rate was a post-tax measure estimated based on the past history and the industry average weighted-average cost of capital, with a possible debt leveraging of 40% at a market interest rate of 2.8%.

The division's estimated recoverable amount exceeds the carrying amount by over €55 million.

The estimates and plan figures to which the above parameters are applied are calculated by management based on past experience and the expected developments of the markets in which the group operates at the date of this consolidated financial statements. To this end, the current international macro-economic situation and the possible financial impacts, the current context of contraction following the health emergency, may result in uncertain scenarios in terms of achieving the objectives and levels of activity set out in the plan without, however, causing the impairment of recognised goodwill. However, the estimate of goodwill's recoverable amount requires management's discretion and the latter's use of estimates, and although part of the forecast net revenue and gross operating profit of the Closures CGU may be delayed from one year to the following year, while nonetheless achieving the total growth expected by the plan, it cannot be excluded that goodwill will be impaired in the future due to presently-unforeseeable changes in the scenario.

The circumstances and events which may result in an additional impairment test are constantly monitored by the group's management.

Based on the above, management carried out a sensitivity analysis of changes in the WACC and 'g' rates. Specifically, the values of WACC and 'g' rate that individually would result in the CGU recoverably value equal to the carrying amount as at 31 December 2019 are respectively equal to 8.6% and 2.4%.

Goodwill has never been impaired.

(26) Deferred tax assets and liabilities

The following table gives a breakdown of these captions at December 31, 2018 and 2019:

	Assets		Liabilities		Net amount	
(€'000)	**December 31, 2018 (*)**	**December 31, 2019**	**December 31, 2018 (*)**	**December 31, 2019**	**December 31, 2018 (*)**	**December 31, 2019**
Allowance for inventory write-down	452	647	(16)	(6)	436	642
Taxed loss allowance	2,271	3,918	-	-	2,271	3,918
Provisions	132	328	-	-	132	328
Other	940	869	(6,199)	(4,488)	(5,259)	(3,619)
Losses carried forward	143	10,319	-	-	143	10,319
Derecognition of intragroup profit on inventories	246	246	-	-	246	246
Leases	118	476	(2,125)	(2,417)	(2,007)	(1,941)
Property, plant and equipment and intangible assets	1,492	443	(109,627)	(106,258)	(108,135)	(105,815)
Employee benefits	584	694	-	(31)	584	663
Derivatives	14	-	-	-	14	-
Net exchange losses	-	-	(14)	(12)	(14)	(12)
TOTAL	**6,393**	**17,940**	**(117,981)**	**(113,212)**	**(111,588)**	**(95,272)**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combinations of Guala Closures Group and UCP which took place on July 31, 2018 and December 12, 2018, respectively.

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

(€'000)	**December 31, 2018 (*)**	**Changes in profit or loss**	**Changes in equity**	**Net exchange gain (losses)**	**December 31, 2019**
Allowance for inventory write-down	436	196	-	10	642
Taxed loss allowance	2,271	1,861	-	(214)	3,918
Provisions	132	195	-	0	328
Other	(5,259)	2,238	-	(599)	(3,619)
Losses carried forward	143	10,375	-	(200)	10,319
Derecognition of intragroup profit on inventories	246	-	-	-	246
Leases	(2,007)	108	-	(42)	(1,941)
Property, plant and equipment and intangible assets	(108,135)	3,340	-	(1,020)	(105,815)
Employee benefits	584	68	35	(23)	663
Derivatives	14	0	(14)	0	0
Net exchange gains (losses)	(14)	-	-	2	(13)
TOTAL	**(111,588)**	**18,382**	**21**	**(2,087)**	**(95,272)**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combinations of Guala Closures Group and UCP which took place on July 31, 2018 and December 12, 2018, respectively.

Deferred tax liabilities mainly relate to the business combination of Guala Closures Group which took place on July 31, 2018. Smaller deferred tax liabilities also refer to the business combination of UCP on December 12, 2018.
Specifically, deferred tax liabilities were recognised on the revaluation of the group's assets as part of the PPA procedure following their recognition at fair value. Indeed, these revaluations are neutral for tax purposes.
The higher deferred tax liabilities recognised in respect of the business combination of Guala Closures Group is recognised on the revaluation of the following assets:

- intangible assets and, specifically, Trade relationships with customers, Guala Closures trademark and Patents;
- property, plant and equipment and, specifically, plant and equipment

During the year, the parent Guala Closures S.p.A. recognised deferred tax assets of €7.9 million based on the most recent estimates of the taxable income for the 2020-2024 five-year plan, which allows the offsetting of prior year tax losses.

The changes of the year reflect the adjustment of deferred tax liabilities to the new tax rate in India and Italy.

They may be analysed as follows:

- €4.0 million was released in respect of the deferred tax liabilities recognised on the gains on the group's PPA procedure allocated to Guala Closures India following the new tax rate approved by the Indian government in September and applicable retrospectively from April 1, 2019. Consequently, the new rate was essentially decreased from 35% to 25% of the taxable income;
- the -€2.0 million adjustment of Guala Closures S.p.A.'s deferred taxes due to the new IRAP rate (5.57% compared to 3.90%) applicable in the years in which the temporary differences on which the deferred taxation is recognised will be reversed, as a result of Guala Closures S.p.A. becoming an "industrial holding company" and the related tax scheme that will be applicable from the date of approval of the 2019 financial statements.

The tax losses that can be carried forward at year end total €180,986 thousand. They may be used in accordance with the legislation of the different countries in which the companies to which they relate are based.
The tax losses that can be carried forward indefinitely amount to €168,522 thousand and refer to Guala Closures S.p.A., Guala Closures Chile S.p.A., Guala Closures France SAS, Guala Closures North America Inc. and Guala Closures UCP Ltd.

Based on the most recent estimates of future taxable income, the Group has recognized deferred tax assets on tax losses carried forward for € 10,319 thousand corresponding to the value of € 41,708 thousand equal to the estimate of future taxable income that is considered probable based on the planning Group tax.
The value of tax losses carried forward that are not included in the deferred tax assets recognized in the statement of financial position of the Group at December 31, 2019 are therefore equal to € 139,279 thousand, corresponding to potential deferred tax assets of €33,438 thousand if recognized (including €31,451 relating to tax losses that can be carried forward indefinitely).

(27) 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 35) Fair value of financial instruments and sensitivity analysis for further information on the group's exposure to interest and currency risks.

Furthermore, on July 20, 2018, the parent entered into a revolving credit facility governed by the laws of England and Wales 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.) for a maximum amount of €80 million (the "New RCF") at the 3M Euribor/GBP LIBOR + 2.5% (zero floor). The New RCF will expire on February 28, 2024.

On October 3, 2018, Guala Closures S.p.A. issued floating rate bonds of €445 million (3M Euribor + 3.5% - zero floor) due in 2024 (the "Bonds") 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' representative 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 has, inter alia, a covenant on the New RCF. Failure to comply with it may require the parent to repay the facility earlier, should the New RCF be drawn by more than 40% of its total amount (€80 million).

Under this covenant, the ratio of the parent's indebtedness to consolidated EBITDA, both calculated in accordance with the contractual provisions of the New RCF, shall not exceed 6.40x.
Under this agreement, the parent's Treasury department is required to constantly monitor the covenant and to regularly report to management and the lending bank in order to ensure compliance. At December 31, 2019, the facility has not been used for more than 40%, which is the triggering condition for the application of the covenant. In any case, the covenant is complied with.

Financial liabilities at December 31, 2019 and 2018 are shown below:

(€'000)	**December 31, 2018 (*)**	**December 31, 2019**
Current financial liabilities		
Bonds	3,937	3,406
Bank loans and borrowings	14,324	7,763
Other financial liabilities	7,023	10,415
	25,284	21,585
Non-current financial liabilities		
Bonds	441,383	443,926
Bank loans and borrowings	13,506	14,360
Other financial liabilities	28,057	40,774
	482,946	499,060
Total	**508,230**	**520,645**

The conditions and due dates of the financial liabilities at December 31, 2018 and 2019 are shown below:

	Nominal amount					
(€'000)	**Total December 31, 2018**	**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 loans and receivables (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	-
Leases (IAS 17)	6,095	2,685	3,410	-	2,685	3,410
Financial liabilities to non-controlling investors	24,647	-	-	24,647	-	24,647
TOTAL other financial liabilities	**35,080**	**7,023**	**3,410**	**24,647**	**7,023**	**28,057**
TOTAL	**508,230**	**25,284**	**6,477**	**476,469**	**25,284**	**482,946**

	Nominal amount					
(€'000)	**Total December 31, 2019**	**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	3,406	3,406	-	-	3,406	-
Transaction costs	(11,074)	-	(11,074)	-	-	(11,074)
TOTAL Bonds FRSSN 2024 - Guala Closures S.p.A.	**447,332**	**3,406**	**443,926**	**-**	**3,406**	**443,926**
Bank loans and borrowings:						
Senior Revolving Credit Facility - Guala Closures S.p.A.	12,929	-	12,929	-	-	12,929
Transaction costs	(597)	-	(597)	-	-	(597)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.	**12,332**	**-**	**12,332**	**-**	**-**	**12,332**
Other accrued expenses - Guala Closures S.p.A.	63	63	-	-	63	-
Yes Bank loan and bank overdraft (India)	1,951	1,951	-	-	1,951	-
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	4,410	4,410	-	-	4,410	-
Banco de la Nacion Argentina loan (Chile)	168	168	0	-	168	0
Santander loans and bank overdraft (Brazil)	70	45	25	-	45	25
Advances on loans and receivables (Argentina)	2	2	(0)	-	2	(0)
Bancomer loan (Mexico)	3,129	1,126	2,003	-	1,126	2,003
TOTAL bank loans and borrowings	**22,123**	**7,763**	**14,360**	**-**	**7,763**	**14,360**
Other financial liabilities:						
Market warrants	3,873	3,873	-	-	3,873	-
Leases (IFRS 16)	20,358	6,542	13,816	-	6,542	13,816
Financial liabilities to non-controlling investors	26,958	-	-	26,958	-	26,958
TOTAL other financial liabilities	**51,190**	**10,415**	**13,816**	**26,958**	**10,415**	**40,774**
TOTAL	**520,645**	**21,585**	**472,102**	**26,958**	**21,585**	**499,060**

Other financial liabilities include the fair value of the market warrants at December 31, 2019 and December 31, 2018 (€3,873 thousand and €4,338 thousand, respectively). The difference between the fair value at December 31, 2019 and that at December 31, 2018 was recognised in the statement of profit or loss and comprehensive income for the year, under financial expense (€465 thousand). The impact on the statement of profit or loss and comprehensive income for the year is attributable to the increase in the market price of the market warrants, which went from €0.224 at December 31, 2018 to €0.20 at December 31, 2019.

On the date of their first trading, the parent recognised 10,000,000 market warrants, traded separately to the shares, for an amount of €6,000,000, by setting up a negative equity reserve of the same amount (described in note 32) Equity attributable to the owners of the parent). Furthermore, on August 6, 2018, the date the merger became effective, another 9,367,393 market warrants were assigned for €9,367,393, setting up a negative equity 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 September 26, 2017 and November 16, 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 (€10 per share). The subscription price of €0.10 per exchange share was approved by the shareholders on September 26, 2017 based on the amendments introduced on October 26, 2017. The parent will publish the acceleration communication should the average monthly price be the same as or higher than €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 by expiry date is meant 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.

Financial liabilities to non-controlling investors relate 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 recognised using the present access method, whereby the financial liability was recognised as a reduction in equity in the first year. The fluctuation in each year, if any, is recognised 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 investors have the right to access the profit or loss pertaining to their investment. Following the PPA procedure, the financial liability was adjusted to reflect the allocation of the resulting gains attributable to non-controlling investors.
Reference should be made to note 35) Fair value of financial instruments and sensitivity analysis for further details.

The interest rates and maturity dates of the financial liabilities at December 31, 2018 and 2019 are shown below:

(€'000)	Currency	Nominal interest rate	Maturity date	Total December 31, 2018
Bonds				
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	€	Euribor 3M + 3.50%	2024	455,000
Interest on bonds	€	n.a.	2019	3,937
Transaction costs	€	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.	€ / GBP	GBP 3M Euribor/Libor + 2.50%	2024	11,179
Transaction costs	€	n.a.	2024	(740)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.				**10,439**
Other accrued expenses - Guala Closures S.p.A.	€	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	1M Wibor (*)	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 loans and receivables (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	€	n.a.	n.a.	4,338
Leases (IAS 17)	€	n.a.	n.a.	6,095
Financial liabilities to non-controlling investors	€	n.a.	n.a.	24,647
TOTAL other financial liabilities				**35,080**
TOTAL				**508,230**

(€'000)	Currency	Nominal interest rate	Maturity date	Total December 31, 2019
Bonds				
Bonds - Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	€	Euribor 3M + 3.50%	2024	455,000
Interest on bonds	€	n.a.	2020	3,406
Transaction costs	€	n.a.	2024	(11,074)
TOTAL Bonds FRSSN 2024 - Guala Closures S.p.A.				**447,332**
Bank loans and borrowings:				
Senior Revolving Credit Facility - Guala Closures S.p.A.	€ / GBP	GBP 3M Euribor/Libor + 2.50%	2024	12,929
Transaction costs	€	n.a.	2024	(597)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.				**12,332**
Other accrued expenses - Guala Closures S.p.A.	€	n.a.	2020	63
Yes Bank loan and bank overdraft (India)	INR	9.70%	2020	1,951
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	PLN	1M Wibor (*)	n.a.	4,410
Banco de la Nacion Argentina loan (Chile)	CLP	7.56%	2020	168
Santander loans and bank overdraft (Brazil)	BRL	n.a.	2020	70
Advances on loans and receivables (Argentina)	ARS	n.a.	n.a.	2
Bancomer loan (Mexico)	USD	n.a.	2023	3,129
TOTAL bank loans and borrowings				**22,123**
Other financial liabilities:				
Market warrants	€	n.a.	n.a.	3,873
Leases (IFRS 16)	€	n.a.	n.a.	20,358
Financial liabilities to non-controlling investors	€	n.a.	n.a.	26,958
TOTAL other financial liabilities				**51,190**
TOTAL				**520,645**

(*) Wibor stands for "Warsaw Inter-bank Bid and Offered Rate"

The Senior Revolving Credit Facility's availability at December 31, 2019 is shown in the table below:

Facility	Available amount (€'000)	Amount used at December 31, 2019	Residual available amount at December 31, 2019
Revolving Credit Facility due 2024	80,000	12,929	67,071

(28) Trade payables

These may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Suppliers	70,895	76,111
Payments on account	436	445
Total	**71,331**	**76,556**

At December 31, 2019, trade payables may be analysed by original currency as follows:

(€'000)	Euro	USD	INR	Other currencies	Total
Trade payables	44,615	4,435	4,744	22,762	**76,556**

Other currencies include trade payables in the following local currencies:

(€'000)	December 31, 2019
Pound sterling	4,287
Australian dollar	4,123
Polish zloty	3,438
Mexican peso	2,664
Ukrainian Hryvnia	2,587
South African rand	1,569
Argentinian peso	1,259
Chilean peso	714
Kenyan shilling	595
New Zealand dollar	479
Bulgarian lev	302
Other	745
Total	**22,762**

(29) Provisions

This caption may be analysed as follows:

CURRENT PROVISIONS:

(€'000)	December 31, 2018	December 31, 2019
Provision for contingencies	710	167
Provision for returns	409	1,020
Provision for restructuring	402	677
Other provisions	268	115
Total current provisions	**1,789**	**1,980**

The provision for restructuring includes:

- €376 thousand for the downsizing of Guala Closures UK Ltd's production activities, commenced in 2018, which entails the transfer of plant and machinery from the secondary Broomhill facility to the main facility in Kirkintilloch. The provision has been calculated considering the cost of terminating the existing agreements and the benefits due to employees under the related contracts. The provision is unchanged since the production site has not yet been definitively discontinued.
- €288 thousand for the reorganisation of Guala Closures France, commenced in March 2019 and entailing investments at the Chambray facility for the production of small batches of closures for the wine sector with very short lead times to meet market requirements. As a result of this investment in the Chambray facility, assets (machinery and part of the workforce) will be transferred from the Saint Remy Sur Avre facility, which will be shut down. Part of the assets will go to the Chambray facility and part will go to other group companies. The Saint Remy Sur Avre facility was originally scheduled to close at the end of July, but this was postponed by about one year to meet the requirements of customers and distributors that are unable to independently support the taxation of closures. Therefore, limited operations continue at the facility with approximately 11 employees. The initial accrual of €707 thousand decreased to the current €288 thousand following the use of the provision for payments made.
- €13 thousand for the reorganisation of the PET division, the activities of which were only performed by Guala Closures Iberica, up until the acquisition of the British UCP on December 12, 2018. After acquiring UCP, the group decided to reorganise the division by transferring part of the activities carried out by Guala Closures Iberica to a non-group sector operator and to assign the remaining ones to Guala Closures UCP. Following the reorganisation, at the end of July, the Guala Closures Iberica's PET facility in Alcalà De Henares (Madrid) was definitively closed, terminating the contracts with the employees working at the facility. The initial accrual of €1,630 thousand decreased to the current €13 thousand following the use of the provision for payments made.

The provision for returns reflects the calculation for customer claims received based on the negotiations in place at the reporting date. The increase on the previous year is entirely due to the rise in provision for returns of the parent, Guala Closures S.p.A., due to one-off qualitative issues it encountered during the year.

At December 31, 2019, the provision for contingencies and the other provisions are entirely related to the evaluations carried out during Guala Closures UCP's PPA procedure whereby the estimated liabilities acquired as part of the business combination (€282 thousand) were allocated to these provisions. These liabilities mainly relate to disputes with third parties and charges for safety measures.

GCL Pharma tax assessment

On October 10, 2019, following the tax assessment that began on July 30, 2019, the Finance Police of Chieti served a preliminary tax assessment report against the Italian group company GCL Pharma S.r.l., assessing taxes on allegedly non-deductible costs for a total of €974 thousand in the period from April 1, 2014 to July 29, 2019. All of the costs reinstated in the tax base were for services which the parent Guala Closures S.p.A. provided to the subsidiary and recharged under an agreement signed on September 15, 2014. The tax inspectors based their findings on a lack of documentation providing evidence that the parent effectively performed the services. At the date of this report, Guala Closures Group management is preparing a brief to send to the local tax authorities responsible for issuing the definitive tax assessment report, in the belief that they can document that the parent Guala Closures S.p.A. effectively performed the services for the subsidiary GCL Pharma S.r.l., therefore has not been recognized any provision in connection to this tax assessment, considering that GCL Pharma S.r.l. participates in the national tax consolidation scheme pursuant to articles 117-128 of Presidential decree no. 917 of December 22, 1986 with the parent Guala Closures S.p.A..

Changes in the provisions are as follows:

CURRENT PROVISIONS:

(€'000)	2019
Opening balance	1,789
Exchange gains	36
Accrual	3,287
Utilisations	(3,132)
Closing balance	**1,980**

The accrual and a significant part of the utilisations mainly relate to the provision for corporate reorganisation and, specifically, of the PET division launched by Guala Closures Iberica and of Guala Closures France's reorganisation project as described earlier.
The provision for contingencies was used to settle a tax issue covering 2015 and 2016.
At December 31, 2018, the provision for contingencies related to pre-merger Guala Closures' tax issues for 2015 and 2016. While Guala Closures S.p.A. (the result of the reverse merger of GCL Special Closures S.r.l. into Guala Closures S.p.A. in 2012) deemed that it acted in compliance with the regulations ruling in those years, it decided to enter into a settlement agreement with the tax authorities to settle a dispute. As a result, the company paid €0.8 million in 2018 for 2013 and 2014 and €0.5 million and €0.2 million in 2019 for 2015 and 2016, respectively.

NON-CURRENT PROVISIONS:

(€'000)	December 31, 2018	December 31, 2019
Provision for legal disputes	112	201
Provision for agents' termination indemnity	140	147
Total non-current provisions	**252**	**348**

Changes in the provisions are as follows:

NON-CURRENT PROVISIONS:

(€'000)	2019
Opening balance	252
Exchange losses	(1)
Accrual	381
Utilisations	(284)
Closing balance	**348**

(30) Other current liabilities

This caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Liabilities to employees	9,325	9,678
Liabilities for capital expenditure	5,564	3,372
Social security charges payable	3,588	3,575
Liabilities for dividends	3,736	2,284
Liabilities for transaction costs on Guala Closures S.p.A. 2024 bond issue	718	235
Liabilities for non-recurring costs related to the listing process	3,181	-
Other liabilities	8,668	9,600
Total	**34,779**	**28,745**

(31) Employee benefits

These may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Post-employment benefits - Guala Closures S.p.A.	3,958	3,754
Other	2,503	2,846
Total	**6,461**	**6,599**

Changes in Employee benefits are as follows:

(€'000)	December 31, 2018	December 31, 2019
Balance at January 1	-	6,461
Business combination	6,574	-
Exchange gains	(23)	(5)
Change recognised in profit or loss - personnel expense	509	1,964
Change recognised in profit or loss - other (income)/expense	3	(408)
Change recognised in OCI	160	257
Transfers	40	0
Benefits paid	(802)	(1,670)
Balance at December 31	**6,461**	**6,599**

The liability for post-employment benefits ("TFR" – Trattamento di fine rapporto) primarily relates to Italian companies (Guala Closures S.p.A. mainly) for employee departures, 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 January 1, 2007, accruing benefits have been transferred to a pension fund or a treasury fund held by Italy's social security institution (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 plan. Amounts vested before January 1, 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:

(€'000)	**December 31, 2019**
January 1	3,958
Change recognised in profit or loss - other (income)/expense	
Interest	29
Change recognised in OCI	126
Benefits paid	(359)
December 31	**3,754**

Actuarial parameter baseline:

	December 31, 2019
Average inflation rate	1.20% p.a.
Discount rate	0.37% p.a.
Annual rate of increase in post-employment benefits	2.40% p.a.

For valuations at December 31, 2019, an annual fixed discount rate of 0.37% was used based on the value of Iboxx indexes AA corporate bonds observed at December 31, 2019, as per the requirements of IAS 19.

The group expects to pay around €0.4 million of benefits to its defined benefit plan in 2020.

