Annual Report 2018

GRUPPO ASA

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Presentation

The company began with the foundation of ASA San Marino s.a. in 1959 and has continued developing until the present, showing a continuous and constant growth on both the national and international markets. This has made Gruppo ASA the first independent Italian group in the field of General Line metal packaging, and the fourth largest in Europe, producing metal packaging for the food sector (specifically in the oil and powdered milk sectors) and the chemical industry (paints, varnishes, solvents).

The Group has grown in time in Italy and abroad with the targeted acquisition of competitors and important strategic investments. In 2018 the group achieved a consolidated turnover of 104.3 million Euro.

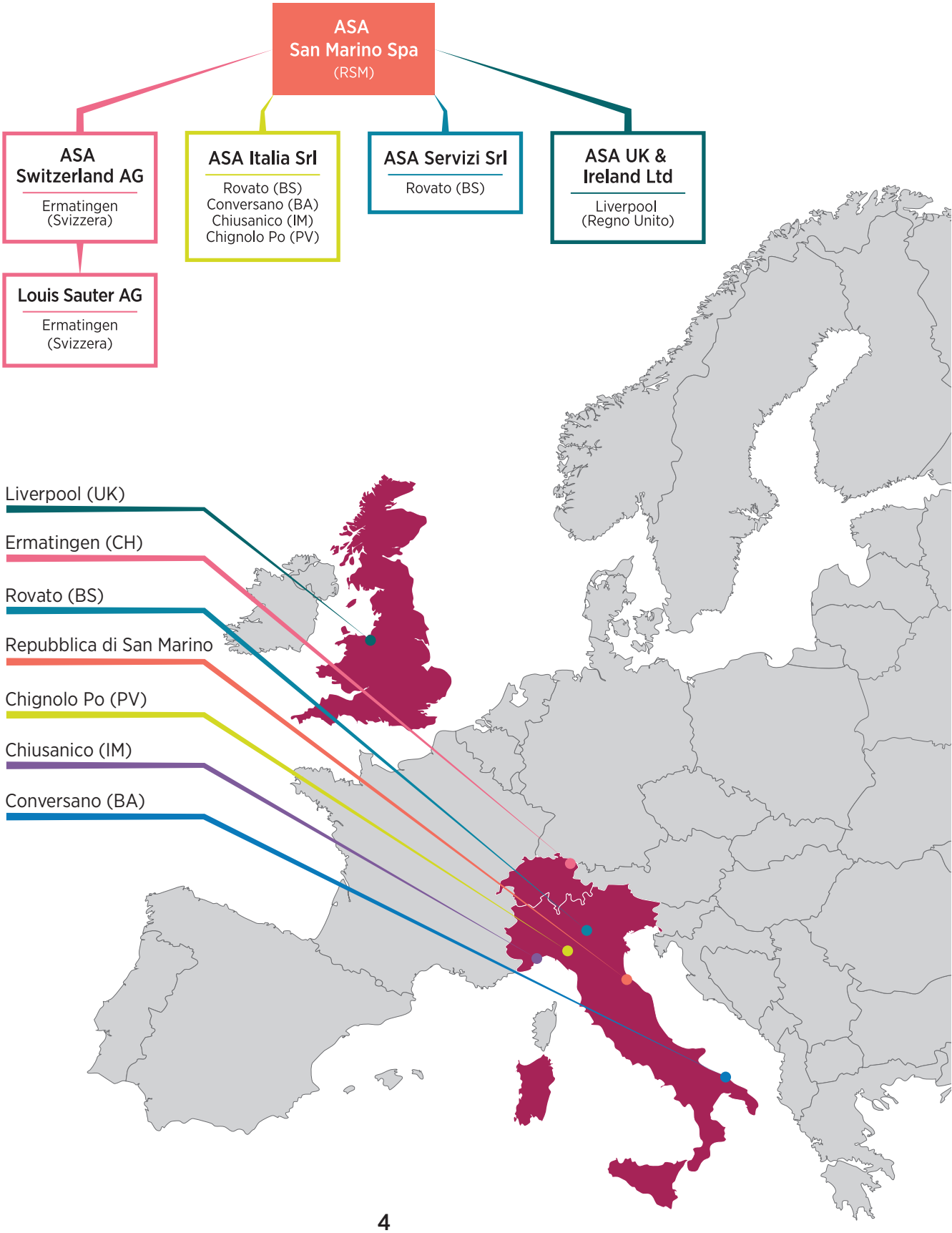
This growth objective has been possible thanks to the commitment and collaboration of the 490 workers of the Group, as well as the managers who are family members and who, in three generations, have guaranteed the excellent guidance of the company and the continuity of its fundamental values.