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 December 31, 2019 by the amounts shown below:

	Defined benefit obligation	
(€'000)	**Increase**	**Decrease**
Turnover rate (1% variation)	(26)	29
Average inflation rate (0.25% variation)	44	(43)
Discount rate (0.25% variation)	(70)	72

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 December 31, 2019 (i.e., the fair value of the plan assets is higher than the present value of the defined benefit obligation). As required by IAS 19 and IFRIC 14, the surplus that can be recognised 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 English company has not recognised the fund surplus. In addition, the group did not have contingent liabilities at the reporting date 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:

(€'000)	**December 31, 2018**	**December 31, 2019**
Present value of the obligations	(64,842)	(71,569)
Fair value of plan assets	78,136	88,412
Total	**13,294**	**16,843**

Changes in the components of Guala Closures UK Ltd.'s pension fund may be analysed as follows:

Changes in the net amount of the fund:

(€'000)	**December 31, 2018**	**December 31, 2019**
January 1	16,829	13,294
Exchange gains/(losses)	(100)	770
Service cost	(674)	(27)
Interest on defined benefit obligation	(1,631)	(1,711)
Interest on plan assets	2,045	2,070
Administration expenses	(235)	(286)
Actuarial gains /(losses)	(2,940)	2,733
December 31	**13,294**	**16,843**

Changes in the present value of the obligations:

(€'000)	December 31, 2018	December 31, 2019
January 1	(68,004)	(64,842)
Exchange gains/(losses)	562	(3,532)
Service cost	(674)	(27)
Interest on defined benefit obligation	(1,631)	(1,711)
Contribution by plan participants	(3)	(3)
Benefits paid	3,251	3,211
Actuarial gains /(losses)	1,657	(4,664)
December 31	**(64,842)**	**(71,569)**

Changes in the fair value of plan assets:

(€'000)	December 31, 2018	December 31, 2019
January 1	84,833	78,136
Exchange gains/(losses)	(662)	4,302
Interest on plan assets	2,045	2,070
Scheme administration expenses	(235)	(286)
Contribution by plan participants	3	3
Benefits paid	(3,251)	(3,211)
Actuarial gains and losses	(4,597)	7,398
December 31	**78,136**	**88,412**

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

	December 31, 2018	December 31, 2019
Equities	12%	11%
Bonds	35%	37%
Gilts	53%	52%
Cash	0%	0%

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

Actuarial parameter baseline:

	December 31, 2018	December 31, 2019
Salary growth rate	4,00% p.a.	4,00% p.a.
Rate of increase in pensions provided (average)	3,00% p.a.	3,00% p.a.
Average inflation rate	3,20% p.a.	3,00% p.a.
Discount rate	2,65% p.a.	2,00% p.a.

The group does not expect to pay any further contributions in 2020 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 December 31, 2019 by the amounts shown below:

(€'000)	Impact on present value of the obligations	Impact on fair value of plan assets
Life expectancy (+ 1 year)	(2,258)	-
Average inflation rate (+0.1% p.a.)	159	-
Discount rate (+0.1% p.a.)	1,032	-

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.

(32) Equity attributable to the owners of the parent

At December 31, 2019, 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 Azioniario) organised and managed by Borsa Italiana S.p.A., within the Star Segment, since August 6, 2018.

Guala Closures S.p.A. has subscribed and paid-in share capital of €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.

At December 31, 2019, equity comprises unavailable reserves for market warrants of €19,367 thousand, of which €6,000 thousand was recognised as a decrease in the share premium reserve following the capital increase which took place on December 21, 2017 and the concurrent allocation of 10,000 thousand market warrants, and €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 August 6, 2018.

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 capitalisation, while giving shareholders satisfactory returns and ensuring the group has access to external sources of financing at acceptable terms, including by 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 capital, being total equity attributable 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 available information published by Consob (the Italian Commission for listed companies and the stock exchange), updated to December 31, 2019, the parent's main shareholders are as follows:

- GCL Holdings S.C.A. holding 24.276% of the voting shares;
- PII G S.à r.l. holding 8.816% of the voting shares;
- GCL Holdings LP S.à r.l. holding 5.634% of the voting shares.

Repurchase of own shares

On February 14, 2019, during their ordinary meeting, the shareholders of Guala Closures S.p.A. resolved to:
1. authorise the board of directors, pursuant to article 2357 and following articles of the Italian Civil Code and article 132 of the Consolidated Finance Act, to repurchase the parent's ordinary shares (therefore excluding special B and special C shares), for the purposes set out by the directors in their report, up to the maximum amount which, considering the ordinary Guala Closures shares held from time to time by the parent, must not exceed a total of 3% of the ordinary shares outstanding on the date of the shareholders' meeting (equal to approximately 1,861,500 ordinary shares), to be carried out, including in more than one tranche, within 18 months of the date of the shareholders' resolution and in the manner described below:
i. the purchase price shall not be above or below 10% of the reference price on the Italian Stock Exchange (Mercato Telematico Azioniario), organised and managed by Borsa Italiana S.p.A. ("MTA") in the session prior to each individual transaction. Furthermore, in any case, the treasury shares will be repurchased in accordance with the additional operating limits set by EU and national legislation, including regulations, ruling from time to time and applicable to purchases;
ii. the purchases shall be made in compliance with article 132 of the Consolidated Finance Act, article 144-bis.1.b) of the Issuer Regulation and any other applicable legislation, including the market practices accepted and recognised by Consob;
2. authorise, pursuant to article 2357-ter of the Italian Civil Code, the repurchase, including in more than one tranche and without time limits, of ordinary Guala Closures S.p.A. shares in accordance with the above resolution, as follows:
i. if carried out in cash, at a price not below 10% of the reference price on the MTA in the session prior to each transaction;
ii. if carried out as part of extraordinary transactions, including, but not limited to, exchange, swap, contribution or any other non-cash disposal, in accordance with the financial terms set by the board of directors, based on the nature and the characteristics of the transaction, also considering the performance of the parent's share;
iii. with respect to the ordinary shares serving stock option plans, in accordance with the terms and conditions set out in the relevant plan regulations;
iv. with respect to the activities falling under the so-called 'accepted market practice' covered by article 180.1.c) of the Consolidated Finance Act about operations to support market liquidity, in accordance with the criteria set by Consob from time to time and, in any case, in compliance with any terms, conditions and requirements set by EU and national legislation (including regulations) applicable from time to time, to grant the board of directors and/or through its chairperson and the CEO, Marco Giovannini, and the director, Anibal Diaz Diaz, the widest powers, including the power of sub-delegation or to engage external experts, to be exercised also separately and with the widest discretion, in order to implement the Programme and the relevant purchases and sales, however in full compliance with ruling legislation and the limitations of your authorisation as resolved above.
No repurchases had taken place at the reporting date.

(33) Equity attributable to non-controlling interests

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

	% of non-controlling interests at December 31, 2018	% of non-controlling interests at December 31, 2019	Balance at December 31, 2018 (*)	Balance at December 31, 2019
Guala Closures Ukraine LLC	30.0%	30.0%	14,449	16,987
Guala Closures India Pvt Ltd.	5.0%	5.0%	3,460	3,745
Guala Closures de Colombia LTDA	6.8%	6.8%	753	782
Guala Closures Bulgaria A.D.	30.0%	30.0%	2,595	2,651
Guala Closures DGS Poland S.A.	30.0%	30.0%	16,726	16,570
Guala Closures France SAS	30.0%	30.0%	1,349	783
Guala Closures BY LLC	-	30.0%	-	161
Total			**39,333**	**41,680**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combination which took place on July 31, 2018.

Reference should be made to the statement of changes in equity for changes in equity attributable to the non-controlling interests.

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:

December 31, 2019

(€'000)	Guala Closures DGS Poland S.A.	Guala Closures Ukraine LLC	Guala Closures Bulgaria A.D.	Guala Closures India Pvt Ltd	Other individually immaterial subsidiaries	Total
Non-controlling interests percentage	**30%**	**30%**	**30%**	**5%**		
Non-current assets	50,252	40,489	6,855	71,672		
Current assets	38,628	33,274	5,506	27,761		
Non-current liabilities	(7,263)	(4,409)	(1,792)	(11,194)		
Current liabilities	(26,382)	(12,730)	(1,732)	(13,341)		
Equity	**55,234**	**56,624**	**8,837**	**74,898**		
Equity attributable to non-controlling interests	**16,570**	**16,987**	**2,651**	**3,745**	1,726	**41,680**
Total revenue (third parties + related parties)	**100,678**	**61,874**	**10,946**	**74,743**		
Profit for the year	11,138	9,830	1,335	13,552		
Other comprehensive income/(expense)	679	7,976	-	(494)		
Total comprehensive income	**11,817**	**17,805**	**1,335**	**13,058**		
Profit allocated to non-controlling interests	3,341	2,949	400	678	(415)	**6,954**
OCI allocated to non-controlling interests	204	2,393	-	(25)	(29)	**2,543**
Comprehensive income allocated to non-controlling interests	**3,545**	**5,342**	**400**	**653**	(443)	**9,497**
Cash flows from operating activities	18,040	19,686	2,129	14,440		
Cash flows used in investing activities	(987)	(5,990)	(2,350)	(5,834)		
Cash flows used in financing activities (including dividends to NCI)	(17,234)	(10,318)	(2,708)	(7,314)		
Net increase (decrease) in cash and cash equivalents	**(181)**	**3,378**	**(2,930)**	**1,291**		
Dividends to non-controlling interests	5,117	3,077	-	340	109	**8,643**

(34) Net financial indebtedness

Net financial indebtedness at December 31, 2018 and December 31, 2019, is analysed below and calculated in accordance with ESMA/2013/319 recommendations:

(€'000)		December 31, 2018	December 31, 2019
A	Cash	-	-
B	Cash equivalents	47,795	57,056
C	Securities held for trading	-	-
D	**Cash and cash equivalents (A+B+C)**	**47,795**	**57,056**
E	**Current loan assets**	**653**	**627**
F	Current bank loans and borrowings	12,695	6,598
G	Current portion of non-current indebtedness	5,566	4,571
H	Other current loans and borrowings	2,685	6,542
I	**Current financial indebtedness (F+G+H)**	**20,946**	**17,711**
J	**Net current financial indebtedness (I-E-D)**	**(27,502)**	**(39,971)**
K	Non-current bank loans and borrowings	13,506	14,360
L	Bonds issued	441,383	443,926
M	Other non-current liabilities	28,057	40,774
N	**Non-current financial indebtedness (K+L+M)**	**482,946**	**499,060**
O	**Net financial indebtedness as per ESMA recommendation (J+N)**	**455,444**	**459,089**

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 gives a breakdown of net financial indebtedness, including non-current financial assets and the fair value of the market warrants, recognised under current financial liabilities.

The table below shows the reconciliation of the total net financial indebtedness shown in annex B) to the directors' report and the structure of net financial indebtedness as per ESMA recommendation:

(€'000)		December 31, 2018	December 31, 2019
O	Net financial indebtedness as per ESMA recommendation	455,444	459,089
P	Non-current financial assets	(273)	(451)
Q	Market warrants	4,338	3,873
R	**Total net financial indebtedness (O-P+Q)**	**459,509**	**462,511**

OTHER INFORMATION

(35) 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, at December 31, 2018 and 2019. It does 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 the reporting period. The “Accounting policies” section provides information about the fair value hierarchy.

December 31, 2018		Carrying amount					Fair value			
(€'000)	**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										
Currency derivatives held for trading	-	146				**146**		146		**146**
		146	-	-	-	**146**	-	**146**	-	**146**
Financial assets not measured at fair value (*)										
Trade receivables	21			102,805		**102,805**				-
Financial assets				926		**926**				-
Cash and cash equivalents	20			47,795		**47,795**				-
		-	-	**151,526**	-	**151,526**	-	-	-	-
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)**
Financial liabilities to non-controlling investors (**)	27	(24,647)				**(24,647)**			(24,647)	**(24,647)**
		(24,647)	**(58)**	-	**(4,338)**	**(29,044)**	**(4,338)**	**(58)**	**(24,647)**	**(29,044)**
Financial liabilities not measured at fair value (*)										
Bank overdraft	27				(8,184)	**(8,184)**		(8,184)		**(8,184)**
Secured bank loans	27				(19,186)	**(19,186)**		(19,489)		**(19,489)**
Unsecured bank loans	27				(461)	**(461)**		(461)		**(461)**
Secured bond issues	27				(445,320)	**(445,320)**		(463,777)		**(463,777)**
Finance lease liabilities (IAS 17)	27				(6,095)	**(6,095)**				-
Trade payables	28				(71,331)	**(71,331)**		-		-
		-	-	-	**(550,576)**	**(550,576)**	-	**(491,911)**	-	**(491,911)**

(*) The group has not disclosed the fair values of some financial instruments such as cash and cash equivalents, trade receivables, financial assets, trade payables and finance lease liabilities, because their carrying amounts are a reasonable approximation of fair values.

(**) Restated in the light of the PPA procedure

December 31, 2019		Carrying amount					Fair value			
(€'000)	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										
Aluminium derivatives held for trading		10				**10**		10		**10**
		10	-	-	-	**10**	-	**10**	-	**10**
Financial assets not measured at fair value (*)										
Trade receivables	21			104,093		**104,093**				-
Financial assets				1,077		**1,077**				-
Cash and cash equivalents	20			57,056		**57,056**				-
		-	-	**162,226**	-	**162,226**	-	-	-	-
Financial liabilities measured at fair value										
Currency derivatives held for trading		(172)	-			**(172)**		-		-
Market Warrants					(3,873)	**(3,873)**	(3,873)			**(3,873)**
Financial liabilities to non-controlling investors	27	(26,958)				**(26,958)**			(26,958)	**(26,958)**
		(27,130)	-	-	**(3,873)**	**(31,003)**	**(3,873)**	-	**(26,958)**	**(30,831)**
Financial Liabilities not measured at fair value (*)										
Bank overdraft	27				(6,361)	**(6,361)**		(6,361)		**(6,361)**
Secured bank loans	27				(15,525)	**(15,525)**		(15,712)		**(15,712)**
Unsecured bank loans	27				(238)	**(238)**		(238)		**(238)**
Secured bond issues	27				(447,332)	**(447,332)**		(462,674)		**(462,674)**
Lease liabilities (IFRS 16)	27				(20,358)	**(20,358)**				-
Trade payables	28				(76,556)	**(76,556)**				-
		-	-	-	**(566,369)**	**(566,369)**	-	**(484,984)**	-	**(484,984)**

(*) The group has not disclosed the fair values of some financial instruments, such as cash and cash equivalents, trade receivables, financial assets, trade payables, lease liabilities and other financial liabilities, 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 year 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 parent's performance:
- a rise in the market warrants' fair values could lead to an increase in the parent's liabilities and financial expense;
- a reduction in the market warrants' fair values could lead to a decrease in the parent'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 payment, capitalised at the reporting date, net of the expected dividend yields, discounted to present value using a credit risk-adjusted discount rate. The expected payment is calculated considering the fair value of the subsidiary or its equity based on the relevant contractual agreements with non-controlling investors.	• Estimated EBITDA in the 2019 forecast and 2020-2024 plan and expected cash flows in the period; • net financial position at the reporting date; • capitalisation rate (risk free specific to the country in which the subsidiary operates), net of the expected dividend yield (based on the historical average of dividends paid by the subsidiary); • inflation data about Ukraine, Bulgaria, Poland and the USA, used to calculate risk-free rates • discount rate specific to the country in which the subsidiary operates, adjusted by the group's credit risk • 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 country decreased • the expected dividend yield decreased • the inflation rate differential between Ukraine, Poland, Bulgaria and the USA increases the discount rate adjusted by the group's lower credit risk • the expected exercise date for the put option was earlier
Forward interest rate swaps, currency forwards and aluminium derivatives	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.

Even though secured bond issues are quoted on the OTC market like the Euro-MTF in Luxembourg, no relevant transactions 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 Financial assets	Discounted cash flows	Not applicable.

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

Level 3 fair values at December 31, 2018 and at the reporting date are shown below.

(€'000)	
Balance at December 31, 2018 (**)	24,647
(Profit)/ loss included in "(financial income) / financial expense" - Net fair value gain/loss (unrealised)	2,311
Balance at December 31, 2019	**26,958**

(**) Restated in light of the PPA procedure

Sensitivity analysis

For the fair value of the put option on non-controlling interests, reasonably possible changes at December 31, 2019 to one of the significant unobservable inputs, while assuming other inputs remain constant, would have had the following effects:

(€'000)	**Increase/(decrease) in input data not directly observable**	**Favourable/ (unfavourable) effect on the profit (loss) for the year**
Risk-adjusted discount rate	1%	1,895
	(1%)	(2,191)
Growth rate	1%	(1,274)
	(1%)	1,002
Expected date of put option exercise	+ 1 year	1,502
	- 1 year	(1,614)

(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 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 longstanding customers.
The Group reduces credit exposure by using supplier financing lines made available by the Group's main customers, leading to factors part of its trade receivables without recourse.
The group's historical figures indicate a modest amount of credit losses. The risk is fully covered by the corresponding loss allowance recognised in the consolidated financial statements.
There are no cases of particularly concentrated credit risk in geographical terms.

At December 31, 2018 and 2019, trade receivables may be analysed by geographical segment as follows:

(€'000)	December 31, 2018	December 31, 2019
Europe	56,010	58,481
Asia	14,003	16,840
Latin America	16,351	14,379
Oceania	4,299	4,510
Rest of the world	12,142	9,883
Total	**102,805**	**104,093**

At December 31, 2019, trade receivables may be analysed by due date as follows:

(€'000)	Gross amount December 31, 2019	Impairment losses December 31, 2019	Net amount December 31, 2019
Not past due	77,359	(14)	77,344
0-30 days past due	16,760	(4)	16,757
31-90 days past due	7,418	(28)	7,390
More than 90 days past due	4,485	(1,883)	2,602
Total	**106,022**	**(1,929)**	**104,093**

The group believes that the unimpaired amounts that are past due 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 loss allowance is necessary in respect of trade receivables not yet due or past due by up to 90 days.

At December 31, 2019, trade receivables may be analysed by original currency as follows:

(000 €)	EUR	USD	INR	GBP	Other currencies	Total
Trade receivables	41,407	10,487	14,503	7,218	30,477	**104,093**

Other currencies include trade receivables in the following local currencies:

(€'000)	December 31, 2019
Ukrainian hryvnia	5,934
Polish zloty	5,407
Mexican peso	4,391
Australian dollar	3,182
South African rand	2,548
Chilean peso	1,666
Argentinian peso	1,524
Russian ruble	1,333
New Zealand dollar	1,330
Chinese renmimbi	977
Kenyan shilling	822
Brazilian real	804
Other	560
Total	**30,477**

An analysis of the credit quality of trade receivables is as follows:

(€'000)	December 31, 2019
- Four or more years' trading history with the group	74,329
- From one to four years' trading history with the group	7,517
- Less than one year' trading history with the group	3,526
- Residual (not classified)	18,721
Total	**104,093**

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 enough 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 Guala Closures 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 has been able to re-finance indebtedness before its expiry.
At the reporting date, the group has the loans, credit lines and facilities shown in the tables in note 27) Current and non-current financial liabilities to which reference should be made for additional information.

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			
(€'000)	**Carrying amount**	**Within one year**	**From one to five years**	**After five years**	**Total contractual cash flows**
Non-derivatives financial liabilities					
Put option on non-controlling interests	26,958	-	-	(46,157)	(46,157)
Bank overdrafts	6,361	(4,410)	-	-	(4,410)
Secured bank loans	15,525	(3,561)	(18,714)	-	(22,275)
Unsecured bank loans	238	(448)	(25)	-	(473)
Secured bond issues	447,332	(15,925)	(507,420)	-	(523,345)
Market warrants	3,873	(3,873)	-	-	(3,873)
Finance lease liabilities	20,358	(6,542)	(13,816)	-	(20,358)
Trade payables	76,556	(76,556)	-	-	(76,556)
Other	-	-	-	-	-
Total	**597,201**	**(111,315)**	**(539,975)**	**(46,157)**	**(697,448)**

The interest payments on variable interest rate loans and bond issues in the table above and included in 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 the put options on non-controlling interests 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 liability subject to interest rate risk due to the current low interest rates.
The group does not currently deem it necessary to hedge the portion of the liability subject to interest rate risk given the current Euribor parameters.

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:

(€'000)	Effective interest rate - December 2019	Total 12/31/19	Up to 6 months	6 - 12 months	1 - 2 years	2 - 5 years	After five 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.	3,406	3,406	-	-	-	-
Transaction costs	n.a.	(11,074)	(11,074)	-	-	-	-
TOTAL Bonds FRSSN 2024 - Guala Closures S.p.A.		**447,332**	**447,332**	**-**	**-**	**-**	**-**
Bank loans and borrowings:							
Senior Revolving Credit Facility - Guala Closures S.p.A.	3.29%	12,929	12,929	-	-	-	-
Transaction costs	n.a.	(597)	(597)	-	-	-	-
Total Senior Revolving Credit Facility - Guala Closures S.p.A.		**12,332**	**12,332**	**-**	**-**	**-**	**-**
Other accrued expenses - Guala Closures S.p.A.	n.a.	63	63	-	-	-	-
Yes Bank loan and bank overdraft Axiom Propack (India)	9.70%	1,951	1,951	-	-	-	-
Handlowy S.A. / Millennium S.A. bank overdraft (Poland)	0.70%	4,410	4,410	-	-	-	-
Banco de la Nacion Argentina loan (Chile)	7.56%	168	168	-	-	-	-
Santander loans and bank overdraft (Brazil)	n.a.	70	70	-	-	-	-
Advances on loans and receivables (Argentina)	n.a.	2	2	-	-	-	-
Bancomer loan (Mexico)	n.a.	3,129	3,129	-	-	-	-
TOTAL bank loans and borrowings		**22,123**	**22,123**	**-**	**-**	**-**	**-**
Other financial liabilities:							
Market warrants	n.a.	3,873	3,873	-	-	-	-
Leases (IFRS 16)	n.a.	20,358	20,358	-	-	-	-
Financial liabilities - non-controlling investors	n.a.	26,958	26,958	-	-	-	-
TOTAL other financial liabilities		**51,190**	**51,190**	**-**	**-**	**-**	**-**
TOTAL		**520,645**	**520,645**	**-**	**-**	**-**	**-**

Sensitivity analysis

The fair value of financial liabilities was calculated by an external actuary using the following methodology:

- the cash flows generated by the outstanding liabilities are identified both in terms of interest and principal. These cash flows are calculated with reference to the interest rates and the related repayment plan;
- the individual cash flows are discounted using risk-free rates ruling on the measurement date. These rates are deducted from the swap rates using the bootstrap method 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 December 31, 2019:

(€'000)	**Increase of 100bp**	**Decrease of 100bp**
Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	(17,110)	3,406
Senior Revolving Facility Agreement - gross of transaction costs	(487)	100
Sensitivity of cash flows for Bonds and Revolving facility (net)	**(17,597)**	**3,506**
Finance leases	(3)	3
Sensitivity of cash flows of other financial liabilities (net)	**(3)**	**3**

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 group is exposed to currency risk, particularly in relation to fluctuations of the US dollar, British pound, Australian dollar, 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.
The risk of exchange fluctuations was managed in the past using currency 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, currency hedges were in place for Pounds.