The industrial route chosen allows Gruppo ASA to be operational, at present, in four different countries (San Marino, Italy, Switzerland and the United Kingdom) with 7 plants, supplying over 1.000 clients in over 30 Countries, processing and transforming approximately 40.000 tons per year of tinplate, into tins.

In particular, having completed the integration into the Group of the latest recent takeovers of Central Tin Containers of Liverpool, now ASA UK & Ireland Ltd, and former Crown Speciality Packaging plant of Chignolo Po, now ASA Italia Srl, the attention of the management focused in particular on the efficiency of the Group's production and organizational aspects, aimed at reducing production costs and the time between the acquisition and the execution of orders. These activities will be the focus of attention also in 2019.

In addition to the acquisitions completed in recent years, it's reported the creation of a new lithographic printing department in San Marino, where in 2019 a new printing press will be installed, first in Europe, which will bring the ASA Group to the highest levels in the sector.

ASA Group Organisation as at December 31, 2018



History of the Group

ASA San Marino was founded in 1959.

This was the year that the brothers Emilio and Mario Amati owners of the fish farm Fratelli Amati Srl with headquarters in Riccione, specialising in the packaging of clams in small jars and tins decided to set up a new company in the Republic of San Marino, for the production of metal packaging for anchovies and sardines. ASA is an acronym for Amati Sammarinese.

It is a matter of pride to note that Emilio and Mario are second-generation entrepreneurs in this enterprising family. It was their father Lucio Amati who, after extensive research and studies on the possibility of canning the only cheaply available resource on the Adriatic coast, namely clams, began farming them industrially as preserved fish in 1902.

ASA San Marino grew extensively during the 1980's, when the third generation of managers, represented by the brothers Lucio and Emilio Amati, extended their production range to include containers for the olive oil, food and chemical industries. The high transport costs involved in moving empty containers caused ASA to move beyond the borders of the Republic of San Marino in order to achieve this extensive growth and set up production closer to their clients, the users of tin cans.

What followed was a time of great industrial development involving the acquisition of competing companies: starting in 1985 with Redaelli in Rovato (BS), followed by Italgraf in Chiusanico (IM), 3M in Conversano (BA) and Legnani & Ferrari in San Giuliano Milanese (MI), this latter company stopped being operational at the end of 2015 financial year. Furthermore, in the mid 1990's in Ravenna, a wall-to-wall company was set up for the production of tins for seed oil for Gruppo Ferruzzi, in Sfax in Tunisia. The same container was made available to the Libyan market under Gheddafi, and in Bucharest a joint venture was set up with another producer for the Rumanian market. Lastly in Antwerp, a tin-producing plant was set up for an important oil packager in Belgium.

In the early 2000s ASA Group faced a severe crisis due to the move from metal to plastics, in large production volumes for packaging food oils and buckets for varnishes and paints. This led to the closure of various production plants in Ravenna, Sfax, Bucharest and Antwerp. Nonetheless the group reacted exceptionally well to this considerable loss of production volume, and began to work in the aerosol can and powdered milk sectors, taking over control of the Swiss company Sauter in 2010, followed recently by Central Tin Containers Ltd in Liverpool in November 2015, and Crown in Chignolo Po (PV) in January 2016.

With these acquisitions, start-ups and closures, ASA San Marino SpA has grown to become the ASA Group we see at present, and as summarised in the following comparison:

	1978	2018
Tons of transformed metal sheets	400	42,000
Employees	35	490
Plants, sqm under cover	2,500	88,000

ASA Group today sells to 30 countries supplying over 1,000 clients. It has increased the range of its aerosol products and products for the powdered milk industry and is always at the forefront as regards technology, research, environmental policies and customer service.