Sensitivity analysis

The appreciation of the USD, GBP, AUD, INR, UAH and PLN, as indicated below, against the Euro at December 31, 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on exchange rate fluctuations that the group 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 forecasted sales and purchases. The analysis is performed on the same basis, although the changes in exchange rates differed to those expected, as indicated below.

(€'000)	Appreciation		Depreciation	
2019	**Assets**	**Profit (loss) for the year**	**Liabilities**	**Profit (loss) for the year**
USD (10 % change)	700	700	(573)	(573)
GBP (10 % change)	(632)	(632)	517	517
AUD (10 % change)	(166)	(166)	136	136
INR (10% change)	1,395	1,395	(1,141)	(1,141)
UAH (10% change)	1,039	1,039	(850)	(850)
PLN (10% change)	37	37	(30)	(30)

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). However, this risk will be able to be hedged in the near future given current developments in the listing of plastics on the international market and corresponding hedging instruments.
The risk of fluctuations in the purchase price of aluminium is partly hedged based on market needs and outlook through derivatives which set the forward purchase price.
With respect to the fair value of market warrants, it is noted that, at December 31, 2019, their carrying amount is calculated as the number of market warrants outstanding (19,367,393) at the official unit price of Borsa Italiana S.p.A. (€0.20).

The table below shows the effect in the event of a 10% increase/decrease in the official price:

(€'000)	Increase/ (decrease) in the official price	Favourable/ (unfavourable) effect on the profit (loss) for the year
Variation in the unit price of market warrants	10%	(387)
	(10%)	352

(36) Commitments and guarantees

On October 11, 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 in relation to 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 the 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 intragroup 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 Ltd 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 December 31, 2019 are as follows:

Guala Closures Argentina S.A.

- Mortgage on building given to Banco de la Nación Argentina for an amount of ARS42.9 million.

Guala Closures India Pvt Ltd

- Securities given to Yes Bank for an amount of INR570 million

(€'000)	December 31, 2019
Guala Closures S.p.A.	
Third party assets held by the group	4,968

(37) Related party transactions

For information about the procedures governing related party transactions, including with respect to that set out in article 2391-bis of the Italian Civil Code, reference should be made to the procedure adopted by the parent pursuant to the Regulation approved by Consob by resolution no. 17221 of March 12, 2010, as subsequently amended, posted on the "Investor Relations" section of the parent's website (www.gualaclosures.com).

Pursuant to Consob communication no. 6064293 of July 28, 2006, the following table summarises the financial impacts of trade and financial transactions carried out with third parties in 2019:

- Space Holding S.r.l.: €60 thousand related to consultancy services provided in 2019;
- TAN Advisory S.r.l.: €80 thousand related to consultancy services and assistance at the GCL International S.à r.l. subsidiary in connection to the acquisition in SharpEnd.

Transactions with the key management personnel are set out below:

	Costs recognised in the year							Accrual for post-employment benefits at Dec 31, 2019	Other liabilities at December 31, 2019	Cash flows for the year
(€'000)	Fees for positions held	Incentives	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	Other benefits	Total			
Total directors/key managers	533	1,119	2,272	23	13	302	**4,263**	1	1,327	2,881

GCL Holdings S.C.A. is a related party of Guala Closures S.p.A..
The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has four members on the board of directors of Guala Closures S.p.A. since August 6, 2018, as well as two independent members who were appointed jointly with Space Holding S.r.l.;
- it has two standing members and a substitute member of the board of statutory auditors of Guala Closures S.p.A. since September 10, 2018, who were appointed on the indication of GCL Holdings S.C.A.;
- GCL Holdings S.C.A. has held 14.24% of the share capital of Guala Closures S.p.A. since July 31, 2018 and it holds 24.28% of the voting rights as a result of the 4,322,438 B shares carrying multiple votes;
- there was a loan of €135 thousand granted by GCL International S.à r.l. in favor of GCL Holdings S.C.A., as well as a commercial receivable of GCL International S.à r.l. against GCL Holdings S.C.A. for transactions related to the restructuring process of the Luxembourg company which took place in 2018, when all the activities of GCL Holdings S.C.A. were transferred to GCL International S.à r.l. These payables/receivables were extinguished in March 2020, the related amounts being paid by GCL Holdings S.C.A..
- transactions with GCL Holdings S.C.A. took place on an arm's length basis.

Space Holding S.r.l. can also be considered a related party.
The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has two members (one of whom is independent) on the board of directors of Guala Closures S.p.A. since August 6, 2018, as well as two independent members who were appointed jointly with GCL Holdings S.C.A.;
- it has one standing member and a substitute member of the board of statutory auditors since September 10, 2018, who were appointed on the indication of Space Holding S.r.l.;

- Space Holding has held 4.70% of the share capital of Guala Closures S.p.A. since July 31, 2018 and it holds 3.14% of the voting rights, partly as a result of the 805,675 C shares with no voting rights;
- transactions with Space Holding S.r.l. took place on an arm's length basis.

Peninsula Capital II sarl (as general partner of Peninsula Investments II S.C.A., which controls PII G S.à r.l.) can be considered a related party.
The transactions and relationships between this company and the group at December 31, 2019 are summarised below:

- it has one member on the board of directors of Guala Closures S.p.A. since August 6, 2018 (the date the merger became effective);
- Peninsula has held 9.84% of the share capital of Guala Closures S.p.A. and 8.92% of the voting rights since July 31, 2018;
- transactions with Peninsula took place on an arm's length basis.

Tan Advisory S.r.l. indirectly held by Filippo Giovannini for 17.43%, who also holds the position of sole director, can be considered a related party.

The relations between this company and the Group at 31 December 2019 are summarized below:

- Tan Advisory S.r.l. advised and assisted the subsidiary GCL International S.à r.l. relating to the negotiation and completion of the investment made by the Luxembourg subsidiary in SharpEnd, by virtue of which a 20% stake in said company was acquired.

The consideration paid to Tan Advisory S.r.l. for this activity it was equal to €80 thousand

Related parties also include the 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 31) Employee benefits for additional information.

Some Guala Closures S.p.A. managers also hold GCL Holdings S.C.A. shares (see the prospectus).

With respect to the new policy applicable to related party transactions, reference should be made to the Investor Relations section of the parent's website www.gualaclosures.com.

There are no significant transactions with other related parties in addition to those indicated in these notes.

(38) 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.

(39) Statutory auditors' and independent auditors' fees

The statutory auditors' fees are as follows:

(€'000)	Costs recognised in the year						
	Fees for position held	Incentives	Salary	Accrual for post-employment benefits and other supplementary pension funds	Total	Liabilities at December 31, 2019	Cash flows for the year
Total statutory auditors	**125**				**125**	**59**	**66**

Information pursuant to article 149 – duodecies of Consob's Issuer Regulation. Pursuant to article 149 duodecies of Consob's Issuer Regulation, the table below provides information about the 2019 audit fees and the fees related to other services provided by KPMG S.p.A. and its network companies and the fees paid to other independent auditors:

(€'000)	*Provider*	*Beneficiary*	*2019 fees*
Audit fees	KPMG S.p.A	Parent	354
		Italian subsidiaries	35
	KPMG (*)	Foreign subsidiaries	1,049
	Other independent auditors	Foreign subsidiaries	36
			1,474
Other services provided			
Limited assurance engagement - non-financial statement	KPMG S.p.A.	Parent	60
Other attestation services	KPMG S.p.A.	Parent	25
Other services (**)	KPMG S.p.A.	Parent	4
Other services (**)	KPMG (*)	Foreign subsidiaries	11
			100
Total			**1,574**

(*) Other Italian or foreign companies belonging to the same network as KPMG
(**) Mainly services required by local legislation to sign tax forms

(40) Atypical and/or unusual transactions

Pursuant to Consob communication dated July 28, 2006, it is noted that, during the year, Guala Closures Group did not carry out any atypical and/or unusual transactions, as described in the relevant communication, whereby atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflicts of interest and the safeguarding of company assets, and of non-controlling interests.

(41) Events after the reporting period

Acquisition of Closurelogic GmbH's assets through Guala Closures Deutschland GmbH

On November 27, 2019, the Luxembourg subsidiary formalised its offer to purchase all the assets of Closurelogic S.à.r.l. GmbH, German manufacturer specializing in aluminum closures.

The offer is part of the competitive process launched following the voluntary insolvency proceedings commenced by Closurelogic GmbH.

Subsequently, on December 16, 2019, the subsidiary GCL International S.à r.l. formalised its offer, through a notary, to be exercised directly or through the incorporation of a new company, requesting and obtaining a break-up fee letter, which provided for the payment of €2 million to the bidder, should the assets be sold to third parties.

In December, the Luxembourg subsidiary GCL International S.à r.l. purchased a shelf-company, Waterside XLII, which subsequently took on the name of Guala Closures Deutschland GmbH.

This company was subsequently identified as the purchaser of the assets of Closurelogic GmbH, availing itself of the express right reserved in the notarial offer made on December 16, 2019.

On January 2, 2020, Closurelogic GMBH, under insolvency proceedings, formally accepted the proposal made on December 16, 2019.

Consequently, on February 3, 2020, the German subsidiary, Guala Closures Deutschland GmbH, finalised the purchase of all the assets owned by Closurelogic GmbH, with the exception of the shares of the Turkish subsidiary, the purchase of which will take place after completion of the step-plan identified following the due diligence.

Closurelogic Gmbh was founded in 1958 in Worms (Germany) and produces premium aluminium and composite closures, specialized in the beverage and water glass bottles market. The transaction involves the acquisition of the tangible and intangible assets of the Closurelogic GmbH business, including the property located in Worms, for a total value of €7.2 million, the purchase of the raw materials and finished products inventories for an amount of approximately €5 million, in addition to the payment to suppliers for approximately €0.3 million.

In 2019, the activities acquired generated a turnover of approximately 45 million euros, with most sales made in the glass-bottled mineral-water market. About 50% of these sales were realised in Germany, with the remainder spread throughout Europe.

The acquisition allows the Guala Closures Group to have a significant share in the German market, where the presence in terms of mineral water has been marginal until now.

Thanks to this acquisition, the Group become a major player in the glass-bottled beverage and mineral water market, acquiring production capacity to grow further in this sector.

Share capital increase of Guala Closures France S.a.s. and new calculation of equity investments

As a result of the losses incurred in prior years, on January 29, 2020 the share capital of Guala Closures France Sas was zeroed, with a simultaneous resolution to increase the share capital by €2,748 thousand.
As the other non-controlling investors - Les Muselets du Val de Loire M.V.L. S.A.S. and SACI S.à.r.l. - decided not to subscribe the capital increase, the latter was fully subscribed by Guala Closures International B.V., which, to this end, waived part of the amount due from the French company, converting the loan into share capital.
The capital increase was completed in February, resulting in the Dutch subsidiary owning Guala Closures France Sas in full.

Subscription of SharpEnd Partnership Ltd. capital

On February 26, 2020, the Luxembourg subsidiary GCL International S.à r.l. formalised the subscription of 20% of the share capital of SharpEnd Partnership Ltd, innovative technology services agency based in London.

Founded in 2015 as the world's first IoT agency, SharpEnd is known for being a pioneering creative technology Partner. The company was born with the desire to reduce the distances between products and the involvement of consumers and includes AB-InBev, PepsiCo, Nestlé, Unilever and Pernod Ricard among its global customers.
The agreement between SharpEnd and the Guala Closures Group aims to offer innovative turnkey solutions, integrating hardware and software in related packaging solutions.

Covid-19 (Coronavirus)

The Group is closely monitoring developments of the global health situation following the spread of COVID-19. Since February 22, the parent has provided its Italian plants with the tools needed to tackle this situation. At present, all of the group's production and sales activities are functioning as usual. Thanks to our diversified geographical footprint, which enables us to best exploit any growth in the consumption of local products as well as having a large number of sources of supply for our raw materials and services, we believe that we can absorb supply chain and demand repercussions, although at the moment it is too early to make forecasts on possible impacts over the coming months.

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

March 12, 2020

Annexes to the consolidated financial statements

Annex

Statement of the CEO and manager in charge of financial reporting pursuant to article 154-bis.3/4 of Legislative decree no. 58/1998 (“Consolidated finance act”)

ANNEX

Statement of the CEO and manager in charge of financial reporting

Statement on the consolidated financial statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999, as subsequently amended and integrated

1. The undersigned Marco Giovannini and Anibal Diaz, respectively CEO and manager in charge of financial reporting of Guala Closures S.p.A. (the "**company**"), state that pursuant to article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998:
    - the administrative and accounting procedures are adequate given the company's characteristics;
    - they were applied during the year to prepare the consolidated financial statements as at and for the year ended December 31, 2019.
2. No significant issues arose.
3. Moreover, they state that:

    3.1 The consolidated financial statements at and for the year ended December 31, 2019:

    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 of the Council of July 19, 2002;

    b) are consistent with the accounting records and entries;

    c) are suitable to give a true and fair view of the financial position as at December 31, 2019 and the financial performance and cash flows for the year then ended of the issuer and the consolidated companies.

    3.2 The directors' report includes a reliable analysis of the key events that took place during the year and position of the issuer and the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

March 12, 2020

Marco Giovannini	Anibal Diaz
CEO	Manager in charge of financial reporting
(signed on the original)	(signed on the original)

3. SEPARATE FINANCIAL STATEMENTS OF

Guala Closures S.p.A.

as at and for the year ended December 31, 2019

Statement of profit or loss and other comprehensive income

(Euros)	**2018 (*)**	of which: Related parties	of which: non-recurring costs	**2019**	of which: Related parties	of which: non-recurring costs	**Note**
Net revenue	**47,399,416**	**19,458,440**		**133,736,319**	**65,388,210**		5
Change in finished goods and semi-finished products	(4,637,309)			1,253,280			
Other operating income	8,673,420	7,516,910		22,424,983	20,049,510		6
Internal work capitalised	1,270,036			2,680,370			7
Costs for raw materials	(24,276,128)	(2,819,580)	(990,000)	(77,687,677)	(8,969,761)		8
Costs for services	(22,777,410)	(3,185,910)	(10,110,221)	(41,188,886)	(10,529,360)	(308,663)	9
Personnel expense	(10,448,153)			(29,154,450)			10
Other operating expense	(785,370)			(1,975,018)			11
Impairment losses	(33,047)		(33,047)	(13,266)		(13,266)	
Amortisation and depreciation	(6,439,393)			(16,415,511)			26-27-28
Operating loss	**(12,053,938)**	**20,969,860**	**(11,133,268)**	**(6,339,856)**	**65,938,599**	**(321,929)**	
Financial income	22,920,310	4,541,470		11,323,689	9,534,780		12
Financial expense	(7,902,970)	(81,263)		(21,714,829)	-		13
Gains on investments	7,000,000	7,000,000		22,500,000	22,500,000		14
Profit before tax	**9,963,402**	**32,430,067**	**(11,133,268)**	**5,769,004**	**97,973,379**	**(321,929)**	
Income taxes	717,813			6,706,169			
Profit for the year	**10,681,215**			**12,475,173**			
Other comprehensive income							
Profit for the year	**10,681,215**			**12,475,173**			
Items that will never be reclassified to profit or loss:							
Actuarial gains/(losses) on defined benefit plans	**52,072**			**(126,919)**			
Tax effect	-			**35,215**			
	52,072			**(91,704)**			
Items that are or may be reclassified subsequently to profit or loss:							
Effective portion of fair value gains on cash flow hedges	2,072						
Net change in fair value of cash flow hedges reclassified to profit or loss	54,928			58,000			
Tax on items that are or may be reclassified subsequently to profit or loss	(13,680)			(13,920)			
Other	**43,320**			**44,080**			
Other comprehensive income (expense) for the year, net of tax	**95,392**			**(47,624)**			
Comprehensive income for the year	**10,776,607**			**12,427,549**			

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 06, 2018. The company has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

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

Statement of financial position
ASSETS

(Euros)	December 31, 2018 (*)	of which: Related parties	December 31, 2019	of which: Related parties	Note
ASSETS					
Current assets					
Cash and cash equivalents	16,107,594		14,463,494		17
Current financial assets	989,229	989,230	35,656,855	35,656,855	18
Trade receivables	40,858,566	28,094,060	43,518,751	30,566,608	19
Inventories	14,238,337		16,602,798		20
Current direct tax assets	460,867		370,550		21
Current indirect tax assets	1,534,219		691,587		22
Derivative assets	145,907		9,806		23
Other current assets	4,148,640	3,966,490	2,604,534	2,517,303	24
Total current assets	**78,483,359**	**33,049,780**	**113,918,375**	**68,740,766**	
Non-current assets					
Non-current financial assets	218,618,780	218,581,250	198,927,404	198,899,174	18
Equity investments	669,259,600	669,203,170	669,309,776	669,203,170	25
Property, plant and equipment	60,124,557		46,540,204		26
Right-of-use assets			12,057,394		27
Intangible assets	165,581,897		159,433,351		28
Deferred tax assets	884,946		9,342,303		30
Other non-current assets	17,830		17,834		31
Total non-current assets	**1,114,487,610**	**887,784,420**	**1,095,628,266**	**868,102,344**	
TOTAL ASSETS	**1,192,970,969**		**1,209,546,641**		

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 06, 2018. The company has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.

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

Statement of financial position
LIABILITIES AND EQUITY

(Euros)	December 31, 2018 (*)	of which: Related parties	December 31, 2019	of which: Related parties	Note
LIABILITIES AND EQUITY					
Current liabilities					
Current loans and borrowings	10,832,188		10,933,876		32
Trade payables	21,914,490	1,215,150	27,639,444	3,348,388	33
Direct tax liabilities	123,010		523,897		34
Indirect tax liabilities	955,050		869,540		35
Current provisions for risks and charges	1,118,550		966,310		36
Derivative liabilities	58,000		171,581		37
Other current liabilities	13,452,090	528,640	8,895,747	1,041,704	38
Total current liabilities	**48,453,378**	**1,743,790**	**50,000,395**	**4,390,092**	
Non-current liabilities					
Non-current loans and borrowings	454,912,110		457,456,484		32
Other non-current liabilities	-		211,987		39
Employee benefits	3,957,980		3,753,852		40
Deferred tax liabilities	42,888,205		42,841,736		30
Non-current provisions for risks and charges	226,220		321,561		36
Total non-current liabilities	**501,984,515**		**504,585,620**		
Total liabilities	**550,437,893**	**1,743,790**	**554,586,015**	**4,390,092**	
Equity					
Share capital	**68,906,646**		**68,906,646**		
Share premium reserve	423,836,890		423,836,890		
Legal reserve	-		642,596		
Other reserves	145,589,628		157,798,947		
Hedging reserve	43,320		0		
Losses carried forward	(6,524,622)		(8,699,626)		
Profit for the year	10,681,215		12,475,173		
Total equity	**642,533,077**		**654,960,626**		41
TOTAL LIABILITIES AND EQUITY	**1,192,970,969**	**1,743,790**	**1,209,546,641**	**4,390,092**	

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 06, 2018. The company has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019

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

Statement of cash flows

(Euros)	2018 (*)	2019	Note
Opening cash and cash equivalents	**512,205,719**	**16,107,594**	
A) Cash flows from operating activities			
Profit before tax	9,963,402	5,769,004	
Adjustment for:			
Amortisation, depreciation and impairment losses	6,439,393	16,415,511	26-27-28
Dividends from GC International	(7,000,000)	(22,500,000)	14
Net financial expense	(15,017,340)	10,391,140	12-13
Net gains on fixed assets sales	(2,600)	(190,980)	26-28
Changes in:			
Receivables, payables and inventories	4,003,250	700,160	19-20-33
Other	(2,049,222)	(3,456,779)	
VAT and indirect tax assets/liabilities	(579,169)	757,120	22-35
Income taxes paid	(1,296,671)	(1,315,640)	21-34
Net cash flows from (used in) operating activities	**(5,536,357)**	**6,569,536**	
B) Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(3,114,850)	(9,859,566)	26-28
Proceeds from sale of property, plant and equipment and intangible assets	-	1,479,690	26-28
Acquisition of Guala Closures Group, net of cash and cash equivalents acquired	(341,632,620)	-	4
Net cash flows used in investing activities	**(344,747,470)**	**(8,379,876)**	
C) Cash flow from financing activities			
Withdrawal of the former Space4 shareholders	(31,323,105)	-	
Interest received	5,665,279	6,760,331	12-13
Interest paid	(2,950,182)	(18,074,454)	12-13
Transaction costs paid for the Bridge Facility Agreement, new bonds and the Senior Revolving facility	(14,632,909)	(717,808)	
Other financial items	(116,717)	(299,933)	
Dividends from GC International	7,000,000	22,500,000	14
Proceeds from new borrowings and bonds	916,224,201	2,276,219	32
Repayment of borrowings and bonds	(1,002,395,767)	(1,176,194)	32
Repayment of finance leases	(965,018)	(3,312,466)	32
Change in financial assets	(22,241,131)	(8,941,210)	18
Net cash flows used in financing activities	**(145,735,348)**	**(985,515)**	
D) Net cash flow for the year	**(496,019,175)**	**(2,795,855)**	
Effect of exchange fluctuations on cash held	(78,950)	1,151,755	
E) Closing cash and cash equivalents	**16,107,594**	**14,463,494**	

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 06, 2018. The company has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019

Statement of changes in equity

Statement of changes in equity

(Euros)	Share capital	Share premium reserve	Legal reserve	Other reserves	Hedging reserve	Losses carried forward	Profit for the year	Total equity
January 1, 2018	**51.340.000**	**455.160.000**	**-**	**(4.677.128)**	**-**	**-**	**(6.576.694)**	**495.246.178**
Allocation of the 2017 profit					-	(6.576.694)	6.576.694	-
Business combination and capital increase	17.566.646			150.266.756				167.833.402,00
Withdrawal		(31.323.110)						(31.323.110,00)
Profit for 2018							10.681.215,00	10.681.215,00
Other comprehensive income					43.320	52.072	-	95.392
Comprehensive income for the year			-		***43.320***	***(6.524.622)***	***17.257.909***	***10.776.607***
December 31, 2018 (*)	**68.906.646**	**423.836.890**	**-**	**145.589.628**	**43.320**	**(6.524.622)**	**10.681.215**	**642.533.077**
January 1, 2019 (*)	**68.906.646**	**423.836.890**	**-**	**145.589.628**	**43.320**	**(6.524.622)**	**10.681.215**	**642.533.077**
Allocation of the 2018 profit			642.596	12.209.319	-	(2.170.700)	(10.681.215)	-
Profit for 2019							12.475.173	12.475.173
Reclass					(87.400)	87.400		-
Other comprehensive income (expense)					44.080	(91.704)	-	(47.624)
Comprehensive income for the year	*-*	*-*	***642.596***	***157.798.947***	***(43.320)***	***(2.175.004)***	***1.793.958***	***12.427.549***
Balance at December 31, 2019	**68.906.646**	**423.836.890**	**642.596**	**157.798.947**	**-**	**(8.699.626)**	**12.475.173**	**654.960.626**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 06, 2018. The company has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019

Notes to the separate financial statements of Guala Closures S.p.A. as at and for the year ended December 31, 2019

General Information

1. The company's activities and key changes in its shareholding structure 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 September 19, 2017 with the name of Space4 S.p.A.. It was 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 December 21, 2017.