In the General Line of the industry in which it operates, ASA Group is clearly in first place as regards size and turnover in the Italian market, and it is fourth at a European level. It exports 52% of its turnover and is continuously increasing. ASA top management is also on the Boards of Directors of the most important associations of the sector, both in Italy (Anfima), Europe (Empac) and abroad (IPA).

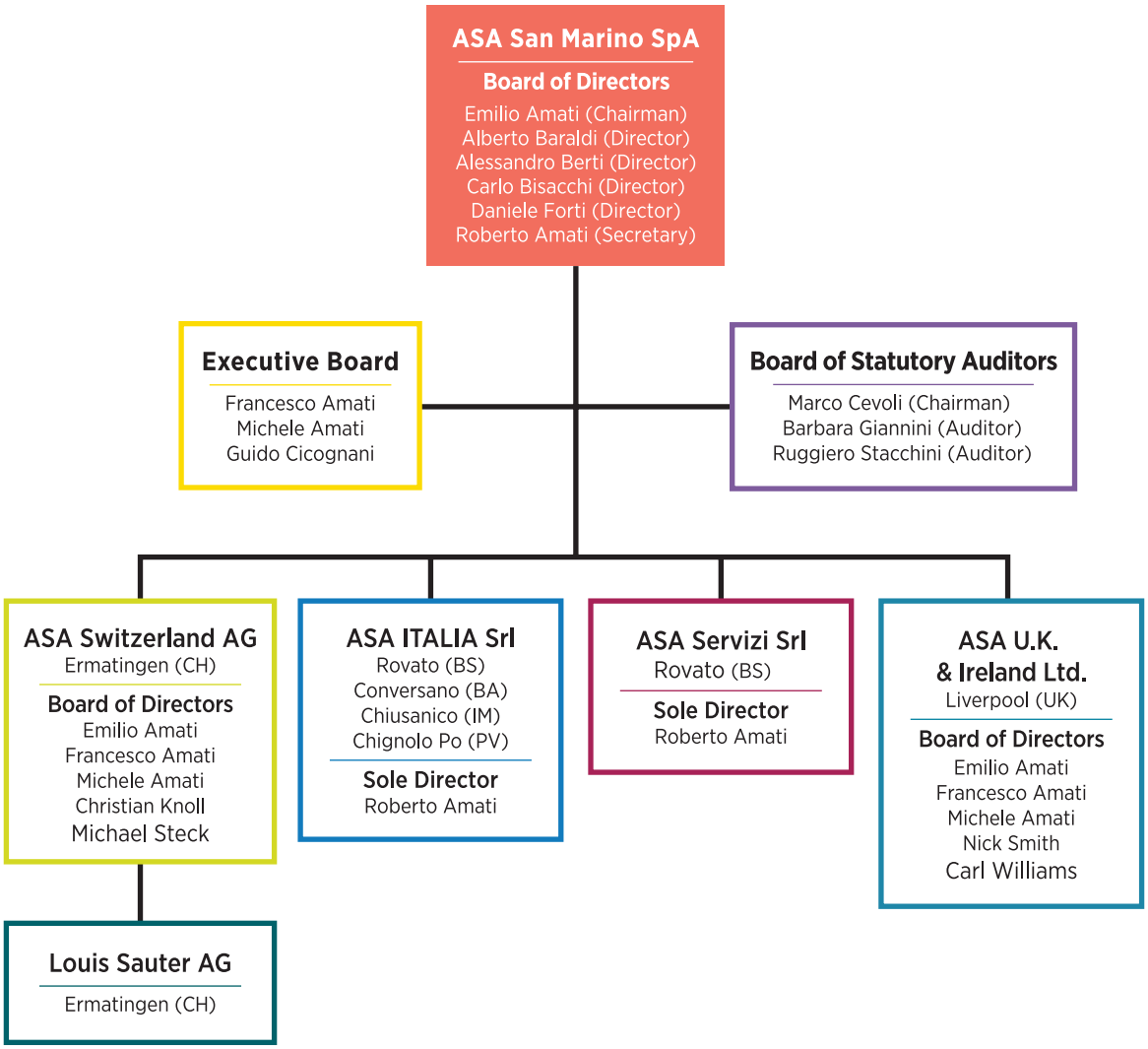
ASA is facing a future of continuous growth, having successfully encompassed a fourth generation of family-member-managers, the brothers Francesco and Michele Amati, heirs and holders of the founding values of the family and proprietors of the company.

Vision and Mission

The ASA Group development plan has the long-term strategic objective of ensuring its clients a high level of service offering innovative and high-quality solutions, always suitable for fulfilling the needs of its clients.

This vision is rendered concrete and made possible by the company's daily efforts to search for technologically avant-garde solutions that can offer solutions in advance to a market that is now saturated, guaranteeing controls and quality for each individual product offered and at the same time offering maximum effectiveness. Specifically, the recent adoption of the Hub & Spoke model has permitted the company to review and perfect the configuration of the Group, based principally on the re-organisation of production flows, strengthening the holding company ASA San Marino and making it more agile than other companies in the pool, while not affecting in any way the reliability of the work done. ASA Group, has in fact based the specialisation process of its companies on know how and the experience of the same companies, increasing the value of individual skills and the professionalism of the staff.

Organisation and Corporate Bodies of the Group as at December 31, 2018



The Board of Directors and the Board of Statutory Auditors of ASA San Marino SpA, appointed at the Shareholders' Meeting held on June 28, 2018, will remain in office until the end of the financial year ending on 31 December 2020. During 2018 a new Director was appointed: Daniele Forti.

Management Report

Introduction

In order to undertake this analysis, ASA Group used the consolidated balance sheets drawn up in accordance with the International Financial Reporting Standards relating to the period 2017-2018.

Starting from this information, the accounting data were re-classified so as to draw up the Income Statement scaling at gross margin or gross commercial margin and the Balance Sheet separating from source and commitments into nature or duration.

In particular the Income Statement in the part up to "EBITDA" represents exclusively the characteristic activity of the Group, reclassifying the non-operating or extraordinary items below this indicator, unlike what is instead required by the regulation in force for the Consolidated Financial Statements as IFRS .

The logical process of this analysis includes the processing of historical financial statements to then proceed with the evaluation of the financial stability, and concluding with the examination of the suitability of the financial and capital structure adopted.

Concerning the financial position analysis, a reclassification scheme was adopted which adopts the functional criterion, which compares the own capital and the financial indebtedness with the net investments of the company, highlighting the fixed assets separately, the net working capital, the net invested capital, the shareholders' equity and the net financial position of the Group.

Lastly, it is important to note that the consolidated balance sheets for years 2017 and 2018 analysed below are perfectly comparable as the consolidation area has not changed.

Significant data

	31/12/2018 in K/€	31/12/2017 in K/€
Total Revenues in K/€	**103,509**	**100,865**
Gross Margin	44,464	44,642
% on total revenues	43.0%	44.3%
EBITDA	**9,879**	**10,022**
% on total revenues	9.5%	9.9%
EBIT	**4,979**	**5,123**
% on total revenues	4.8%	5.1%
Profit before taxes	**3,562**	**4,275**
% on total revenues	3.4%	4.2%
Net profit	**2,934**	**3,917**
% on total revenues	2.8%	3.9%
Cost of labor	19,473	20,390
Average number of employees	504	503
Revenues per employee	205	201
Duration of trade receivables in days	81	94
Duration of trade liabilities in days	74	113
Stock duration in days	96	95
Net tangible assets	6,159	4,716
Net invested capital	81,337	79,526
Net financial position	48,442	48,810
Net working capital	20,804	21,164
Equity	32,895	30,716
EBIT / Invested capital (R.O.I.)	6.1%	6.4%
EBIT / Equity (R.O.E.)	15.1%	16.7%
EBIT / Total revenues (R.O.S.)	4.8%	5.1%
N.F.P. / EBITDA	4.9	4.9
EBITDA / Financial income and charges	7.2	6.9
N.F.P. / Equity	1.5	1.6

The 2018 financial year shows, in face of an increase in revenues (+ 2.6%), results slightly down.

In particular, the Gross Margin shows a reduction in the incidence on revenues, going from 44.3% in 2017 to 43.0% in 2018 and 178 thousand euros in absolute value. This reduction is due to the strong increases in the prices of raw materials, in particular the tinplate, which for the second consecutive year has suffered double-digit increases. Despite the efforts of the sales force, it was not possible to overturn these increases in sales prices to customers, except to a residual extent.