On July 31, 2018, Space4 S.p.A. acquired Guala Closures S.p.A., the parent of the Guala Closures Group ("pre-merger Guala Closures" or "pre-merger Guala Closures Group", respectively). On August 6, 2018, Guala Closures S.p.A. was merged into Space4 S.p.A.. Furthermore, following the above transaction, 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 Commercial register. Its registered office is in via Rana 12, zona industriale D6, Spinetta Marengo (Alessandria).

Following the merger with the pre-merger Guala Closures Group (acquired on July 31, 2018) which was completed on August 6, 2018 by Space4 S.p.A., these are the first set of separate financial statements covering a 12-month period prepared after the transaction. Indeed, the prior year financial statements covered the operations of Space4 S.p.A. from January 1, 2018 to August 5, 2018 and the industrial operations acquired by pre-merger Guala Closures as of August 6, 2018.

Consequently, no comparison is possible.

The company also acts as the holding company for the Guala Closures Group.

Guala Closures S.p.A.'s main activities involve the design and manufacturing of safety closures (safety product line), customised closures (luxury product line), aluminium closures (wine product line), roll-on closures (standard product line) and other closures.

Currently, the company 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.

2. Accounting policies

Guala Closures S.p.A.'s separate financial statements at December 31, 2019 have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and endorsed by the European Union and related interpretations.

Except for the provisions of IFRS 3 applicable to the business combination which took place last year, these separate financial statements have been prepared in accordance with the IFRS, on the historical cost basis, adjusted to reflect the measurement of some financial instruments and other assets and liabilities at fair value, and on a going concern basis.

They have also been prepared in accordance with CONSOB (the Italian Commission for Listed Companies and the Stock Exchange) provisions about financial statements in accordance with article 9 of Legislative decree no. 38/2005 and other applicable provisions and regulations.

These separate financial statements have been clearly prepared and give a true and fair view of the company's financial position, financial performance and cash flows.

They comprise:

- a statement of profit or loss and other comprehensive income whose amounts are classified by nature;
- a statement of financial position whose captions are classified by current and non-current assets and liabilities;
- a statement of cash flows, prepared using the indirect method;
- a statement of changes in equity, prepared in accordance with the structure of changes in equity.

Guala Closures S.p.A. has prepared its separate financial statements in Euros, which is the company's functional currency, without decimals, except for the notes, which have been prepared in thousands of Euros. 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 March 12, 2020.

The company is part of the Guala Closures Group which prepares the consolidated financial statements for Guala Closures S.p.A. and its subsidiaries as part of the smaller and larger group of companies.

Neither the company or the group are subject to management or coordination activities.

3. Changes to standards

Except for that set out below, the accounting policies applied in the preparation of these separate financial statements are the same as those applied to the separate financial statements of the Guala Closures S.p.A. at December 31, 2018, to which reference should be made.

The changes to the standards set out below were applied to the separate financial statements at December 31, 2019.

New applicable standards

The new standards and/or amendments thereto applicable to annual reporting periods beginning on or after January 1, 2019 are set out below.

- IFRS 16 - Leases

The following other new standards and/or amendments applicable on the same date have not had a significant impact on the 2019 separate financial statements:

- IFRIC 23 - Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual improvements to IFRS Standards 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

IFRS 16 Leases

The company has applied IFRS 16 Leases starting from January 1, 2019. Other new standards became applicable on the same date but have not had a significant impact on the company's separate financial statements.

IFRS 16 introduces a single 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. The accounting model for lessors has not changed substantially from the IAS 17 model.

Guala Closures S.p.A. has elected to apply the modified retrospective approach whereby the comparative figures are not adjusted and no FTA effects were recognised in the reserves at January 1, 2019. Therefore, the comparative figures for 2018 are presented in line with the figures reported in the separate financial statements at December 31, 2018 prepared in accordance with IAS 17.

A. Definition of a lease

Prior to application of IFRS 16, Guala Closures S.p.A. determined whether a contract was, or contained, a lease at the inception date in accordance with IFRIC 4 - Determining Whether an Arrangement Contains a Lease. The company now determines whether a contract is, or contains, a lease based on the new definition of IFRS 16. Specifically, the new standard establishes that a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

B. Leases in which the company is a lessee

The company has recognised new assets and liabilities for its operating leases (as per the definition of IAS 17) of land, warehouse and factory facilities, production lines, vehicles used within the facilities and IT hardware. The nature of expenses related to those leases has changed because the company recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities and no longer has lease payments.
Previously, it recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Short-term leases, i.e., with a term of less than 12 months, and leases for which the underlying asset is of low value, which have been excluded from the scope of IFRS 16 as per the practical expedient, are recognised as operating expense on a straight-line basis over the lease term.

i. Recognition and measurement

The company recognises a right-of-use asset, separately from property, plant and equipment and intangible assets, and a lease liability at the commencement date of the lease, which is the date on which the lessor makes an underlying asset available for use to the lessee.

It initially measures the right-of-use asset at cost and subsequently at cost less any accumulated depreciation/amortisation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.
It depreciates/amortises the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The company initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, it uses the incremental borrowing rate of the lessee (the group company) or the company.
The lease liability is subsequently increased to reflect interest on the lease liability and decreased to reflect the lease payments made.
The company remeasures the lease liability to reflect changes in the in-substance fixed or variable lease payments that depend on an index or a rate used to determine those payments, in any residual value guarantees provided to the lessor by the lessee or, if appropriate, there is a change in the assessment of whether the lessee is reasonably certain it will exercise a purchase or extension option or it is reasonably certain it will not exercise a termination option.

The lessee considers the renewal options when determining the lease term.
With respect to leases that do not contain annual automatic renewal options, the group considered the lease term based on the time horizon of the business plan prepared by group management (five years), assuming that this time horizon properly reflects a period of time adequate to assess the lease term with a reasonable certainty.
Assessment of the reasonable certainty of exercising the renewal option affects the lease term which, in turn, significantly affects the lease liability and the right-of-use asset.

ii. First-time adoption

Guala Closures S.p.A. elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects on the reserves at January 1, 2019.
It also elected to adopt the following simplifications and practical expedients provided by IFRS 16 to decrease the costs of FTA:

- exclusion from the list of leases identified as being, or containing, a lease at the date of initial application (January 1, 2019) of short-term leases, i.e., with a term of less than 12 months, and leases for which the underlying asset is of low value;
- with respect to leases identified as finance leases under IAS 17 at the date of initial application (January 1, 2019), the right-of-use asset and the lease liability are recognised at the carrying amounts shown in the Separate financial statements at December 31, 2018 in accordance with IAS 17;
- with respect to leases identified as operating leases under IAS 17 at the date of initial application (January 1, 2019), the lease liability is initially recognised at the present value of the remaining lease payments,

discounted using the lessee's incremental borrowing rate at the date of initial application, while the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

As a result of the simplifications and practical expedients foreseen by IFRS 16 and adopted by the company, there are no effects of the FTA recognised in the reserves at January 1, 2019.

C. Leases in which the company is a lessor

The recognition and measurement of leases as a lessor have not changed from IAS 17. Sub-leases are classified considering the right-of-use asset of the head lease and not the identified underlying asset.
The company has not made any adjustments due to transition to IFRS 16 for leases where it is the lessor.

D. Effects on the separate financial statements

At the date of initial application (January 1, 2019), the company recognised the following amounts for the right-of-use assets and lease liabilities for leases not already recognised under IAS 17.

(€'000)	**January 1, 2019**
Land and buildings	10,604
Plant and machinery	1,590
Equipment	757
Other assets	379
Lease liabilities	(13,331)
Effect on equity at January 1, 2019	**-**

As noted, the adoption of IFRS 16 has not generated differences to be recognised in the reserves at January 1, 2019 due to the company's application of the practical expedients.

The company used the interest rate implicit in the lease to measure the lease liability or if that rate cannot be readily determined, the lessee's incremental borrowing rate or alternatively, as a last resort, the company's incremental borrowing rate.

A reconciliation of the lease liabilities recognised at the date of initial application at January 1, 2019 with the minimum lease payments for non-cancellable leases shown in the notes to the separate financial statements at December 31, 2018 is provided below.

(€'000)	**Total**
Minimum future payments for non-cancellable leases shown in the notes to the separate financial statements at December 31, 2018	2,145
Discounted minimum future payments for non-cancellable leases shown in the notes to the Separate Financial Statements at December 31, 2018	2,116
Finance lease liabilities recognised in the Separate Financial Statements at December 31, 2018	5,526
Leases where the underlying asset is of a low value and short-term leases excluded from the scope of IFRS 16	(319)
Lease extension options that the Company is reasonably certain to exercise	-
Lease liabilities at January 1, 2019	**7,323**

At the date of initial application, the Company recognised a right-of-use asset and a lease liability of €7.3 million as the effect of FTA of IFRS 16 for leases previously classified as operating leases.

(a) Use of estimates and judgments

Management has to make judgments, 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 next financial year is included in the following notes: loss allowance (note (n) estimated expected credit loss) and allowance for inventory write-down (note 20 inventory estimated recoverability), amortisation/depreciation and impairment of non-current assets (notes (h) (i) estimated useful life), employee benefits (note (o) estimated actuarial assumptions), taxes (note 16 estimated future taxable income), provisions (note 36), measurement of financial derivatives (note 23 estimated interest rates), effects of business combinations (note 4 estimated fair value of acquired assets and liabilities) and market warrants (note 45 estimated fair value of market warrants).

Such estimates and assumptions are reviewed regularly. Any changes arising therefrom are recognised 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 recognised in the year in which the review takes place.

(b) 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 currently are exercisable.

The company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; 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 recognised immediately in profit or loss in the other income caption.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised 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 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 within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards) and relate to past services, then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to past and/or future service.

(c) 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 transaction date. Monetary items in foreign currency existing at the reporting date are translated into Euros using the closing rate. Exchange 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 Euros using the exchange rates ruling on the date their fair value was determined.

(d) 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.

(e) Inventories

Inventories are measured at the lower of purchase or production cost and net realisable value. Net realisable 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 realisable 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 disposal groups

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 recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(g) Investments

Investments in subsidiaries, associates and jointly-controlled companies are measured at cost, net of any impairment losses. Cost is the purchase price or the amount recognised following the merger and reflects the contribution amount in the separate financial statements at the acquisition-date considered in said separate financial statements.

Any positive difference, if any, arising at the time of purchase, between the acquisition cost and the company's share of equity at the fair value of the investee, is included in the carrying amount of the investment and is tested annually for impairment, comparing the full carrying amount of the investment with its recoverable amount (the higher of fair value less costs to sell and value in use).

If there is evidence of impairment, an impairment loss is recognised. If the company's share of losses of an investee exceeds the carrying amount of the investment and the company has the obligation to cover it, the carrying amount of the investment is reduced to zero and the additional losses are recognised as a provision. If the impairment loss subsequently decreases or ceases to exist, it is reversed in profit or loss up to the original carrying amount.

Investments in other companies, consisting of non-current financial assets not held for trading, for which the fair value is difficult to determine, since they are unlisted companies, are measured at acquisition or subscription cost, reduced, if necessary, by impairment losses. If the company's share of losses exceeds the carrying amount of the recognised investment, the carrying amount of the investment is reduced to zero and the share of further losses is not recognised as a liability, unless the company has a legal or constructive obligation to cover them.

(h) Property, plant and equipment

Property, plant and equipment are recognised 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, capitalised.

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 depreciated over the related asset's residual useful life. All other expenditure is expensed in the year in which it is 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.

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 company. This expenditure is amortised over the related asset's residual useful life. All other expenditure is expensed in the year in which it is 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.

(i) Intangible assets

Goodwill

Goodwill arising from the acquisition of subsidiaries is initially recognised at cost. After initial recognition, goodwill is adjusted for any accumulated impairment losses, determined using the criteria described in paragraph (n) "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 amortisation 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 recognised in profit or loss at the time of disposal.

Research expenditure

Expenditure on research undertaken to gain scientific and technical knowledge and information is recognised 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 capitalised when the product or process is feasible in technical and commercial terms and the company has adequate resources to complete the development stage.

Capitalised development expenditure is measured at cost, net of accumulated amortisation and impairment losses.

It is classified under “Internal work capitalised”.

The amortisation periods for intangible assets are as follows:

	Amortisation period (years)
Development expenditure	5
Patents and trademarks	5-20
Software	5
Licences	5
Customer list	20
Other capitalised 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 company. This expenditure is amortised 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 recognised in profit or loss at the time of disposal.

(j) Income taxes

Income taxes comprise current and deferred tax. They are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income (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 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 recognised for unused tax losses and unused tax credits 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 substantively 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 recognised 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 judgments about future events. New information may become available that causes the company to change its judgment 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.

(k) Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

<u>Financial assets</u>

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 financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– the asset 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 measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

<u>Financial assets: business model assessment</u>

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 key managers;

– 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, value 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 whose performance is evaluated on a fair value basis are measured at FVTPL.

<u>Financial assets: assessment whether contractual cash flows are solely payments of principal and interest</u>

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, for the credit risk associated with the principal amount outstanding in a given period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as for the 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 significant discount or premium on 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 immaterial at initial recognition.

Financial assets: subsequent measurement and gains and losses

Financial assets 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. See note (m) for derivatives designated as hedging instruments.
Financial assets measured 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, 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 investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, 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 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 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 exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See note (m) for financial liabilities designated as hedging instruments.

Derecognition

Financial assets

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.

(l) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

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 exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of currency risk on a net investment in a foreign operation.

At the 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 present 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 inventories, 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 year or years 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 year or years 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.

(m) Share capital and equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a decrease in equity, net of any tax effects.

Repurchase and reissue of ordinary shares (treasury 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 investors exercise a put option and the non-controlling investor still has present access to the economic benefit associated with the underlying ownership interests, it recognises a liability calculated by discounting the estimated value at the exercise date using the present access method whereby a liability is recognised decreasing the equity caption "Retained earnings (losses carried forward)" in the first year, with subsequent remeasurement recognised in profit or loss as financial expense.

Warrant

Warrants are recognised in accordance with the conditions set out in the relevant regulations governing their operation.

Warrants with fixed conversion parameter

Some warrants (sponsor warrants and management warrants) have fixed and predetermined subscription prices and exercise ratios at the date of issue within predefined time windows. In these cases, the warrant regulation provides for the number of shares that will be issued and the price (if any) that the holder must pay to the company on the date of exercise of the warrants. These instruments are accounted for by the company as equity instruments.

Warrants with variable conversion parameter

Some warrants (market warrants) have a conversion ratio that varies over time and according to the variability of the market price of the underlying share and other parameters provided for in the relevant regulation. Despite the variability of the conversion ratio, the expiry date of the warrant is brought forward when certain thresholds of the price of the underlying share are achieved (thus representing a cap on its appreciation) with the right to settle the instrument through the delivery of shares or cash to the bearer of the rights or to the issuer. The company recognises these instruments as derivative financial liabilities.

(n) Impairment

<u>Non-derivative financial instruments</u>

<u>Financial instruments and contract assets</u>

The company recognises loss allowances for ECLs on:

– financial asset measured at amortised cost;

– contract assets.

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs at the reporting date:

– debt securities that are determined to have low credit risk at the reporting date;

– other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECL.

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

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as enforcing a security (if any is held).

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

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

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried 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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The gross carrying amount of a financial asset is partially or fully impaired to the extent the company has no reasonable expectations of its recovery. For customers, the company individually makes an assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets, except for 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.

(o) 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 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 comprise 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 company determines the net interest expense (income) on the net defined benefit liability (asset) for the year 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 company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Starting from January 1, 2007, the Finance Act (Law no. 296 of December 27, 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 December 31, 2006.

(p) Provisions

Provisions include certain or probable costs and charges, the amount or due date of which is unknown at year end. A provision is recognised 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 expected future cash flows 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 recognised as interest expense.

(q) Revenue

The company has applied IFRS 15 Revenue from Contracts with Customers since January 1, 2018. Specifically, IFRS 15 introduced a new model for revenue recognition based on the following five steps:

- 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.

Revenue is recognised, net of returns, discounts, rebates and bonuses, as well as taxes directly related to the sale of products and the provision of services. They are measured taking into account the consideration specified in the contract with the customer. The company, which generally operates as principal, recognises revenue when it transfers control of the goods or services (point in time). Control of the safety and standard closures is transferred to the customers when the goods are delivered to their premises, i.e., when the goods are taken over by the carrier selected by the customer if earlier and, accordingly, the Company recognises the related revenue at such times. There are generally no further contractual obligations for the company.

There are no significant discounts for final customers and there are no contracts which enable customers to return products in exchange for new ones or cash reimbursements.

Usually, no costs are incurred to obtain or perform contracts with customers.

(r) Government grants

Grants relating to assets and income are recognised 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 recognised 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 recognised under Other operating income.

(s) Financial income and expense

The company's financial income and finance expense include:

– interest income;

– interest expense;

– dividend income;

– dividends on preference shares classified as financial liabilities;

– the net gain or loss on the disposal of investments in debt securities measured at FVOCI;

– the net gain or loss on financial assets at FVTPL;

– the exchange gain or loss on financial assets and financial liabilities;

– impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;

– the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;

– the fair value loss on contingent consideration classified as a financial liability;

– hedge ineffectiveness recognised in profit or loss; and

– the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the company's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– 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.

(t) Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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 categorised 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 measurement.

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

(u) Standards, amendments and interpretations not yet applicable

The new standards and/or amendments thereto applicable to annual reporting periods ending after December 31, 2019 are set out below.

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the company has not early adopted the new or amended standards in preparing these separate financial statements since they are not expected to have a significant impact thereon:

- Amendments to References to the Conceptual Framework in IFRS Standards. The Conceptual Framework describes the concepts for financial reporting in accordance with IFRS. It is a practical tool that helps the IASB to develop new standards, assists preparers of financial statements to develop consistent accounting policies when no standard applies and assists all parties to understand and interpret IFRS [see SP1.1]. The EU does not endorse the new Conceptual Framework since this document only provides a conceptual framework of IFRS and is not a standard. The main changes and innovations include:

- new concepts for the measurement, presentation, transparency and derecognition of previously recognised items;
- updates to the definition of assets and liabilities and the recognition of financial assets and liabilities;
- greater clarity on the principles of prudence, uncertainties in assessments, substance over form and directors' responsibility.

- Definition of "material" (Amendments to IAS 1 and IAS 8). As part of the Better Communication in Financial Reporting project, with which the IASB intends to improve the way financial information is communicated to users of the financial statements, the definition of "material" was amended. This is a pervasive principle in IFRS and affects not only the recognition, measurement and presentation of financial statements items, but also the selection of the disclosure in the notes thereto. Prior to the amendment, the definition of "material" was covered by both paragraph 7 of IAS 1 Presentation of Financial Statements and paragraph 5 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Following the amendment, this definition was amended and extended only in the first standard, while the second standard only makes reference to the definition included in IAS 1.7. The aim of the amendment is to clarify that not all omitted information is material. Consequently, financial statements preparers are not obliged to provide mandatorily all disclosures required by the individual standards. Rather, they must provide only those that are material for financial statements users. Another amendment clarifies that information is material not only if it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make if omitted or misstated, but also if concealed. Indeed, the effect would be the same as an omission or misstatement.

- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). In this first phase of the project, the IASB amended IFRS 9, IAS 39 and IFRS 7 to enable entities not to terminate hedging transactions, until the interest rate benchmark reform is completed. Specifically, it provides temporary relief from applying specific hedge accounting requirements (IFRS 9 and IAS 39) to be mandatorily applied to all hedging transactions directly affected by the interest rate benchmark reform.

At the reporting date, the European Union had not yet completed the endorsement process for the following standards and amendments:

- IFRS 14 Regulatory Deferral Accounts
- IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Definition of business (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

4. Business combinations

On July 31, 2018, Space4 S.p.A. acquired 67% of pre-merger Guala Closures, the parent of the pre-merger Guala Closures Group and, on August 6, 2018, Guala Closures S.p.A. was merged into Space4 S.p.A..

Furthermore, following the transaction, 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.

Furthermore, GCL transferred the following:

(a) 2,601,089 ordinary shares to GCL Holdings LP S.à.r.l. ("LP"),

(b) 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 August 6, 2018, Space4 S.p.A. carried out a €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 (€6.75381)/Price per Space4 share (€10.00).

The transaction, which is in line with Space4 S.p.A.'s business object, generated a positive difference between the consideration transferred (equal to the consideration paid by Space4 S.p.A. increased by the fair value of the shares issued to serve the merger in favour of GCL Holdings SCA, PII G S.a.r.l., Quaestio Capital SGR, GCL Holdings LP S.a.r.l. and PEOF) and the fair value of the management warrants, the Tobin Tax and the net assets acquired.
Under IFRS 3, if the sum of the transferred consideration exceeds the fair value of the net assets acquired and liabilities assumed on the acquisition date, the excess amount shall be allocated to goodwill. Since the merger became effective on August 6, 2018, the business combination was recognised at the merger date, considering, based on the provision of OPI 2R "Treating mergers in the separate financial statements.(October 2016)", the gains on the business combination of Guala Closures Group at July 31, 2018 as the maximum amounts, being the date on which control was transferred from the previous shareholders to the group.
The identifiable assets acquired and liabilities assumed by Guala Closures S.p.A. were therefore measured at fair value at the merger date, except for deferred taxes and certain liabilities associated with employee benefits, which were recognised in accordance with the relevant standard, pursuant to IFRS 3.

Space4's net cash flows used by the acquisition are composed as follows:

(€'000)	
Consideration transferred at the acquisition date by Space4 S.p.A.	354,040
Cash and cash equivalents acquired	(12,408)
Net cash flow used at the acquisition date	**341,633**

The consideration transferred to acquire 100% of pre-merger Guala Closures shares may be analysed as follows:

(€'000)		
Consideration transferred at the acquisition date by Space4 S.p.A	**(A)**	**354,040**
Space4's equity instruments in exchange		
Capital increase to serve the merger pertaining to GCL Holdings SCA		95,666
Capital increase to serve the merger pertaining to PII G S.à.r.l.		50,000
Capital increase to serve the merger pertaining to Quaestio Capital SGR		10,000
Capital increase to serve the merger pertaining to GCL Holdings LP S.a.r.l.		16,921
Capital increase to serve the merger pertaining to PEOF		2,372
Total Space4 equity instruments in exchange	**(B)**	**174,960**
Consideration paid and Space4 equity instruments in exchange	**(C=A+B)**	**529,000**
Fair value of the management warrants of pre-merger Guala Closures	(D)	1,334
Total consideration transferred to acquire 100% of pre-merger Guala Closures	**(E=C+D)**	**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 €174,960 thousand.