This reduction in margins, although mitigated by a policy of attention to fixed and structural costs, affects the other indicators of the income statement.

EBITDA goes from 9.9% in 2017 to 9.5% in 2018, with a reduction in absolute value equal to that recorded in the gross margin.

EBIT suffer a modest change both in percentage terms and in absolute terms, going from 5,123 thousand euros, equal to 5.1% in 2017 to 4,979 thousand euros, equal to 4.9% in 2018, in consideration of the fact that depreciation, provisions and extraordinary costs and revenues are unchanged between the two years.

Analyzing the pre-tax result, it should be noted that the net financial charges bring a benefit to the comparison of the two years, undergoing a reduction in the two periods: 1.5 million euros in 2017 and 1.4 in 2018; on the other hand, the exchange gains/losses, due to the effects on financial debts in foreign currency, of the change in the exchange ratio between the two years, negatively change the result for a value of 656 thousand euros. The result before taxes, as the sum of the previous changes, undergoes a decrease in the two periods, going from 4.3 million euros in 2017 to 3.6 in 2018.

The net result, as a result of the higher incidence of income taxes, amounted to 2.9 million euros against 3.9 in 2017. This effect derives from the fact that the consolidated result contributed more than the previous year to subsidiary ASA Italia Srl, which among the consolidated companies is the one with the greatest fiscal burden.

The balance sheet/financial figures show values substantially unchanged in absolute terms in the two years;

Both the warehouse and working capital have not undergone significant changes; in particular, on the warehouse a project was launched to verify and control existing warehouses aimed at reducing stocks, which will have clear positive effects on the Net Financial Position ("NFP"); the NFP, despite the huge investments undertaken in 2018, was unchanged in absolute value. It should be remembered that, in addition to the investments planned each

year for the normal replacement and modernization of production facilities, an investment in a new lithographic printing line began at the Falciano plant in San Marino in 2018 which, once completed, will have a value of around 9 million euros. Approximately 3.3 million euros have already been invested in 2018 and further investments will be completed within the third quarter of 2019.

Total investments in the Group in 2018 amounted to around 6.2 million euros.

The indicators expressed in the table of "Significant data" show slightly worsening values compared to the previous year, mainly following the reduction in margins, but not such as to worry about the health status of the Group. The ratio of NFP to equity in fact has a modest improvement, going from 1.6 in 2017 to 1.5 in 2018.

Reclassified Income Statement

	2018	%	2017	%	Var.	Var. Incidence	Var. %
Turnover	**103,509**	**100%**	**100,865**	**100%**	**2,644**	**2.6%**	**-**
Row materials	-44,561	-43.1%	-42,085	-41.7%	-2,476	5.9%	-1.3%
Transport costs	-7,202	-7.0%	-7,525	-7.5%	323	-4.3%	0.5%
Lithographic costs	-3,251	-3.1%	-3,187	-3.2%	-64	2.0%	0.0%
Packaging costs	-2,389	-2.3%	-1,985	-2.0%	-404	20.4%	-0.3%
External processing	-1,642	-1.6%	-1,441	-1.4%	-201	13.9%	-0.2%
Cost of sales	**-59,045**	**-57.0%**	**-56,223**	**-55.7%**	**-2,822**	**5.0%**	**-1.3%**
GROSS MARGIN	**44,464**	**43.0%**	**44,642**	**44.3%**	**-178**	**-0.4%**	**-1.3%**
Factory cost of labor	-18,623	-18.0%	-18,859	-18.7%	236	-1.3%	0.7%
Other operating costs	-6,094	-5.9%	-6,073	-6.0%	-21	0.3%	0.1%
Selling costs	-2,802	-2.7%	-2,986	-3.0%	184	-6.2%	0.3%
Structural costs	-7,066	-6.8%	-6,702	-6.6%	-364	5.4%	-0.2%
Other costs	**-34,585**	**-33.4%**	**-34,620**	**-34.3%**	**35**	**-0.1%**	**0.9%**
EBITDA	**9,879**	**9.5%**	**10,022**	**9.9%**	**-143**	**-1.4%**	**-0.4%**
Depreciations	-4,110	-4.0%	-3,866	-3.8%	-244	6.3%	-0.1%
Leases expences	-45	0.0%	-108	-0.1%	63	-58.3%	0.1%
Extraordinay incomes/exp.	-745	-0.7%	-924	-0.9%	179	-19.4%	0.2%
Depreciations & extr. Items	**-4,900**	**-4.7%**	**-4,898**	**-4.9%**	**-2**	**0.0%**	**0.1%**
EBIT	**4,979**	**4.8%**	**5,124**	**5.1%**	**-145**	**-2.8%**	**-0.3%**
Financial incomes/charges	-1,373	-1.3%	-1,461	-1.4%	88	-6.0%	0.1%
Exchange differences	-44	0.0%	612	0.6%	-656	-107.2%	-0.6%
Net finacial charges	**-1,417**	**-1.4%**	**-849**	**-0.8%**	**-568**	**66.9%**	**-0.5%**
PROFIT BEFORE TAXES	**3,562**	**3.4%**	**4,275**	**4.2%**	**-713**	**-16.7%**	**-0.8%**
Income taxes	-628	-0.6%	-358	-0.4%	-270	75.4%	**-0.3%**
NET PROFIT	**2,934**	**2.8%**	**3,917**	**3.9%**	**-983**	**-25.1%**	**-1.0%**

Revenues

The revenues analyzed below do not consider the premiums on turnover accrued in the period nor the insurance reimbursements received, unlike what is indicated in the income statement, where these items are deducted from revenues.

The trend in net revenues in the 2018 financial year shows an increase of 1.2 million euros (+ 1.2%); this change is the result of an increase in foreign markets and the maintenance of the same values in the domestic market, confirming the trend in recent years, in which the incidence of revenues recorded outside Italy has progressively gone from 48.7% in 2015 to 53.4% in 2018.
With regard to foreign markets, the reduction of the British market should be noted, balanced by the Swiss market, which remains the first reference nation, and the French one.

The breakdown by country of the outlet markets is summarized below:

	2015		2016		2017		2018	
	K/euros	Inc. on rev.	K/euros	Inc. on rev.	K/euros	Inc. on rev.	K/euros	Inc. on rev.
Revenues	**78,390**		**103,441**		**101,806**		**102,684**	
Italy	40,178	51.3%	50,017	48.4%	48,080	47.2%	47,835	46.6%
Switzerland	17,032	21.7%	19,104	18.5%	17,769	17.5%	18,816	18.3%
United Kingdom	8,608	11.0%	14,239	13.8%	15,179	14.9%	12,831	12.5%
France	5,810	7.4%	11,406	11.0%	11,338	11.1%	12,793	12.5%
Nederland	606	0.8%	1,718	1.7%	1,881	1.8%	2,986	2.9%
Croatia	263	0.3%	952	0.9%	1,301	1.3%	1,222	1.2%
Spain	105	0.1%	317	0.3%	1,371	1.3%	1,145	1.1%
U.S.A.	763	1.0%	933	0.9%	706	0.7%	951	0.9%
Tunisia	340	0.4%	588	0.6%	739	0.7%	585	0.6%
Slovenia	361	0.5%	407	0.4%	476	0.5%	503	0.5%
Other countries	4,322	5.5%	3,759	3.6%	2,967	2.9%	3,018	2.9%

Cost of sales

The cost of sales underwent a change of 2.8 million euros in 2018 compared to 2017, an increase of 5%. Also the incidence on revenues is increasing, going from 55.7% in 2017 to 57.0% in 2018. This increase, for 2.5 million euros, can be attributed to raw materials, as a result of the significant price increases of the purchase of tinplate, which could not be reversed on sales prices, thus presenting an incidence on revenues that rose from 41.7% to 43.1% in 2018.

The other items, in sum, show slightly higher values, but with the same percentage impact on revenues.

Other costs of production

The other production costs in total present the same value in the two years. This balance derives from the compensation between a reduction in the cost of labor costs, both factory and sales force, balanced by an increase in structural costs.

Depreciation and extraordinary items

Depreciation in the two periods shows a slight increase as a result of the strong investment policy undertaken by the Group in recent years.