On July 30, 2018, pre-merger Guala Closures made a capital increase against consideration which was fully subscribed and paid-in by GCL for approximately €25 million. These shares carried 1,480,646 GCL management warrants which were exchanged as part of the merger and, on the date the merger became effective, 1,000,000 management warrants were issued at the same exchange ratio as the merger. Therefore, the fair value of the management warrants amounted to €1,334 thousand and was included in the consideration transferred as part of the business combination.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

(€'000)	Carrying amounts before acquisition	Adjustment to trademarks, patents and other intangible assets	Adjustments for fair value measurement	Goodwill adjustments	Amounts recognised at acquisition
Property, plant and equipment	44,529		15,117		59,646
Intangible assets	270,171	(9,634)	116,736	(209,044)	168,229
Inventories	20,612		990		21,602
Trade receivables	47,807				47,807
Trade payables	(27,733)				(27,733)
Net deferred tax liabilities	(734)				(734)
Other current/non-current liabilities	(9,252)				(9,252)
Cash and cash equivalents	12,408				12,408
Current financial assets	1,936				1,936
Non-current financial assets	195,854				195,854
Equity investments	84,841		584,418		669,259
Net deferred tax liabilities	(1,587)		(41,388)		(42,975)
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)
Net assets acquired and liabilities assumed	**73,846**	**(9,634)**	**675,873**	**(209,044)**	**531,041**
Adjustment of goodwill already recognised under intangible assets	(258,012)			209,044	(48,968)
Net identifiable assets and liabilities	**(184,166)**	**(9,634)**	**675,873**	**-**	**482,073**

Measurement of fair values

Below is a summary of the valuation techniques used in measuring the fair values of the main assets acquired:

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
Plant and machinery	The fair value of plant and machinery is estimated using the "replacement cost" method, whereby: - the cost to repurchase the asset is recalculated at current market costs; - the residual useful life of each asset is calculated based on an internal technical analysis carried out by the group's specialists; - a depreciation factor is determined in accordance with the IOWA curve; - fair value is taken to be the replacement cost;

Trademark	The fair value of Guala Closures' trademark was estimated using the *Relief from royalties method*, whereby the intangible asset is measured at the present value of the consideration (royalty flows) to which the owner of the asset would be entitled as a right to use the asset over a period equal to the estimated residual useful life of the asset, assuming that it did not own the asset. The main assumptions applied to the trademark are as follows: - Useful life: 20 years - Royalty rate: 2% as per the group's policy and current market practices, net of the estimated maintenance costs - Italy's tax rate
Trade relationships with customers	The fair value of trade relationships with customers was calculated using the *Multi-period Excess Earnings Method (MEEM)* whereby the income pertaining to the asset is the difference between total income and the remuneration of other assets (property, plant and equipment, intangible assets and working capital). The main assumptions applied to the trade relationships with customers are as follows: - Useful life: 25 years - Churn rate: 4% calculated as the average between the company's churn rate and the churn rate embedded in the average useful life of the trade relationships with customers shown in the PPA procedures of comparable companies - Italy's tax rate
Patents	The fair value of patents was estimated using the *Relief from royalties method*, whereby the intangible asset is measured at the present value of the consideration (royalty flows) to which the owner of the asset would be entitled as a right to use the asset over a period equal to the estimated residual useful life of the asset, assuming that it did not own the asset. The main assumptions applied to patents are as follows: - Specific useful life as per each patent registration document - Royalty rate: 4% as per the group's policy and current market practices, net of the estimated maintenance costs - Italy's tax rate
Equity investments	The fair value of the equity investments held by Guala Closures S.p.A. was determined using the market multiples method and, in particular, the EV/EBITDA ratio representing the business combination between Guala Closures S.p.A. and Space4 S.p.A. was applied to the EBITDA of the equity investments deriving from the approved 2018 budget.

Goodwill

Goodwill arising from the acquisition was recognised as follows:

(€'000)		
Calculation of the total consideration		
Consideration		529,000
Fair Value Management Warrants		1,334
Consideration transferred to acquire 100% of shares	(A)	530,334
Tobin Tax adjustment	(B)	707
Total consideration	**(C=A+B)**	**531,041**
Calculation of net identifiable assets and liabilities		
Adjusted net assets acquired and liabilities assumed	(D)	73,846
Adjustment of goodwill already recognised under intangible assets	(E)	(258,012)
Net identifiable assets and liabilities	**(G=D+E)**	**(184,166)**
Calculation of the initial difference to be allocated		
Adjustment to trademarks, patents and other intangible assets recognised under intangible assets	**(F)**	**(9,634)**
Initial difference to be allocated	**(H=C-G-F)**	**724,841**
Adjustments for fair value measurement of net identifiable assets and liabilities		
Plant and machinery		15,117
Inventories		990
Guala Closures trademark		75,327
Trade relationships with customers		30,559
Patents		10,850
Equity investments		584,418
Deferred tax liabilities		(41,388)
Total adjustments for fair value measurement of net identifiable assets and liabilities	**(I)**	**675,873**
Goodwill arising from the acquisition		
Total goodwill arising from the acquisition	**(L=H-I)**	**48,968**

The latter goodwill mainly relates to the technical skills and knowledge of Guala Closures' personnel.

The recognised goodwill will not be deductible for income tax purposes.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Following the merger with the pre-merger Guala Closures Group (acquired on July 31, 2018) which was completed on August 6, 2018 by Space4 S.p.A., this statement of profit or loss and other comprehensive income is part of the first set of separate financial statements covering a 12-month period prepared after the transaction. Indeed, that for the prior year covered the operations of Space4 S.p.A. from January 1, 2018 to August 5, 2018 and the industrial operations acquired from pre-merger Guala Closures as of August 6, 2018. Consequently, no comparison is possible.

(5) Net revenue

Net revenue from third parties amounts to €68,348 thousand in 2019.

Net revenue may be analysed by geographical segment as follows:

(€'000)	2018	2019
Europe	23,540	57,148
Rest of the world	3,179	7,975
Asia	745	2,302
Latin America	477	923
Total	**27,941**	**68,348**

A breakdown by type of product is as follows:

(€'000)	2018	2019
Safety closures	12,089	29,495
Luxury closures (customised)	19	21
Wine closures	1,578	4,691
Pharma closures	44	161
Roll-on closures (standard)	10,707	30,166
Other revenue	3,504	3,813
Total	**27,941**	**68,348**

A breakdown by destination is as follows:

(€'000)	2018	2019
Spirits closures	16,035	41,396
Wine closures	1,578	4,691
Oil and vinegar closures	3,692	9,728
Pharma closures	44	161
Closures for other markets	3,088	8,559
Other revenue	3,504	3,813
Total	**27,941**	**68,348**

Net revenue from subsidiaries amount to €65,388 thousand in 2019.
It accounts for 48.9% of total net revenue.

(€'000)	2018	2019
Guala Closures Uk Ltd	6,399	15,880
Guala Closures Iberica S.A.	3,805	14,575
Guala Closures UCP Ltd.	-	8,249
Guala Closures Mexico, S.A. de C.V.	1,696	7,596
Guala Closures Australia Pty Ltd.	1,110	3,128
Guala Closures New Zealand Ltd.	992	2,908
Guala Closures Chile SpA	1,034	2,213
Guala Closures Ukraine LLC	1,332	2,167
Guala Closures France SAS	388	1,873
Guala Closures Argentina S.A.	188	1,769
Guala Closures South Africa Pty Ltd.	1,232	1,734
Beijing Guala Closures Co. Ltd.	563	1,183
GCL Pharma S.r.l.	331	720
Guala Closures North America, Inc.	83	571
Guala Closures DGS Poland S.A.	162	425
Guala Closures do Brasil Ltda.	119	202
Guala Closures Bulgaria A.D.	5	103
Guala Closures India Pvt Ltd.	18	54
GCL International Sarl	-	17
Guala Closures Colombia Ltda	-	11
Guala Closures East Africa Lyd	-	9
Guala Closures BY LLC	-	3
Total	**19,458**	**65,388**

Net revenue from related parties may be analysed by geographical segment as follows:

(€'000)	2018	2019
Europe	12,423	44,011
Latin America	3,038	11,791
Oceania	2,102	6,036
Asia	580	1,237
Rest of the world	1,315	2,314
Total	**19,458**	**65,388**

(6) Other operating income

(€'000)	2018	2019
Bonuses from suppliers	536	1,411
Customer contributions	363	735
Cost recoveries	31	51
Ordinary prior year items	19	24
Gains	2	7
Other revenue	206	147
Total	**1,157**	**2,375**

In 2019, "Other revenue" of €140 thousand mainly relates to the release of the loss allowance.

Other operating income from subsidiaries amounts to €20,050 thousand in 2019 and accounts for 89.41% of total other operating income. It is mainly due 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

(€'000)	2018	2019
Guala Closures India Pvt Ltd.	708	2,282
Guala Closures UK Ltd	600	1,730
Guala Closures DGS Poland S.A.	645	1,689
Guala Closures Mexico S.A. de C.V.	413	1,534
Guala Closures Iberica S.A.	402	1,400
Guala Closures Australia Holdings Pty Ltd	340	756
Guala Closures North America Inc.	115	571
Guala Closures South Africa Pty Ltd	194	429
Guala Closures New Zealand Ltd	135	319
Guala Closures de Colombia Ltda	141	275
Guala Closures Chile SpA	65	273
Guala Closures Argentina S.A.	210	253
Guala Closures do Brazil Ltda	152	240
GCL Pharma S.r.l.	92	234
Beijing Guala Closures Co. Ltd	93	184
GCL International Sarl	57	149
Guala Closures Bulgaria AD	71	45
Total	**4,433**	**12,363**

b) the recharging of personnel expense

(€'000)	2018	2019
Beijing Guala Closures Co. Ltd	61	153
Guala Closures North America Inc.	17	75
Guala Closures India Pvt Ltd.	20	47
Guala Closures Mexico S.A. de C.V.	-	40
Guala Closures Iberica S.A.	109	-
Guala Closures South Africa Pty Ltd	18	-
Total	**224**	**315**

c) the recharging of transport costs

(€'000)	2018	2019
Guala Closures UCP Ltd	-	287
Guala Closures Mexico S.A. de C.V.	54	231
Guala Closures Argentina S.A.	13	65
Guala Closures South Africa Pty Ltd	-	53
Guala Closures Chile SpA	2	42
Guala Closures France SAS	1	33
Beijing Guala Closures Co. Ltd	9	13
Guala Closures UK Ltd	-	2
Guala Closures Japan KK	-	1
Total	**79**	**727**

d) royalties

(€'000)	**2018**	**2019**
Guala Closures India Pvt Ltd.	622	1,494
Guala Closures Mexico S.A. de C.V.	468	1,052
Guala Closures Iberica S.A.	256	763
Guala Closures Australia Holdings Pty Ltd	251	553
Guala Closures UK Ltd	238	512
Guala Closures South Africa Pty Ltd	156	308
Guala Closures New Zealand Ltd	118	272
Guala Closures Argentina S.A.	115	252
Guala Closures de Colombia Ltda	111	197
Guala Closures do Brazil Ltda	43	103
Beijing Guala Closures Co. Ltd	44	90
Guala Closures North America Inc.	5	63
Total	**2,427**	**5,657**

e) recharging of insurance costs

(€'000)	**2018**	**2019**
Guala Closures UK Ltd	17	88
Guala Closures India Pvt Ltd.	-	50
Guala Closures DGS Poland S.A.	12	47
Guala Closures Mexico S.A. de C.V.	-	34
Guala Closures Australia Holdings Pty Ltd	7	29
Guala Closures Japan KK	-	27
Guala Closures Iberica S.A.	13	19
Guala Closures Argentina S.A.	-	16
Guala Closures South Africa Pty Ltd	-	14
Guala Closures France SAS	4	13
Guala Closures New Zealand Ltd	4	13
Beijing Guala Closures Co.Ltd	-	12
Guala Closures de Colombia Ltda	-	11
Guala Closures North America Inc.	-	10
Guala Closures do Brazil Ltda	-	10
Guala Closures Chile SpA	-	5
Guala Closures East Africa Pty Ltd	-	1
GCL International Sarl	-	1
Guala Closures Bulgaria AD	2	1
Total	**58**	**401**

f) technical consultancies

(€'000)	**2018**	**2019**
Guala Closures Iberica S.A.	15	41
GCL International Sarl	30	35
Guala Closures UK Ltd	1	4
Guala Closures North America Inc.	-	1
Total	**48**	**82**

(7) Internal work capitalised

This caption amounts to € 2,680 thousand in 2019. Of this amount, €640 thousand mainly relates to development expenditure capitalised for new closures, €834 thousand to interventions on plant and machinery for extraordinary maintenance and upgrading of the production capacity of Guala Closures S.p.A. and €1,206 thousand reinvoiced to foreign companies.

(8) Costs for raw materials

Costs for raw materials - third parties include:

(€'000)	**2018**	**2019**
Raw materials and supplies	17,086	65,537
Consumables and maintenance	671	1,592
Packaging	879	2,483
Fuels	103	230
Change in inventories	2,717	(1,125)
Total	**21,457**	**68,718**

The cost of raw materials purchased from subsidiaries in 2019 amounts to € 8,970 thousand.
These make up 11.5% of total costs for raw materials and mainly relate to purchases from Guala Closures Ukraine LLC (€4.511 thousand), Guala Closures DGS Poland S.A. (€1,771 thousand), Guala Closures Iberica S.A. (€1,161 thousand), Guala Closures France SAS (€419 thousand), Guala Closures Bulgaria A.D. (€440 thousand), GCL International S.à.r.l (€191 thousand), Beijing Guala Closures Co. Ltd. (€118 thousand), GCL Pharma S.r.l. (€97 thousand), Guala Closures South Africa Pty Ltd (€87 thousand), Guala Closures UK Ltd. (€79 thousand), Guala Closures Mexico SA de CV (€13 thousand) and Guala Closures UCP Ltd (€11 thousand).The transactions are part of ordinary operations and are agreed on an arm's length basis.

(9) Costs for services

This caption includes:

(€'000)	**2018**	**2019**
External processing	1,243	6,696
Electricity / heating	1,643	5,230
Transport	1,547	5,081
Legal and consulting fees	8,870	2,665
Maintenance	963	2,643
Sundry industrial services	917	1,485
Travel	704	1,465
Technical assistance	582	1,254
Insurance	472	1,070
External labour / porterage	134	491
Administrative services	1,640	463
External cleaning	122	329
Commissions	103	285
Entertainment expenses	181	249
Patents	135	258
Membership fees	56	216
Expos and trade fairs	91	210
Training costs	34	168
Telephone costs	72	184
Advertising costs	72	147
Other	-	46
Surveillance	13	25
Total	**19,592**	**30,660**

Costs for services provided by subsidiaries in 2019 amount to €10,529 thousand.
They mainly relate to consultancies paid to G.C.L. International S.à.r.l. (€9,042 thousand), commissions paid to Guala Closures North America Inc. (€363 thousand), transport paid to Guala Closures UK Ltd. (€150 thousand) and Guala Closures Ukraine LLC (€96 thousand), technical consultancies paid to GCL Pharma S.r.l. (€133 thousand), external production services paid to Guala Closures UK Ltd. (€66 thousand) and GCL Pharma S.r.l. (€50 thousand). These transactions are part of ordinary operations and are agreed on an arm's length basis.

(10) Personnel expense

This caption includes:

(€'000)	**2018**	**2019**
Wages and salaries	6,751	19,019
Social security contributions	2,256	6,305
Expense from defined benefit plans	541	1,282
Other costs	687	2,548
Total	**10,234**	**29,154**

Reference should be made to note 40) Employee benefits for details on the expense for defined benefit plans.

At December 31, 2019, the company had the following number of employees:

Number	December 31, 2018	December 31, 2019
Blue collars	295	290
White collars	143	150
Managers	16	16
Total	**454**	**456**

The average number of employees in 2019 was 447 (434 in 2018), including 16 managers, 142 white collars and 289 blue collars.

(11) Other operating expense

This caption includes:

(€'000)	2018	2019
Other costs for the use of third party assets	315	485
Accruals to provisions	212	1,005
Taxes and duties	139	357
Rent and leases	115	105
Other charges	5	23
Total	**785**	**1,975**

Short-term leases, i.e., with a term of less than 12 months, and leases for which the underlying asset is of low value, which have been excluded from the scope of IFRS 16 as per the practical expedient, are recognised as operating expense on a straight-line basis over the lease term.

(12) Financial income

Financial income - third parties includes:

(€'000)	2018	2019
Fair value of market warrants	17,529	465
Exchange gains	149	1,271
Impact of aluminium and currency derivatives on profit or loss	-	53
Interest income	701	-
Total	**18,379**	**1,789**

Financial income - subsidiaries amounts to €9,535 thousand in 2019.
Of this amount, 84.2% relates to interest accrued on the loans granted to group companies and the default interest charged on some of them. Specifically, interest income was charged to Guala Closures International B.V. (€8,736 thousand).
Default interest was charged to Guala Closures Chile S.p.A. (€268 thousand), Guala Closures Argentina S.A. (€172 thousand), Guala Closures East Africa Pty Ltd. (€142 thousand), Guala Closures UCP Ltd. (€105 thousand), Guala Closures South Africa Pty Ltd. (€70 thousand), Guala Closures Mexico, S.A. de C.V. (€33 thousand), Guala Closures Japan KK (€5 thousand), Guala Closures do Brasil LTDA (€2 thousand) and Guala Closures France SAS (€1 thousand).

(13) Financial expense

Financial expense - third parties includes:

(€'000)	**2018**	**2019**
Interest expense	7,457	19,836
Exchange losses	195	956
Other financial expense	170	388
Impact of aluminium and currency derivatives on profit or loss	-	534
Total	**7,822**	**21,715**

(14) Gains on investments

This caption includes the dividends received from Guala Closures International B.V. (€22,500 thousand).

(15) Income and expense on financial assets/liabilities

The following table shows income and expense on financial assets/liabilities, specifying those recognised in profit or loss and those directly included in other comprehensive income:

(€'000)	**2018**	**2019**
Recognised in profit or loss		
Bank interest income	701	-
Fair value of market warrants	17,529	465
Exchange gains	149	1,271
Impact of derivatives on profit or loss	-	53
Total financial income	**18,379**	**1,789**
Interest expense on financial liabilities measured at amortised cost	(7,457)	(19,836)
Exchange losses	(195)	(956)
Impact of derivatives on profit or loss	-	(534)
Other financial expense	(170)	(388)
Total financial expense	**(7,822)**	**(21,715)**
Net financial income (expense)	**10,557**	**(19,926)**
Recognised directly in equity		
Effective portion of fair value gains on cash flow hedges	43	44
of which, to the hedging reserve	**43**	**44**

(16) Income taxes

This caption includes:

(€'000)	**2018 (*)**	**2019**
Current taxes	(268)	(1,776)
Deferred tax assets	986	8,482
Total	**718**	**6,706**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 6, 2018.

Change in deferred tax liabilities recognised directly in OCI

(€'000)	December 31, 2019
Change in deferred tax liabilities on TFR discounting	35
Change in deferred tax liabilities on fluctuations in the fair value of cash flow hedges	(14)
Total	**21**

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.

(€'000)		2018 (*)	2019
Profit before tax		**12,975**	**5,769**
Taxation using Italian tax rate	**(2018: 24%; 2019: 24%)**	**(3,114)**	**(1,385)**
Non-deductible expenses		(1,401)	(5,750)
Tax-exempt income		2,035	6,197
Tax incentives		289	935
Recognition and use of previously unrecognised tax losses		2,226	7,869
Total increase		**3,149**	**9,251**
Effective tax		**35**	**7,867**
IRAP		-	(363)
Other taxes		683	(797)
Total taxes for the year		**718**	**6,707**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 6, 2018.

Income taxes rose from a benefit of €0.7 million in 2018 to a benefit of €7.6 million in 2019, mainly as a consequence of the accrual for deferred tax assets related to the €32.8 million tax losses which are expected to be used in the 2020 – 2024 period with effect in the Income Statement and in the other components of the comprehensive income statement for € 7.9 million.

This positive effect was partially offset by the adjustment of the IRAP rate, against the expected becoming "industrial holding" status of Guala Closures S.p.A. and the related tax regime that will be applicable from the date of approval of the 2019 financial statements, due to the value of the investments, which following the revaluation made with the PPA process of the business combination of the corporate reorganization of 2018, is greater than 50% of the company's assets. Consistently, the adjustment of deferred taxation of Guala Closures S.p.A. was noted of - € 2.0 million, based on the new IRAP rate (5.57% compared to the previous 3.90%) applicable in the years in which will take place the reversal of the temporary differences on which the deferred taxation is recorded.

Guala Closures S.p.A. did not realign the differences between carrying amounts and tax values following the application of IFRS, as provided for by article 15.7/8 of Law decree no. 185 of November 29, 2008, converted into Law no. 2 of January 28, 2009, since prior year tax losses carried forward and those of that year were such that it was not advantageous to settle these differences by paying substitute tax.

The Regional office of the Piedmont tax authorities authorised the continuation of the national tax consolidation scheme pursuant to articles 117-128 of Presidential decree no. 917 of December 22, 1986 already in place 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 forecasted taxable income.

STATEMENT OF FINANCIAL POSITION

(17) Cash and cash equivalents

This caption represents the balance of the bank and postal deposits considering the nominal amount of the current accounts held with banks.

(€'000)	December 31, 2018	December 31, 2019
Bank and postal accounts	16,090	14,448
Cash on hand	17	15
Total	**16,108**	**14,463**

(18) Current and non-current financial assets

These captions relate to transactions between Guala Closures S.p.A. and its subsidiaries at December 31, 2019 (€234,556 thousand) and financial assets - third parties (€28 thousand).

This note provides information on the contractual terms regulating the loan agreements between Guala Closures S.p.A. and its subsidiaries.

At December 31, 2019:

1. Current financial assets amounted to €35,657 thousand
2. Non-current financial assets amounted to €198,900 thousand

(€'000)

Beneficiary	Contract date	Effective date of contract	Contract expiry date	Original amount	Outstanding amount at December 31, 2019	Residual amount (€) at December 31, 2019 Current	Residual amount (€) at December 31, 2019 Non-current	Interest rate
Guala Closures International B.V.	15/06/2011	20/04/2011	15/11/2021	€ 120,000	€ 112,050		€ 112,050	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	€ 21,157		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 Argentina SA	16/04/2019	16/04/2019	31/05/2020	€ 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 Chile SPA	21/02/2019	21/02/2019	31/12/2020	€ 700	€ 450	€ 450		4.0%
Guala Closures East Africa Ltd	14/02/2019	14/02/2019	31/12/2022	€ 800	€ 800		€ 800	Euribor 3M + 4,0%
Guala Closures East Africa Ltd	29/05/2019	29/05/2019	31/12/2022	€ 300	€ 300		€ 300	Euribor 3M + 4,0%
Guala Closures UCP Ltd	05/02/2019	06/02/2019	31/12/2020	£ 6,000	£ 4,500	€ 5,289		Libor GBP 3M + 4.0%
Total						**€ 32,696**	**€ 195,950**	

The table shows the notional amount of the intragroup loans granted to subsidiaries. Furthermore, current financial assets include the interest accrued on said loans (€2,664 thousand) at December 31, 2019.

Current and non-current financial assets - subsidiaries at December 31, 2019 may be analysed as follows:

		Nominal amount	
(€'000)	Total December 31, 2019	Current financial assets	Non-current financial assets
Loan assets from:			
Guala Closures East Africa Ltd	4,358	308	4,050
Guala Closures International B.V.	218,224	23,375	194,850
Guala Closures Chile SPA	4,578	4,578	-
Guala Closures Argentina S.A.	2,070	2,070	-
Guala Closures UCP Ltd	5,326	5,326	-
Total Loans	**234,556**	**35,657**	**198,900**

Non-current financial assets - third parties, of €28 thousand, mainly comprise guarantee deposits.
The loan assets from Guala Closures East Africa Ltd include lease assets recognised in accordance with IFRS 16 under current financial assets (€297 thousand) and non-current financial assets (€2,950 thousand).
The carrying amount of non-current financial assets - third parties matches their fair value at the reporting date.

(19) Trade receivables

This caption may be analysed as follows: €12,952 thousand from third parties and €30,566 thousand from related parties.

(€'000)	December 31, 2018	December 31, 2019
Trade receivables	13,388	13,435
Loss allowance	(623)	(483)
Total	**12,765**	**12,952**

The loss allowance changed as follows:

(€'000)	December 31, 2019
Business combination	623
Release of the year	(140)
Closing balance	**483**

At December 31, 2019, the loss allowance mainly related to amounts past due by more than 90 days and concerned only a few foreign customers.

The residual amount relates to customers who expressed their uncertainty about their ability to repay the outstanding balances, mainly as a result of financial difficulties.

The release of the year relates to the write-off of part of the allowance in excess of the effective insolvency risk.

At December 31, 2019, trade receivables - related parties were entirely comprised of transactions with subsidiaries.

These may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Trade receivables - subsidiaries	28,094	30,566
Total	**28,094**	**30,566**

They may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Guala Closures Argentina S.A.	4,031	5,921
Guala Closures Chile SpA	3,092	5,366
Guala Closures Iberica S.A.	1,953	2,957
Guala Closures Mexico S.A. de C.V.	5,832	2,939
Guala Closures UK Ltd	2,522	2,786
Guala Closures South Africa PTY Ltd	3,991	2,510
GCL International SARL	2,128	1,972
Guala Closures (India) Pvt Ltd	549	1,346
Guala Closures UCP Ltd.	-	1,176
Guala Closures Australia Pty Ltd	568	607
Guala Closures DGS Poland SA	295	587
Guala Closures New Zealand Ltd	705	540
Guala Closures North America Inc.	271	465
GCL Pharma S.r.l.	176	400
Guala Closures Ukraine LLC	435	392
Guala Closures France SAS	137	252
Beijing Guala Closures Ltd	832	193
Guala Closures do Brasil LTDA	380	192
Guala Closures Bulgaria A.D.	45	(73)
Guala Closures de Colombia Ltda	144	34
Guala Closures Japan KK	8	4
Total	**28,094**	**30,566**

Intragroup receivables mainly relate to trading transactions and they are part of ordinary operations agreed at market conditions.

(20) Inventories

This caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Raw materials, consumables and supplies	6,814	8,232
(Allowance for inventory write-down)	(805)	(951)
Work in progress and semi-finished products	5,186	6,264
(Allowance for inventory write-down)	(381)	(436)
Finished products and goods	3,656	4,221
(Allowance for inventory write-down)	(245)	(728)
Payments on account	14	-
Total	**14,238**	**16,603**

Changes in this caption are as follows:

(€'000)	
January 1, 2019	14,238
Change in raw materials, consumables and supplies	1,111
Change in finished goods and semi-finished products	1,253
Changes in payments on account	-
December 31, 2019	**16,603**

The allowance for inventory write-down changed as follows:

(€'000)	December 31, 2019
Opening balance	1,431
Accrual of the year	1,077
Utilisations	(394)
Total	**2,115**

(21) Current direct tax assets

Current direct tax assets of €371 thousand at December 31, 2019 may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
IRAP	237	307
IRES to be offset during the year	224	64
Total	**461**	**371**

(22) Current indirect tax assets

Current indirect tax assets of €691 thousand at December 31, 2019 relate to VAT.

(23) Derivative assets

At December 31, 2019, this caption amounted to €10 thousand and was entirely related to aluminium derivatives held for trading.

(€'000)

Expiry date	Hedged amount (tonne)	Strike price (€/tonne)	December 31, 2019 Fair value Assets/(Liabilities)
January 2020	150	1,570	3
February 2020	150	1,570	4
February 2020	200	1,610	(2)
March 2020	150	1,570	5
March 2020	200	1,610	(2)
April 2020	200	1,595	2
Total	**1,050**		**10**

(24) Other current assets

Third parties may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Amounts due from employees	15	35
INAIL (Italy's institute for insurance against accidents at work)	132	17
Other	50	36
Total	**182**	**88**

Related parties may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Guala Cl. Chile capex	553	772
Guala East Africa capex	-	345
GCL Pharma S.r.l. capex	398	341
GCL International SARL capex	158	252
Guala Cl. Argentina capex	134	182
Beijing Guala Closures capex	222	157
Guala Cl. South Africa capex	2,072	142
Guala Cl. Mexico capex	126	72
Guala Cl. Bulgaria capex	153	68
Guala Cl. Iberica capex	9	68
Guala Closures UCP ltd capex	-	57
Guala Cl India capex	33	34
Guala Cl. North America capex	21	12
Guala Cl. France capex	-	8
Guala Cl. de Colombia capex	9	6
Guala Cl. Australia capex	2	2
Axiom Propack capex	73	-
Guala Cl. New Zealand capex	2	-
Guala Cl. U.K. capex	1	-
Guala Cl. do Brasil capex	1	-
Total	**3,966**	**2,517**

(25) Equity investments

Equity investments amount to €669,310 thousand.

a) Investments in subsidiaries

Investments in direct subsidiaries at December 31, 2019 may be analysed as follows:

(€'000)	Carrying amount	Equity
Guala Closures International B.V.	657,885	307,363
GCL Pharma S.r.l.	11,318	8,925
Total	**669,203**	**316,288**

Equity of Guala Closures International B.V. refers to the consolidated equity of Guala Closures International at December 31, 2019.

b) Investments in other companies

The company holds an investment of €11 thousand in "Consorzio per la promozione della cultura plastica" (PROPLAST), with registered office in Tortona.

It also holds an investment of €83 thousand in Wallfarm S.r.l. with registered office in Rome, and an investment of €2 thousand, or 20%, in IACOMEC S.r.l., with registered office in Latina.

The total carrying amount of the three investments is €96 thousand. Other investments amount to €10 thousand and may be analysed as follows:

(€'000)	Consortium Conai	Consortium Replastic	Idroenergia S.c.r.l.	Other	Total
January 1, 2019	6	2	1	2	**10**
December 31, 2019	6	2	1	2	**10**

(26) Property, plant and equipment

The following table shows the changes in this caption:

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost at December 31, 2018	24.083	45.773	5.507	163	788	**76.314**
Accumulated depreciation at December 31, 2018	(4.619)	(11.126)	(432)	(13)	-	**(16.189)**
December 31, 2018 (*)	**19.464**	**34.647**	**5.075**	**150**	**788**	**60.125**
Effects of IFRS 16 FTA	(9.943)	(1.591)				(11.534)
Carrying amount at January 1, 2019	**9.521**	**33.056**	**5.075**	**150**	**788**	**48.590**
Historical cost for Space4 S.p.A. and Guala Closures S.p.A. merger						**-**
Accumulated depreciation for Space4 S.p.A. and Guala Closures						**-**
Increases	-	-	12	5	9.804	**9.821**
Decreases	-	(7)	-	-	(1.285)	**(1.292)**
Decreases in acc. depr.	-	3	-	-	-	**3**
Reclassification	(4.409)	(6.792)	1.610	53	(7.022)	**(16.560)**
Fund reclassifications	4.482	8.767	-	-	-	**13.249**
Depreciation	(335)	(5.690)	(1.205)	(42)	-	**(7.272)**
Historical cost at December 31, 2019	9.731	37.383	7.129	221	2.286	**56.749**
Accumulated depreciation at December 31, 2019	(472)	(8.046)	(1.637)	(54)	-	**(10.209)**
December 31, 2018	**9.259**	**29.337**	**5.492**	**167**	**2.286**	**46.540**

The main investments of 2019 took place:

- in Alessandria to increase production capacity, focusing, in particular, on the mineral water market (€482 thousand) and to purchase a new press and two assembly machines (€958 thousand), a new enameller (€390 thousand) and machinery for new products.
- in Magenta for the extraordinary overhaul of the lithographic department, specifically the UV-led conversion of the multi-colour printing system (€256 thousand).
- in Termoli, mainly for the extraordinary maintenance of machinery, specifically, presses.

Additional increases relate to the expansion of the production capacity linked to existing lines, the launch of new products and the investment related to the Industry 4.0 programme.

'Plant and machinery' decrease for €3,3 million mainly refers to the lease of equipment to Guala Closures East Africa Pty Ltd.

Property, plant and equipment include the amounts arising from internal work capitalised.

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 recognised assets, nor has it deviated from the normal measurement criteria set forth in the joint provisions of articles 2423-bis and 2426 of the Italian Civil Code.
Pursuant to article 10 of Law no. 72/1983, the assets recognised at December 31, 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.

(€'000)	**1997 Merger**
Land and buildings	1,214
Plant and machinery	774
Total	**1,988**

(27) Right-of-use assets

The following table gives a breakdown of this caption at December 31, 2019:

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at December 31, 2018					-
Accumulated depreciation and impairment losses at December 31, 2018					-
Carrying amount at December 31, 2018	-	-	-	-	-
Effects of IFRS 16 FTA	10,604	1,590	757	379	**13,331**
Carrying amount at January 1, 2019	**10,604**	**1,590**	**757**	**379**	**13,331**
Increases	47	-	560	275	**881**
Disposals		(3,311)	(69)	(33)	**(3,413)**
Reclassifications		3,311			**3,311**
Depreciation of right-of-use assets	(575)	(775)	(450)	(253)	**(2,052)**
Historical cost at December 31, 2019	10,784	1,796	1,108	533	**14,220**
Accumulated depreciation and impairment losses at December 31, 2019	(708)	(980)	(310)	(164)	**(2,162)**
Carrying amount at December 31, 2019	**10,076**	**815**	**798**	**369**	**12,057**

Following the application of IFRS 16, €13.3 million was recognised at January 1, 2019. Of this amount, €11.5 million related to the reclassification of the finance leases recognised in the 2018 separate financial statements under Property, plant and equipment in accordance with IAS 17 and €1.8 million related to the leases previously classified as operating leases.

The main increases in right-of-use assets relate to land and buildings, specifically those of the operating buildings of the company.

(28) Intangible assets

The following table shows the changes in this caption:

(€'000)	Development expenditure	Licences and patents	Goodwill	Other	Assets under development and payments on account	Total
Historical cost at December 31, 2018	1,515	86,710	48,968	30,560	947	**168,700**
Accumulated amortisation at December 31, 2018	(335)	(2,265)	-	(509)	-	**(3,110)**
December 31, 2018 (*)	**1,179**	**84,445**	**48,968**	**30,050**	**947**	**165,590**
Increases	-	-	-	-	948	**948**
Impairment losses					(13)	**(13)**
Reclassifications	314	397	-	-	(711)	**-**
Amortisation	(521)	(5,348)		(1,222)		**(7,091)**
Historical cost at December 31, 2019	1,829	87,107	48,968	30,560	1,172	**169,635**
Accumulated amortisation at December 31, 2019	(857)	(7,613)		(1,732)	0	**(10,201)**
December 31, 2019	**972**	**79,494**	**48,968**	**28,828**	**1,172**	**159,433**

During the year, research expenditure of roughly €0.6 million was expensed, while development expenditure of approximately €0.3 million was capitalised.

The historical cost of intangible assets was restated following the above-mentioned PPA procedure. As described in note 4, licences and patents reflect the fair value of the Guala Closures trademark and patents, calculated using the "relief from royalty" method. "Other" mainly reflects the fair value of the trade relationships with customers, calculated using the "multi-period excess earnings method", while the fair value of the other items comprising this caption was deemed equal to the carrying amount at the date of the business combination.

The goodwill recognised at the end of the PPA procedure was measured as the excess amount of the sum of the consideration transferred and the amount of non-controlling interests and the net carrying amount of identifiable assets acquired and liabilities assumed at the acquisition date. Additional details are provided in section 4.

(29) Impairment

Goodwill, as indicated in Note 2) Accounting policies, is not amortized, but could be recognised an impairment loss. The Company verifies the recoverability of goodwill at least annually, or more frequently if specific events and circumstances that may lead to a reduction in value occur, through specific assessments (impairment test) on each cash generating unit (CGU - Cash Generating Unit).

The impairment test on the separate financial statements of Guala Closures S.p.A. was carried out on:

1 the net invested capital of Guala Closures S.p.A. (the "Italy CGU"), by comparing:
   - Carrying Amount: net invested capital including goodwill, though net of the carrying amount of investments in subsidiaries recognised in the separate financial statements of Guala Closures S.p.A. at the date the test was carried out, allocated to the only CGU identified;
   - Recoverable Amount: the recoverable amount of the CGU, arising from the application of the discounted cash flow model to Guala Closures S.p.A.'s expected cash flows (equity value) with the exclusion of dividend income.

2 Investments in subsidiaries, including the investments in GCL Pharma S.r.l. and GCL Guala Closures International B.V., by comparing:
   - Carrying Amount: the carrying amount of each investment recognised in the separate financial statements of Guala Closures S.p.A.;
   - Recoverable Amount: the recoverable amount arising from the application of the discounted cash flow model to the companies' expected cash flows, calculated as equity value, and considered to the extent of the investment percentage.

Under IAS 36, impairment tests are carried out on the investments whose carrying amount exceeds equity (considering the investment percentage).

Impairment test on the Italy CGU

Goodwill allocated to the Italy CGU was successfully tested for impairment at the reporting date. Consequently, no impairment loss was recognised on goodwill at December 31, 2019.

The recoverability of the recognised amounts is tested by comparing the net invested capital (carrying amount) of the CGU with the related recoverable amount. The recoverable amount of goodwill is equal to value in use, i.e., the present value of the operating cash flows which arise from the forecasts included in the long-term plans approved by the Company, and the normalised terminal value, used to express a summary estimate of future figures over the explicitly mentioned timeframe. These cash flows are subsequently discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the Company asset or CGU.

The discounted cash flow model is based on the cash flow projections for five years based on the business plan approved by the board of directors on March 9, 2020 which envisages a CAGR of net revenue and EBITDA of 2,6% and 17%, respectively. The increase in EBITDA was mainly concentrated in 2020, when, based on the carrying amounts of trademarks and patents which arose during the PPA procedure, the intragroup agreements for the recharging of royalties were redefined. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make. Such growth rate is consistent with the management's expectation of growth in high-value safety closures in all geographical segments, especially in the developing countries.

In the 2019 valuation, the following assumptions were used:

- the WACC of the CGU was calculated considering the impact of the company revenue and a weighted average WACC for the 2019 net revenue of each country destination market in respect of total 2019 net revenue, with a weighted average of 7.2%;
- long-term growth rate "g": a value equal to 2.2% was used, calculated by weighting the estimates of inflation rate of each country in line with the calculation for the terminal value and the weighted average of Guala Closures S.p.A. on the various reference markets. Such 'g' rate is consistent with both Guala Closures S.p.A.'s historical growth rate and forecast future market developments.

The discount rate was a post-tax measure estimated based on the past history and the industry weighted-average cost of capital, with a possible debt leveraging of 40% at a market interest rate of 2.8%.

The estimated recoverable amount exceeds the carrying amount by approximately €26 million.

The estimates and plan figures to which the above parameters are applied are calculated by management based on past experience and the expected developments of the markets in which the company operates at the reporting date. To this end, the current international macro-economic situation and the possible financial impacts, specifically the ongoing trade wars between different countries, Brexit and the current contraction following the health emergency, may result in uncertain scenarios in terms of achieving the objectives and levels of activity set out in the plan without, however, causing the impairment of recognised goodwill. However, the estimate of goodwill's recoverable amount requires management's discretion and the latter's use of estimates, and although part of the forecast net revenue and gross operating profit of the Italy CGU may be delayed from one year to the following year, while nonetheless achieving the total growth expected by the plan, it cannot be excluded that goodwill will be impaired in the future due to presently-unforeseeable changes in the scenario.

The circumstances and events which may result in an additional impairment test are constantly monitored by the company's management.

Based on the above, management carried out a sensitivity analysis of changes in the WACC and 'g' rates. Specifically, a 25 bp increase in the 'g' rate would correspond to an increase in the recoverable value in use of approximately €11 million, while a decrease of 25 bp would result in a decrease of approximately €9 million. In any case, the carrying amount would be fully recoverable. With respect to the changes in WACC, a decrease of 25 bp would correspond to an increase in the recoverable value in use of approximately €12 million, while a decrease of 25 bp would result in a decrease in the recoverable value in use of approximately €11 million. In any case, no impairment loss would be recognised.

WACC value and the growth rate, which would make individually the recoverable value of the "CGU Italy" equal to the relative book value at 31 December 2019, are equal to 7.8% and 1.5% respectively.

Goodwill has never been impaired.

Impairment test on GC International and GCL Pharma
Guala Closures S.p.A.'s investments in subsidiaries are tested for impairment by comparing their carrying amount with the recoverable amount resulting from the impairment test ("Equity Value"), at least once a year. The recoverable amount of equity investments is calculated based on the "Value in use". In accordance with IAS 36, this value is the present value of expected cash flows.

The expected cash flows used to calculate the "Value in use" of each investment are determined based on the information included in the business plan approved by the board of directors on March 9, 2020.

Specifically, they were calculated starting from the plan assumptions and applying the growth rate identified for each company in line with the long-term assumptions related to sector growth rates and the country risks specific to each company.

"Terminal value" was calculated applying the perpetual growth method.
The discount rate (WACC) is the weighted average of the cost of risk capital and the cost of financial debt considering the tax effect generated by financial leverage.

The main basic assumptions used in carrying out the impairment test on equity investments, as commented later on, are shown in the table below:

IMPAIRMENT TEST ON EQUITY INVESTMENTS - ASSUMPTIONS UNDERLYING					
Equity investment	**Cost**	**Equity Value**	**WACC**	**G-Rate**	**Forecast period**
Guala Closures International BV	658	756	8.50%	2.80%	5 years
GCL Pharma S.r.l.	11	11	7.50%	1.60%	5 years
Carrying amount at December 31, 2019	**669**	**767**			

The discounted cash flow model is based on the cash flow projections for five years based on the business plan approved by the board of directors on March 9, 2020 which envisages a CAGR of net revenue and EBITDA of 3% and 4%, respectively, for Guala Closures International BV and of 4% and 12% for GCL Pharma S.r.l.. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make. Such growth rate is consistent with the management's expectation of growth for each company.

In the 2019 valuation, the following assumptions were used:
- the WACC for the CGU was calculated considering the impact of the investee revenue and a weighted average WACC for the 2019 net revenue of each country in respect of total net revenue;
- long-term growth rate "g": a value calculated by weighting the estimates of inflation rate for the 2019 EBITDA of each country in line with the calculation for the terminal value.

The discount rate was a post-tax measure estimated based on the past history and the industry weighted-average cost of capital, with a possible debt leveraging of 40% at a market interest rate of 2.8%.

For Guala Closures International BV, the estimated recoverable amount exceeds the carrying amount by approximately €98 million and is in line with the carrying amount for GCL Pharma S.r.l..

The estimates and plan figures to which the above parameters are applied are calculated by management based on past experience and the expected developments of the markets in which the company operates at the reporting date. To this end, the current international macro-economic situation and the possible financial impacts, specifically the ongoing trade wars between different countries, Brexit and the current contraction following the health emergency, may result in uncertain scenarios in terms of achieving the objectives and levels of activity set out in the plan without, however, causing the impairment of recognised goodwill. However, the estimate of goodwill's recoverable amount requires management's discretion and the latter's use of estimates, and although part of the forecast net revenue and gross operating profit of the Italy CGU may be delayed from one year to the following year, while nonetheless achieving the total growth expected by the plan, it cannot be excluded that goodwill will be impaired in the future due to presently-unforeseeable changes in the scenario.

The circumstances and events which may result in an additional impairment test are constantly monitored by the company's management.

The WACC value and the growth rate for Guala Closures International B.V., which would make individually the recoverable value of the investment equal to the relative book value at 31 December 2019, are respectively 9.1% and 2.1%.

GCL Pharma S.r.l. recoverable value of the equity investment is substantially equal to the relative book value at 31 December 2019 and therefore an increase in the WACC or in the growth rate would result in impairment in the financial statements.

Based on the above, the company carried out a sensitivity analysis of changes in the WACC and 'g' rates.

IMPAIRMENT TEST ON EQUITY INVESTMENTS – SENSITIVITY ANALYSIS				
	WACC		**G-RATE**	
Equity Value (€'000)	**(0,20%)**	**0,20%**	**(0,20%)**	**0,20%**
Guala Closures International BV	47,0	(43,0)	(36,0)	39,0
GCL Pharma S.r.l.	0,6	(0,5)	(0,5)	0,6

(30) Deferred tax assets and liabilities

The following table gives a breakdown of these captions at December 31, 2019:

(€'000)	Assets		Liabilities		Net amount	
	December 31, 2018 (*)	December 31, 2019	December 31, 2018 (*)	December 31, 2019	December 31, 2018 (*)	December 31, 2019
Agents' termination indemnity	27	29	-	-	27	29
Allowance for inventory write-down	344	508	-	-	344	508
Tax loss allowance	150	116	-	-	150	116
Provision for damages and penalties	132	328	-	-	132	328
Amortisation and depreciation	75	64	(42,828)	(42,553)	(42,753)	(42,489)
Other	25	180	(60)	(289)	(35)	(109)
Prior year losses		7,869				7,869
Leases	118	125			118	125
Employee benefits	-	124	-	-	-	124
Derivatives	14	-			14	-
Total	**885**	**9,342**	**(42,888)**	**(42,842)**	**(42,003)**	**(33,500)**

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

(€'000)	December 31, 2018 (*)	Changes in profit or loss	Changes in equity	December 31, 2019
Agents' termination indemnity	27	1		29
Allowance for inventory write-down	344	164		508
Tax loss allowance	150	(34)	-	116
Provision for damages and penalties	132	195	-	328
Amortisation and depreciation	(42,753)	265	-	(42,489)
Other	(35)	(74)	-	(109)
Losses	-	7,869		7,869
Leases	118	7	-	125
Employee benefits	0	89	35	124
Derivatives	14		(14)	-
Total	**(42,003)**	**8,482**	**21**	**(33,500)**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the completion of the PPA procedure, with a consequent impact on the recognition of the business combination which took place on August 6, 2018.

The rates applied to calculate deferred tax assets and liabilities are as follows:
IRES: 24% - IRAP: 5.57%.

IRAP rate has been adapted to the status of "industrial holding" of Guala Closures S.p.A. and the related tax regime that will be applicable from the date of approval of the 2019 financial statements, due to the value of the equity investments, which following the revaluation made with the PPA process of the business combination of the corporate reorganization of 2018, is greater than 50% of the company's total assets.
Consistently, the adjustment of deferred taxation of Guala Closures S.p.A. was noted - € 2.0 million, on the basis of the new IRAP rate (5.57% compared to the previous 3.90%) applicable in the years in which the temporary differences on which the deferred taxation is recorded will be reversed.

Deferred taxation mainly derives from the business combination of the corporate reorganization of 6 August 2018 referred to in the paragraph on Business combinations.

In particular, deferred tax liabilities are recorded on the revaluations of the company's assets carried out during the Purchase Price Allocation (PPA) for their recognition at Fair Value, since these revaluations are fiscally neutral.

The higher value of the deferred taxation indicated with reference to the company's business combination relates to the revaluation of the following activities:

- Intangible assets and specifically commercial relations with customers, Guala Closures brand and patents
- Tangible assets and specifically Plant and machinery

On November 27, 2018, Guala Closures S.p.A. applied to the Regional office of the Piedmont tax authorities to continue the national tax consolidation scheme already in place with the subsidiary GCL Pharma S.r.l. and for the waiver of the limits set out in article 172.7 of the Consolidated Income Tax Act ("TUIR") to the tax losses incurred prior to the merger.

On February 28, 2019, the Regional office of the Piedmont tax authorities allowed the interpretations included in the application and approved the continuation of the national tax consolidation scheme in place between the company and its subsidiary GCL Pharma S.r.l. and the waiver of the limits set out in article 172.7 of the TUIR to the tax losses incurred prior to the merger.

Tax losses carried forward as at 31 December 2019, deriving from Space 4 S.p.A. and Guala Closures S.p.A., amount to € 158,060 thousand and can be carried forward without a time limit.

Based on the most recent estimates of future taxable income, the company has recognized deferred tax assets on tax losses carried forward for € 7,869 thousand corresponding to the value of € 32,786 thousand related to the estimate of future taxable income, that is considered probable on the basis of the company tax plan.

Tax losses value carried forward, not included in the calculation of the deferred tax assets recognized in the Company financial statement at December 31, 2019, are therefore equal to € 125,274 thousand, corresponding to potential deferred tax assets of € 30,066 thousand, if recognized.

(31) Other non-current assets

This caption relates to withholdings on bank interest income of €18 thousand.

(32) 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	(€'000)	Available amount (€'000)	Amount used at December 31, 2019	Residual available amount at December 31, 2019	Repayment date
Bond Guala Closures S.p.A. - Floating Rate Senior Secured Notes due 2024	455,000	455,000	455,000	-	Final repayment 04/15/2024
Revolving Credit Facility due 2024	80,000	80,000	12,929	67,071	Final repayment 02/28/2024
Total	**535,000**	**535,000**	**467,929**	**67,071**	

Reference should be made to note 48) Commitments and guarantees for information on the relevant guarantees given.

Financial liabilities at December 31, 2018 and 2019 are shown below:

(€'000)	December 31, 2018	December 31, 2019
Bank overdrafts and current loans		
Bond	3,937	3,406
Bank loans and borrowings	121	63
Other financial liabilities	6,774	7,465
	10,832	10,934
Non-current loans		
Bonds	441,383	443,926
Bank loans and borrowings	10,439	12,332
Other financial liabilities	3,091	1,199
	454,912	457,456
Total	**465,744**	**468,390**

The terms and expiry dates of the financial liabilities at December 31, 2018 and 2019, included in the statement of financial position are shown below:

(€'000)	Total December 31, 2018	Within 1 year	Between 1 and 5 years	More than 5 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**
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	-
Financial Lease (IAS17)	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**

(€'000)	Total December 31, 2019	Within 1 year	Between 1 and 5 years	More than 5 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	3,406	3,406	-	-	3,406	-
Transaction costs	(11,074)	-	(11,074)	-	-	(11,074)
Total Bonds FRSSN 2024 - Guala Closures S.p.A.	**447,332**	**3,406**	**443,926**	**-**	**3,406**	**443,926**
Bank loans and borrowings:						
Senior Revolving Credit Facility - Guala Closures S.p.A.	12,929	-	12,929	-	-	12,929
Transaction cost	(597)	-	(597)	-	-	(597)
Total bank loans and borrowings	**12,332**	**-**	**12,332**	**-**	**-**	**12,332**
Other accrued expenses - Guala Closures S.p.A.	63	63	-	-	63	-
Total bank loans and borrowings	**12,395**	**63**	**12,332**	**-**	**63**	**12,332**
Other financial liabilities:						
Market Warrants	3,873	3,873	-	-	3,873	-
IFRS 16 Leases	4,790	3,592	1,199	-	3,592	1,199
Total other financial liabilities	**8,664**	**7,465**	**1,199**	**-**	**7,465**	**1,199**
Total	**468,390**	**10,934**	**457,456**	**-**	**10,934**	**457,456**

The interest rates and maturity dates of the financial liabilities at December 31, 2019 are shown below:

(€'000)	Currency	Nominal interest rate	Maturity date	Total December 31, 2019
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.	2020	3,406
Transaction costs	EUR	n.a.	2024	(11,074)
Total Bonds FRSSN 2024 - Guala Closures S.p.A.				**447,332**
Bank loans and borrowings:				
Senior Revolving Credit Facility - Guala Closures S.p.A.	EUR / GBP	GBP 3M Euribor/Libor + 2.50%	2024	12,929
Transaction cost	EUR	n.a.	2024	(597)
Total Senior Revolving Credit Facility - Guala Closures S.p.A.				**12,332**
Accrued expense and deferred income	EUR	n.a.	2020	63
Total bank loans and borrowings				**12,395**
Other financial liabilities:				
Market Warrants	EUR	n.a.	n.a.	3,873
IFRS 16 Leases	EUR	n.a.	n.a.	4,790
Total other financial liabilities				**8,664**
Total				**468,390**

(33) Trade payables

Trade payables - third parties may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Suppliers	20,656	24,191
Payments on account	44	100
Total	**20,699**	**24,291**

At December 31, 2019, trade payables due to third parties may be analysed by geographical segment as follows:

(€'000)	December 31, 2018	December 31, 2019
Europe	20,639	24,274
Latin America	33	-
Oceania	26	-
Rest of the world	3	17
Total	**20,699**	**24,291**

At December 31, 2019, trade payables may be analysed by original currency as follows:

(€'000)	EUR	USD	GBP	Other currencies	Total
Trade payables - third parties	23,911	359	17	3	**24,291**

Payables to related parties are amounts due to subsidiaries and may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
GCL International Sarl	-	2,106
Guala Closures Ukraina LLC	499	453
Guala Closures Iberica S.A.	219	171
Guala Closures DGS Poland SA	149	178
GCL Pharma S.r.l.	61	103
Guala Closures North America Inc.	109	99
Guala Closures France SAS	81	62
Guala Closures UK Ltd	44	65
Guala Closures Japan	-	30
Beijing Guala Closures Ltd	-	26
Guala Closures Shout Africa Inc.	12	26
Guala Closures do Brasil LTDA	4	15
Guala Closures Bulgaria AD	2	10
Guala Closures Argentina SA	-	3
Guala Closures De Colombia Ltda	-	2
Guala Closures New Zealand Ltd	21	-
Guala Closures Australia PTY Ltd	12	-
Guala Closures Mexico S.A. de C.V.	3	-
Total	**1,215**	**3,348**

At December 31, 2019, payables due to subsidiaries may be analysed by geographical segment as follows:

(€'000)	December 31, 2018	December 31, 2019
Europe	1.054	3.148
Rest of the world	121	125
Asia	-	56
Latin America	7	20
Oceania	33	-
Total	**1.215**	**3.348**

At December 31, 2019, receivables due from subsidiaries may be analysed by original currency as follows:

(€'000)	EUR	USD	GBP	Total
Trade payables - subsidiaries	3,072	232	44	**3,348**

(34) Current direct tax liabilities

Current direct tax liabilities of € 524 thousand at December 31, 2019 relate to IRAP (regional production tax).

(35) Current indirect tax liabilities

Current indirect tax liabilities of €870 thousand at December 31, 2019 relate to other indirect taxes.

The caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Withholdings	880	786
Conai contribution	74	57
Substitute tax on post-employment benefits	1	27
Total	**955**	**870**

(36) Provisions

This caption may be analysed as follows:

- *Current provisions*

(€'000)	December 31, 2018	December 31, 2019
Provision for contingencies	710	-
Provision for returns	409	966
Total current provisions	**1,119**	**966**

The provision for returns reflects the best estimate of the risks for future charges for possible customer claims at the reporting date.

In particular, the provision as at December 31, 2018 is referred to Guala Closures Pre-merger concerning tax matters related to the period 2015-2016. Despite Guala Closures S.p.A. (the company resulting from the inverse merger of GCL Special Closures Srl into Guala Closures SpA in 2012) believes that it has operated in compliance with the regulations valid at that time, a settlement with the Revenue Agency was defined in order to close the dispute. As a result, the Company paid € 0.8 million in 2018, for the years 2013-2014, € 0.8 million in 2019, for the year 2015, € 0.5 million and € 0.2 million for the year 2016.

- *Non-current provisions*

(€'000)	December 31, 2018	December 31, 2019
Provision for agents' termination indemnity	140	147
Provision for legal disputes	77	175
Provision for tax risks	9	-
Total non-current provisions	**226**	**322**

In connection to the fatal accident that took place on January 30, 2017 at the Magenta (MI) plant, that caused the unexpected death of an employee of the Company, the Company has granted the full compensation of the heirs of the deceased, paid in July 2018. Such compensation was reimbursed for an amount equal to 80% by the insurance of Guala Closures Pre-merger and for the remaining 20% by the Service Manager Prevention and Protection (RSPP) charged at the time of the accident.

With reference to Guala Closures S.p.A.'s inclusion in the criminal proceedings as per Legislative decree no. 231/01, the Company has formulated a plea bargaining request to define the position; although the PM had expressed a favourable opinion on this request, at the hearing of 16 April 2019 the Preliminary Investigation Judge rejected all the plea bargaining motions proposed, considering them incongruous. Therefore, the proceedings are currently awaiting a return to the PM for a new assessment of the position. The possible outcomes of this procedure should not have significantly different effects from what has already been set aside in previous years as a provision for risks.

On July 16, 2019, the Company's lawyers filed a plea bargaining agreement for the definition of liability pursuant to Legislative Decree 231/2001. On December 18, 2019 this request was accepted and, by virtue of the acceptance of the plea bargaining request, the Company will define its position by paying € 80 thousand.

Changes in the provisions are as follows:

- *Current provisions*

(€'000)	December 31, 2019
Opening balance	1,119
Accrual of the year	899
Utilisations	(1,051)
Closing balance	**966**

- *Non-current provisions*

(€'000)	December 31, 2019
Opening balance	226
Accrual of the year	104
Utilisations	(9)
Closing balance	**321**

(37) Derivative liabilities

This caption may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Fair value IRS	58	-
Fair value currency swap in GBP	-	172
Total	**58**	**172**

The main features of the contracts in place at December 31, 2019 are summarised below:

- *Currency swaps*

Currency swaps at December 31, 2019 are shown below:
The hedge accounting requirements of IFRS 9 were not met. Therefore, these derivatives were recognised as trading instruments.

Expiry date	Hedged currency	Type of transaction	Hedged amount (GBP'000)	Forward rate (GBP/€)	December 31, 2019 Fair value assets/(liabilities) (€'000)
January 2020	GBP	Sale	418	0.86700	(9)
February 2020	GBP	Sale	499	0.87000	(12)
March 2020	GBP	Sale	614	0.87110	(15)
April 2020	GBP	Sale	544	0.87220	(13)
May 2020	GBP	Sale	675	0.87300	(16)
June 2020	GBP	Sale	817	0.87420	(20)
July 2020	GBP	Sale	760	0.87530	(18)
August 2020	GBP	Sale	412	0.87640	(10)
September 2020	GBP	Sale	696	0.87750	(17)
October 2020	GBP	Sale	756	0.87870	(19)
November 2020	GBP	Sale	615	0.87990	(15)
December 2020	GBP	Sale	323	0.88100	(8)
Total GBP forward sale			**7,129**		**(172)**

(38) Other current liabilities

This caption relates to third parties and related parties for €7,854 thousand and €1,042 thousand, respectively.

Third parties may be analysed as follows:

(€'000)	December 31, 2018	December 31, 2019
Non-recurring costs	3,663	5
Liabilities to employees	2,853	3,112
Social security charges payable	2,239	2,383
Liabilities for capital expenditure	2,342	1,081
Other liabilities	1,826	1,273
Total	**12,923**	**7,854**

At December 31, 2019, other current liabilities - related parties relate to capital expenditure (€933 thousand) to Beijing Guala Closures Co. Ltd, €72 thousand to Guala Closures Bulgaria A.D. and €37 thousand to Guala Closures Ukraine LLC

(39) Other non-current liabilities

At December 31, 2019, this caption includes €212 thousand related to the long-term incentive plan for key managers.

(40) Employee benefits

At December 31, 2019, 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 to employee departures, 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 January 1, 2007, accruing benefits have been transferred to a pension fund or a treasury fund held by Italy's social security institution (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 plan. Amounts vested before January 1, 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 appraisals are performed by independent actuaries.
Actuarial gains and losses deriving from actuarial calculations at the reporting date are recognised in OCI.

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

(€'000)	**December 31, 2019**
January 1, 2019	3,958
Net effect of the merger	-
Change recognised in profit or loss - personnel expense	-
Change recognised in profit or loss - other expense	29
Change recognised in OCI	126
Benefits paid	(359)
	3,754

Actuarial parameter baseline:

	December 31, 2019
Future average inflation rate	1.2% p.a.
Discount rate	0.37% p.a.
Annual rate of increase in post-employment benefits	2.40% p.a.

For valuations at December 31, 2019, an annual fixed discount rate of 0.37% was used based on the value of Iboxx indexes AA corporate bonds 7 -10 years duration at the valuation date, as per the requirements of IAS 19.

The company expects to pay around €0.4 million of benefits to its defined benefit plan in 2020.

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 December 31, 2019 by the amounts shown below:

	Defined benefit obligation	
(€'000)	**Increase**	**Decrease**
Turnover rate (1% variation)	(26)	29
Average inflation rate (0.25% variation)	44	(43)
Discount rate (0.25% variation)	(70)	72

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.

(41) Equity

At December 31, 2019, 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 Azioniario) organised and managed by Borsa Italiana S.p.A., within the Star Segment, since August 6, 2018.

At December 31, 2019, Guala Closures S.p.A. has subscribed and paid-up share capital of €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 €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 €13 for at least one day in the exercise period, and against payment of a subscription price per share of €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 December 31, 2019, equity comprises unavailable reserves for market warrants of €19,367 thousand, of which €6,000 thousand was recognised as a decrease in the share premium reserve following the capital increase which took place on December 21, 2017 and the concurrent allocation of 10,000 thousand market warrants, and €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 August 6, 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 group development.

The parent Company thus seeks to maintain a sufficient level of capitalisation, while giving shareholders satisfactory returns and ensuring the group has access to external sources of financing at acceptable terms, including by maintaining an adequate rating.
The parent 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 group strives to continuously make its operations more profitable.
The board of directors monitors the return on capital, being total equity attributable to owners of the parent and the amount of dividends to be distributed to holders of ordinary shares.

Restrictions to the distribution of equity reserves at December 31, 2019 are set out below.

(€'000)	**Total amount**	**Distributable amount**	**Undistributable amount**		***Restriction***
Share capital	68,907		68,907		Share capital
Share premium reserve	423,837		423,837	(1)	Equity-related reserve
Legal reserve	643		643		Income-related reserve
Other reserves	157,799		157,799	(2)	Equity-related reserve
Hedging reserve	-		-		Income-related reserve
Losses carried forward	(8,700)		(8,700)		Income-related reserve
Profit for the year	12,475	10,877	1,598	(3)	Profit for the year
Total	**654,961**	**10,877**	**644,083**		

(1) The share premium reserve is unavailable for €423,837 thousand pursuant to article 2431 of the Italian Civil Code. Indeed, it cannot be distributed until the legal reserve amounts to one-fifth of the share capital;

(2) Other reserves, which include negative reserves for listing costs and Market Warrant emission for € 13.8 million, are totally unavailable for the following reasons:

- €159,434 thousand for the Merger (share exchange) reserve as it is similar to the share premium reserve;
- €972 thousand, pursuant to article 2426.5 of the Italian Civil Code, being the amount needed to cover unamortised development expenditure;
- €8,700 thousand, being the amount needed to cover the losses carried forward;

(3) The profit for the year is unavailable for a total of €1,549 thousand for the following reasons:

- €509 thousand, being the amount needed to cover the 2019 unrealised exchange gains;
- €465 thousand, related to income from Market Warrant;
- €624 thousand, related to the allocation of 5% to the legal reserve

(42) Repurchase of own shares

On February 14, 2019, during their ordinary meeting, the shareholders of Guala Closures S.p.A. resolved to:

1. authorise the board of directors, pursuant to article 2357 and following articles of the Italian Civil Code and article 132 of the Consolidated Finance Act, to repurchase the parent's ordinary shares (therefore excluding special B and special C shares), for the purposes set out by the directors in their report, up to the maximum amount which, considering the ordinary Guala Closures shares held from time to time by the parent, must not exceed a total of 3% of the ordinary shares outstanding on the date of the shareholders' meeting (equal to approximately 1,861,500 ordinary shares), to be carried out, including in more than one tranche, within 18 months of the date of the shareholders' resolution and in the manner described below:

i. the purchase price shall not be above or below 10% of the reference price on the Italian Stock Exchange (Mercato Telematico Azioniario), organised and managed by Borsa Italiana S.p.A. ("MTA") in the session prior to each individual transaction. Furthermore, in any case, the treasury shares will be repurchased in accordance with the additional operating limits set by EU and national legislation, including regulations, ruling from time to time and applicable to purchases;

ii. the purchases shall be made in compliance with article 132 of the Consolidated Finance Act, article 144-bis.1.b) of the Issuer Regulation and any other applicable legislation, including the market practices accepted and recognised by Consob;

2. authorise, pursuant to article 2357-ter of the Italian Civil Code, the repurchase, including in more than one tranche and without time limits, of ordinary Guala Closures S.p.A. shares in accordance with the above resolution, as follows:

i. if carried out in cash, at a price not below 10% of the reference price on the MTA in the session prior to each transaction;

ii. if carried out as part of extraordinary transactions, including, but not limited to, exchange, swap, contribution or any other non-cash disposal, in accordance with the financial terms set by the board of directors, based on the nature and the characteristics of the transaction, also considering the performance of the parent's share;

iii. with respect to the ordinary shares serving stock option plans, in accordance with the terms and conditions set out in the relevant plan regulations;

iv. with respect to the activities falling under the so-called 'accepted market practice' covered by article 180.1.c) of the Consolidated Finance Act about operations to support market liquidity, in accordance with the criteria set by Consob from time to time and, in any case, in compliance with any terms, conditions and requirements set by EU and national legislation (including regulations) applicable from time to time, to grant the board of directors and/or through its chairperson and the CEO, Marco Giovannini, and the director, Anibal Diaz, the widest powers, including the power of sub-delegation or to engage external experts, to be exercised also separately and with the widest discretion, in order to implement the Programme and the relevant purchases and sales, however in full compliance with ruling legislation and the limitations of your authorisation as resolved above.

No repurchases had taken place at the reporting date.

(43) Notes to the statement of cash flows

The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2019:

(€'000)	
Total liabilities at January 1, 2019	**465,744**
Derivative and similar assets at January 1, 2019	(88)
Total liabilities from financing activities at January 1, 2019	**465,656**
Cash effect (*)	
Proceeds from new borrowings and bonds	2,276
Repayment of borrowings and bonds	(1,176)
Repayment of finance leases	(3,312)
Interest paid	(18,074)
Non-cash effect	
Change due to IFRS 16 FTA	2,116
Net fair value gains on market warrants	(465)
Interest and other financial expense	17,538
FX translation effect	650
Net fair value losses on derivatives	250
Transaction costs amortisation	2,686
Other changes	84
Total liabilities from financing activities at December 31, 2019	**468,229**
Derivative and similar liabilities at December 31, 2019	162
Total liabilities at December 31, 2019	**468,390**

(*) In relation to the cash effect, reference should be made to the statement of cash flows.

(44) Net financial indebtedness

Net financial indebtedness at December 31, 2018 and December 31, 2019, is analysed below and calculated in accordance with ESMA/2013/319 recommendations:

	(€'000)	**December 31, 2018**	**December 31, 2019**
A	Cash	-	-
B	Cash equivalents	16,108	14,463
C	Securities held for trading	-	-
D	**Cash and cash equivalents (A+B+C)**	**16,108**	**14,463**
E	**Current loan assets**	**989**	**35,657**
F	Current bank loans and borrowings	-	-
G	Current portion of non-current indebtedness	4,058	3,469
H	Other current loans and borrowings	2,436	3,592
	Of which: related parties	-	-
I	**Current financial indebtedness (F+G+H)**	**6,494**	**7,060**
J	**Net current financial indebtedness (I-E-D)**	**(10,603)**	**(43,060)**
K	Non-current bank loans and borrowings	10,439	12,332
L	Bonds issued	441,383	443,926
M	Other non-current liabilities	3,091	1,199
	Of which: related parties	-	-
N	**Non-current financial indebtedness (K+L+M)**	**454,912**	**457,456**
O	**Net financial indebtedness as per ESMA recommendation (J+N)**	**444,309**	**414,397**

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, recognised 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 fair value of the market warrants, recognised under current financial liabilities.

The table below shows the reconciliation of the total net financial indebtedness shown in annex E) to the directors' report and the structure of net financial indebtedness as per ESMA's recommendation:

	(€'000)	**December 31, 2018**	**December 31, 2019**
O	Net financial indebtedness as per ESMA's recommendation	444,309	414,397
P	Non-current financial assets	218,619	198,927
Q	Market warrants	4,338	3,873
	Of which: related parties	*218,581*	*198,899*
R	**Total net financial indebtedness (O-P+Q)**	**230,029**	**219,343**

OTHER INFORMATION

(45) 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, at December 31, 2018 and 2019. 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 2019.

December 31, 2018		Carrying amount							Fair value			
(€'000)	Note	Fair value - held-for-trading	Designated at FVTPL	Fair value - hedging instruments	Held-to-maturity	Loans and receivables at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Currency swaps held for trading	23	146						**146**		146		**146**
		146	-	-	-	-	-	**146**	-	**146**	-	**146**
Financial assets not measured at fair value (*)												
Trade receivables - third parties	19					12,765		**12,765**				-
Trade receivables - related parties	19					28,094		**28,094**				-
Financial assets - related parties	18					219,570		**219,570**		229,701		**229,701**
Cash and cash equivalents	17					16,108		**16,108**				-
Financial assets - third parties	18				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	37			(58)				**(58)**		(58)		**(58)**
Market warrants	32						(4,338)	**(4,338)**	(4,338)			**(4,338)**
		-	-	**(58)**	-	-	**(4,338)**	**(4,396)**	**(4,338)**	**(58)**	-	**(4,396)**
Financial liabilities not measured at fair value (*)												
Secured bank loans	32						-	**(10,560)**		(10,742)		**(10,742)**
Secured bond issues	32						-	**(445,320)**		(463,777)		**(463,777)**
Finance lease liabilities	32						-	**(5,526)**		(5,603)		**(5,603)**
Trade payables - third parties	33						-	**(20,699)**				-
Trade payables - related parties	33						-	**(1,215)**				-
		-	-	-	-	-	-	**(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.

December 31, 2019		Valore contabile							Fair value			
(€'000)	Note	Fair value - held-for-trading	Designated at FVTPL	Fair value - hedging instruments	Held-to-maturity	Loans and receivables at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Currency swaps held for trading	23	10						**10**		10		**10**
Financial assets not measured at fair value (*)												
Trade receivables - third parties	19					12,952		**12,952**				-
Trade receivables - related parties	19					30,567		**30,567**				-
Financial assets - related parties	18					234,556		**234,556**		238,615		**238,615**
Cash and cash equivalents	17					14,463		**14,463**				-
Financial assets - third parties	18				28			**28**		28		**28**
		-	**-**	**-**	**28**	**292,538**	**-**	**292,567**	**-**	**238,643**	**-**	**238,643**
Financial liabilities measured at fair value												
Interest rate swaps used for hedging	37			(172)				**(172)**		(172)		**(172)**
Market warrants	32						(3,873)	**(3,873)**	(3,873)			**(3,873)**
		-	**-**	**(172)**	**-**	**-**	**(3,873)**	**(4,045)**	**(3,873)**	**(172)**	**-**	**(4,045)**
Financial liabilities not measured at fair value (*)								-				-
Secured bank loans	32						(12,395)	**(12,395)**		(12,582)		**(12,582)**
Secured bond issues	32						(447,332)	**(447,332)**		(462,674)		**(462,674)**
Lease liabilities (IFRS16)	32						(4,790)	**(4,790)**				-
Trade payables - third parties	33						(30,988)	**(30,988)**				-
Trade payables - related parties	33						3,348	**3,348**				-
		-	**-**	**-**	**-**	**-**	**(492,156)**	**(492,156)**	**-**	**(475,256)**	**-**	**(475,256)**

(*)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 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 year 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 parent'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 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
Forward interest rate swaps and currency forwards	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 Intragroup loans	Discounted cash flows	Not applicable.

Even though secured bond issues are quoted on the OTC market like the Euro-MTF in Luxembourg, no relevant transactions were 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 overall responsibility for establishing and monitoring the company's risk management system.
The proxy system ensures 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 a loss allowance 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,
Most of the company's trade receivables are due from leading operators of the alcoholic and non-alcoholic beverage segment. Most of its trading relationships are with longstanding customers. The company's historical figures indicate a very modest amount of impairment losses. The risk is fully covered by the corresponding loss allowance recognised in the separate financial statements.
There are no cases of particularly concentrated credit risk in geographical terms.

At December 31, 2019, trade receivables - third parties may be analysed by geographical segment as follows:

(€'000)	December 31, 2018	December 31, 2019
Europe	10,946	11,054
Asia	303	138
Latin America	305	307
Rest of the world	1,211	1,454
Total	**12,765**	**12,952**

At December 31, 2019, trade receivables - third parties may be analysed by due date as follows:

(€'000)	Gross amount 31 dicembre 2019	Impairment loss 31 dicembre 2019	Net amount 31 dicembre 2019
Not yet due	12.463		12.463
0-30 days past due	2.193	-	2.193
31-90 days past due	1.523	-	1.523
After 90 days	14.387	-	14.387
Total	**30.566**	**-**	**30.566**

The company believes that the unimpaired amounts that are past due 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 loss allowance is necessary in respect of trade receivables not yet due or past due by up to 90 days.

At December 31, 2019, trade receivables - third parties may be analysed by original currency as follows:

(€'000)	EUR	USD	Total
Trade receivables - third parties	11,569	1,384	**12,952**

An analysis of the credit quality of trade receivables - subsidiaries is as follows:

(€'000)	December 31, 2019
- Four or more years' trading history with the company	23.772
- From one to four years' trading history with the company	5.618
- Less than one year' trading history with the company	1,176
Total	**30,566**

At December 31, 2019, receivables due from subsidiaries may be analysed by geographical segment as follows:

(€'000)	December 31, 2018	December 31, 2019
Latin America	13,479	14,452
Europe	7,690	10,449
Asia	1,389	1,543
Oceania	1,274	1,148
Rest of the world	4,262	2,975
Total	**28,094**	**30,566**

At December 31, 2019, receivables due from subsidiaries may be analysed by due date as follows:

(€'000)	Gross amount December 31, 2019	Impairment loss December 31, 2019	Net amount December 31, 2019
Not yet due	12,463		12,463
0-30 days past due	2,193	-	2,193
31-90 days past due	1,523	-	1,523
After 90 days	14,387	-	14,387
Total	**30,566**	**-**	**30,566**

The company calculates default interest at 3-month Euribor (zero floor) plus a spread of 2.5% on past due receivables from subsidiaries. Payments terms reflect the dynamics of payment management within the group.

At December 31, 2019, receivables due from subsidiaries may be analysed by original currency as follows:

(€'000)	EUR	USD	GBP	Total
Trade receivables - subsidiaries	28,091	623	1,852	**30,566**

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 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.
At the reporting date, the company has the loans, credit lines and facilities shown in the tables in note 32) Current and non-current financial liabilities - third parties to which reference should be made for additional information.

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			
(€'000)	Carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total contractual cash flows
Non-derivatives financial liabilities					
Secured bank loans	12,395	1,033	16,092	-	16,124
Secured bond issues	447,332	15,925	507,420	-	523,345
Market Warrants	3,873	3,873	-	-	4,338
Finance lease liabilities	4,790	3,592	1,199	-	4,790
Trade payables - third parties	27,639	27,639			27,639
Trade payables - related parties	3,348	3,348			3,348
Total	**499,378**	**55,411**	**524,711**	**-**	**579,585**

The interest payments on variable interest rate loans and bond issues in the table above and included in 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 from the contingent consideration may be different from the amounts in the above table as interest rates and exchange rates or the relevant conditions underlying the payment of contingent consideration 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 the 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 liability subject to interest rate risk due to the current low interest rates.
The company does not currently deem it necessary to hedge the portion of the liability subject to interest rate risk given the current Euribor parameters.

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.

(€'000)	Effective interest rate - December 2019	Total 12/31/19	Up to 6 months	06-12 months	1 - 2 years	2-5 years	After 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	-	-	-	-
Accrued expenses and deferred income Guala (Interest on bonds)	n.a.	3,406	3,406	-	-	-	-
Transaction costs	n.a.	(11,074)	(11,074)	-	-	-	-
Total Bonds FRSSN 2024 - Guala Closures S.p.A.		**447,332**	**447,332**	**-**	**-**	**-**	**-**
Bank loans and borrowings:							
Senior Revolving Credit Facility - Guala Closures S.p.A.	3.29%	12,929	12,929	-	-	-	-
Transaction costs	n.a.	(597)	(597)	-	-	-	-
Tot. New Super Senior Revolving Facility		**12,332**	**12,332**	**-**	**-**	**-**	**-**
Accrued expense and deferred income	n.a.	63	63	-	-	-	-
Total bank loans and borrowings		**63**	**63**	**-**	**-**	**-**	
Other financial liabilities:							
Market Warrants	n.a.	3,873	3,873	-	-	-	-
IFRS 16 Leases	n.a.	4,790	4,790	-	-	-	-
Total other financial liabilities		**8,664**	**8,664**	**-**	**-**	**-**	**-**
Total		**468,390**	**468,390**	**-**	**-**	**-**	**-**

Sensitivity analysis

The fair value of financial liabilities was calculated by an external actuary using the following methodology:

- the cash flows generated by the outstanding liabilities are identified both in terms of interest and principal. These cash flows are calculated with reference to the interest rates and the related repayment plan;
- the individual cash flows are discounted using risk-free rates ruling on the measurement date. These rates are deducted from the swap rates using the bootstrap method 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 December 31, 2019:

(€'000)	Increase of 100bp	Increase of 100bp
Floating Rate Senior Secured Notes due in 2024 issued by Guala Closures S.p.A.	(17,110)	3,406
Senior Revolving Facility Agreement - gross of transaction costs	(487)	100
Intragroup loan - International	(3,979)	354
Intragroup loan - UCP	(78)	78
Intercompany loan East Africa	(29)	4
Sensitivity of cash flows (net)	**(21,683)**	**3,942**
Finance leases	(3)	3
Sensitivity of cash flows (net)	**(3)**	**3**

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 company.
The company is exposed to currency risk, particularly in relation to fluctuations of the pound sterling and US dollar.
Interest on loans is denominated in the currency of the cash flows generated by the company's underlying transactions.
The risk of exchange fluctuations is managed using currency hedges when significant differences are noted between cost and revenue in foreign currency and such differences are hedged through the forward purchase or sale of foreign currency. At the reporting date, there were contracts hedging trade receivables in pounds sterling.

Sensitivity analysis
The appreciation of the Euro, as indicated below, against the USD and the GBP at December 31, 2019 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 forecasted sales and purchases. The analysis was performed on the same basis, though taking into account different changes in exchange rates deemed reasonably possible, as indicated below.

	Appreciation		Depreciation	
2019	Assets	Profit for the year	Liabilities	Loss for the year
USD (10% change)	157	157	(129)	(129)
GBP (10% change)	1,730	1,730	(1,415)	(1,415)

Other price risk

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). However, this risk will be able to be hedged in the near future given current developments in the listing of plastics on the international market and corresponding hedging instruments.
The risk of fluctuations in the purchase price of aluminium, where necessary, is partly hedged through derivatives which set the forward purchase price. At December 31, 2019 are present some derivatives on aluminium (Note 23) Derivative assets).

With respect to the fair value of market warrants, it is noted that, at December 31, 2019, their carrying amount is calculated as the number of market warrants outstanding (19,367,393) at the official unit price of Borsa Italiana S.p.A. (€0.20).
The table below shows the effect in the event of a 10% increase/decrease in the official price:

(€'000)	**Increase/ (decrease) in the official price**	**Favourable/ (unfavourable) effect on the profit (loss) for the year**
Variation in the unit price of market warrants	10%	(387)
	(10%)	352

(46) Related party transactions

Reference should be made to the following notes to the separate financial statements for information on relationships with subsidiaries: 5) Net revenue; 6) Other operating income; 8) Costs for raw materials; 9) Costs for services; 10) Personnel expense; 12) Financial income; 13) Financial expense, 14) Gains on investments, 18) Current and non-current financial assets; 19) Trade receivables; 24) Other current assets and 33) Trade payables.

Transactions with the key management personnel are set out below:

(€'000)		Costs recognised in the year									
	Fees for other positions (Risk and control committee-Remuneration committee)	Fees for positions held	Incentives	Remuneration for employment	Accrual for post-employment benefits and other supplementary pension funds	Non-cash benefits	Other benefits	Total	Post-employment benefits at Dec 31, 2019	Other liabilities at Dec. 31, 2019	Cash flows for the year
Total directors/key managers	**70**	**430**	**212**	**335**	**23**	**13**	**-**	**1,083**	**1**	**730**	**339**

Furthermore, in relation to services provided by key managers which act as managers of the subsidiary GCL International S.à.r.l., in 2019, the company received a recharge of approximately €4.4 million, which was mostly recharged to other group companies.

Further to the sale of pre-merger Guala Closures Group to Space4 S.p.A. and the concurrent reorganisation of the Luxembourg companies which previously controlled pre-merger Guala Closures, the Luxembourg-based GCL Holdings S.C.A. is now wholly owned by the managers and their spouses and is controlled by Marco Giovannini.

The transactions and relationships between this company and the parent Company at December 31, 2019 are summarised below:

- it has four members on the board of directors of Guala Closures S.p.A. since August 6 (the effective date of the merger), as well as two independent members who were appointed jointly with Space Holding S.r.l.;
- it has two standing members and a substitute member of the board of statutory auditors of Guala Closures S.p.A. since September 10, 2018, who were appointed on the indication of GCL Holdings S.C.A.;
- GCL Holdings S.C.A. has held 14.24% of the share capital of Guala Closures S.p.A. since July 31, 2018 and it holds 24.28% of the voting rights as a result of the 4,322,438 B shares carrying multiple votes;
- transactions with GCL Holdings S.C.A. took place on an arm's length basis.

Space Holding S.r.l. can also be considered a related party.

The transactions and relationships between this company and the parent Company at December 31, 2019 are summarised below:

- it has two members (one of whom is independent) on the board of directors of Guala Closures S.p.A. since August 6 (the effective date of the merger), as well as two independent members who were appointed jointly with GCL Holdings S.C.A.;

- it has one standing member and a substitute member of the board of statutory auditors of Guala Closures S.p.A. since September 10, 2018, who were appointed on the indication of Space Holding S.r.l.;
- Space Holding has held 4.70% of the share capital of Guala Closures S.r.l. since July 31, 2018 and it holds 3.14% of the voting rights, partly as a result of the 805,675 C shares with no voting rights;
- transactions with Space Holding S.r.l. took place on an arm's length basis. Space Holding S.r.l. provided consultancy services for an amount of € 1,239 thousand for the period from January 1, 2018 to August 6, 2018, as per the contract of September 27, 2017, then amended on November 16, 2017 and from August 7, 2018 to December 31 2018 as per the contract of December 18, 2018 and € 60 thousand for the services rendered in 2019

Peninsula Capital II S.à.r.l. (as general partner of Peninsula Investments II S.C.A., which controls PII G S.à.r.l.) can be considered a related party.

The transactions and relationships between this company and the parent Company at December 31, 2019 are summarised below:

- it has one member on the board of directors of Guala Closures S.p.A. since August 6, 2018 (the date the merger became effective);
- Peninsula has held 9.84% of the share capital of Guala Closures S.p.A. and 8.92% of the voting rights since July 31, 2018;
- transactions with Peninsula took place on an arm's length basis.

TAN Advisory S.r.l. can be considered a related party, since it is indirectly held by Filippo Giovannini (17,43%), who is also appointed as CEO.

The transactions and relationships between this company and the parent Company at December 31, 2019 are summarised below:

- Tan Advisory S.r.l. provided advisory services to the subsidiary GCL International S.à.r.l. in negotiating and fulfilling the investment in SharpEnd by the Luxembourg subsidiary, through which a 20% of such entity was acquired.
- the consideration paid to Tan Advisory S.r.l. for this activity was equal to € 80 thousand.
- the transactions with Tan Advisory S.r.l. have been carried out in arm length transactions

Some Guala Closures S.p.A. managers also hold GCL Holdings S.C.A. shares (see the prospectus).

With respect to the new policy applicable to related party transactions, reference should be made to the Investor Relations section of the company's website www.gualaclosures.com.

There are no significant transactions with other related parties in addition to those indicated.

(47) Contingent liabilities

For information on contingent tax liabilities, reference should be made to note 36) Provisions.
At the date of publication of these separate financial statements, there were no significant contingent liabilities in relation to which the company can currently foresee future expenditure.

(48) Commitments and guarantees

The company's commitments and guarantees at the reporting date are as follows:

- Pledge over the 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 intragroup loan agreements and Guala Closures S.p.A..

The other guarantees given by the company at December 31, 2019 are as follows:

(€'000)	December 31, 2019
Third parties assets held by the company	4,968

(49) Statutory auditors' fees

The statutory auditors' fees are as follows:

(€'000)	Costs recognised in the year						Liabilities at December 31, 2019	Cash flows for the year
	Fees for position held	Incentives	Remuneration for employment	Post-employment benefits and other supplementary pension funds	Non-cash benefits	Total		
Total statutory auditors	**125**	-	-	-	-	**125**	**59**	**66**

(50) Events after the reporting period

Covid-19 (Coronavirus)

The parent company is closely monitoring developments of the global health situation following the spread of COVID-19. Since February 22, the Company has provided its Italian plants with the tools needed to tackle this situation. At present, all of the group's production and sales activities are functioning as usual. Thanks to our diversified geographical footprint, which enables us to best exploit any growth in the consumption of local products as well as having a large number of sources of supply for our raw materials and services, we believe that we can absorb supply chain and demand repercussions, although at the moment it is too early to make forecasts on possible impacts over the coming months.

Sale of the investment in GCL Pharma S.r.l.

On January 28, 2020, an industrial group operating in the pharmaceutical packaging sector made a non-binding offer for the acquisition of 100% of GCL Pharma S.r.l. at values in line with the cost of the investment recognised in the separate financial statements at 31 December 2019.

The parent company followed up the expression of interest received and, in February and March, the potential buyer carried out a due diligence. The recent developments in the negotiations relating to the conditions of the potential sale, which are also affected by the critical situation caused by the Coronavirus emergency, highlight the possibility that the consideration offered may be lower than originally envisaged, with a differential from the carrying amount ranging between €2 million and €3 million.

The parent company is considering the offer in the light of the importance of this investment in the current strategy of the group, which focuses on integrating the recent acquisitions and developing new projects, while taking into account the current market situation, affected by the health emergency underway.

Information pursuant to article 1.125 of Law no. 124 of 4 August 2017

Paragraphs 125, 127 – Grants, contributions and economic benefits received

During the year, the company received the following grants, contributions, paid engagements and economic benefits from the public administrations and the parties covered by the first sentence of paragraph 125 of article 1 of Law no. 124/2017:

- From FINPIEMONTE a contribution of €32,559 for the ECIPOL project. This is an industrial research and experimental development project whose aim is to reuse waste from agricultural production in plastic formulations in industrial sectors such as packaging (cosmetics and beverage) and green building.

Paragraphs 126, 127 – Grants, contributions and economic benefits received

During the year, the company did not enter into any deeds for grants, contributions, subsidies and economic benefits to natural persons and public and private bodies.

(51) Proposals of the board of directors to the shareholders

We propose the shareholders, in their ordinary meeting, resolve to allocate the profit for the year €12,475,173 as follows:

- 5% to the legal reserve (€623,759);
- €508,632 to the reserve for unrealised exchange gains;
- €11,342,782 to the extraordinary reserve.

On behalf of the board of directors
Chairman and CEO
Marco Giovannini
(signed on the original)

March 12, 2020

Annexes to the separate financial statements of Guala Closures S.p.A

Annex A)
List of investments in indirectly controlled subsidiaries at December 31, 2019

Annex B)
Statement of the CEO and manager in charge of financial reporting

ANNEX A)

List of investments in indirectly controlled subsidiaries at December 31, 2019

Company name	Registered office	Currency	Share/quota capital	Investment percentage
EUROPE				
Guala Closures UK Ltd	United Kingdom	GBP	134.000	100%
Guala Closures UCP Ltd.	United Kingdom	GBP	3.509.000	100%
Guala Closures Iberica, S.A.	Spain	EURO	4.979.964	100%
GCL International Sarl	Luxembourg	EURO	6.640.700	100%
Guala Closures France SAS	France	EURO	2.748.000	70%
Guala Closures Ukraine LLC	Ukraine	UAH	90.000.000	70%
Guala Closures Bulgaria AD	Bulgaria	BGN	6.252.120	70%
Guala Closures DGS Poland S.A.	Poland	PLN	595.000	70%
Guala Closures BY LLC	Belarus	BYN	1.158.800	70%
Guala Closures Deutschland GmbH	Germany	EUR	25.000	100%
ASIA				
Guala Closures India pvt Ltd	India	INR	170.000.000	95%
Beijing Guala Closures Co. Ltd	China	CNY	20.278.800	100%
Guala Closures Japan KK	Japan	JPY	106.918.500	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	320.946.330	100%
Guala Closures do Brasil LTDA	Brazil	BRL	10.736.287	100%
Guala Closures de Colombia LTDA	Colombia	COP	10.736.290	93,2%
Guala Closures Chile SpA	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	30.400.000	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

Statement on the separate financial statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999, as subsequently amended and integrated

1. The undersigned Marco Giovannini and Anibal Diaz, respectively CEO and manager in charge of financial reporting of Guala Closures S.p.A. (the "company"), state that pursuant to article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998:
   - the administrative and accounting procedures are adequate given the company's characteristics;
   - they were applied during the year to prepare the separate financial statements as at and for the year ended December 31, 2019.
2. No significant issues arose.
3. Moreover, they state that:

   3.1 the separate financial statements at December 31, 2019:

   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 of the Council of July 19, 2002;

   b) are consistent with the accounting records and entries;

   c) are suitable to give a true and fair view of the issuer's financial position as at December 31, 2019 and the financial performance and cash flows for the year then ended.

   2.2 The directors' report includes a reliable analysis of the performance and position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

March 12, 2020

Marco Giovannini	Anibal Diaz
CEO	Manager in charge of financial reporting
(signed on the original)	(signed on the original)