The extraordinary items also include the partial write-down of the goodwill value of ASA Uk & Ireland Ltd (equal to 600 thousand euros), which the Board of Directors deemed necessary to register following the impairment test carried out at the end of the year on the British subsidiary.

Net financial charges

Net financial charges decreased slightly by 88 thousand euros (-6.0%), despite the fact that the net financial position remained unchanged in the two years; the incidence on revenues is 1.3% (1.4% in 2017), a result achieved following a reorganization of the financial instruments used in the last four years; proof of this the incidence in 2015 was 2.4%.

Exchange differences are items of an accounting nature deriving from encashments and payments of trade receivables and payables in foreign currency and from the punctual conversion of financial payables in currencies other than Euro.

Taxes

The tax burden of income taxes increased from 358 thousand euros to 628 thousand euros, with an incidence of 0.4% and 0.6% on revenues, respectively. The consolidated financial statements include the results of various companies in different countries, with differentiated taxation and related charges. In the year under review, ASA Italia Srl reported an improvement in results, with consequent higher taxes.

Balance sheet

		December 2018	December 2017	Variation
A)	**Fixed Assets**			
a1)	Net tangible assets	59,097	56,974	2,123
a2)	Net intangible assets	2,658	3,220	-563
a3)	Investiments and financial assets	266	267	-1
		62,020	**60,461**	**1,559**
B)	**Net working capital**			
b1)	Stocks	26,840	26,130	710
b2)	Trade receivables	22,859	27,241	-4,382
b3)	Trade payables	-20,786	-24,536	3,750
b4)	Down payments	-480	-652	172
b5)	Other assets/(liabilities)	-7,629	-7,020	-610
		20,804	**21,164**	**-360**
C)	**Invested Capital less operating liabilities (A+B)**	**82,825**	**81,625**	**1,200**
D)	**Benefits after termination of the employment relationship**	**1,488**	**2,098**	**-611**
E)	**NET INVESTED CAPITAL (C+D)**	**81,337**	**79,526**	**1,810**
F)	**Group Equity**	**32,890**	**30,710**	**2,179**
G)	**Third parts Equity**	**6**	**6**	**0**
H)	**Net financial debt**	**48,441**	**48,810**	**-369**
I)	**TOTAL FINANCE SOURCES (F+G+H)**	**81,337**	**79,526**	**1,810**

Balance sheet/financial analysis

There are no particular changes in the balance sheet of the two years; more in detail, we report the following comments:

Fixed assets

Net technical fixed assets undergo a net increase of 1.5 million euros, as the sum of investments for 6.2 million euros and depreciation of 4.1 million euros.

In particular, the most significant investment was in the new 9 color "Metalstar 3" press machine and related building. This machine represents the evolution of two already installed in the last 20 years in ASA; upon completion of the installation, expected in the third quarter of 2019, it will become the first entry into operation in Europe and the second in the world. The total investment is around 9 million euros, of which 3.3 million euros have already been paid in 2018.

Net working capital

Net working capital maintains the same value in the two periods; while the stock remains unchanged, trade receivables and payables have variations of similar amounts, which balance each other. Trade receivables are reduced, both due to the increasing attention paid to receipts and to the non recourse assignment of trade receivables. Trade payables also suffered a reduction, as some tinplate suppliers had given favorable conditions in terms of payment, at the time of the acquisition of the Chignolo Po plant, which are now returning to the ordinary timing. In the item "Other assets and liabilities", the change depends on a reclassification of the redundancy pay fund relating to the employees of ASA San Marino which, being certain both in the amount and in the due date, was reclassified among the debts and not among the funds, unlike the previous year; the change in "Benefits after termination of the employment relationship" is represented by this reclassification.

Group Equity

Group equity has a positive change relative to the result for the period, net of dividends distributed during the year. In consideration of the fact that the net financial position is substantially unchanged compared to 2017, the ratio between the two items improves slightly, going from 1.6 in 2017 to 1.5 in 2018.

The changes in the NFP are summarized in the following Cash flow statement:

	Cash flow statement	
	Net financial position at 31.12.2017	**48,810**
	Profit/(loss) of the period	**-2,934**
(+)	Depreciations	-4,710
(+)	Redudancy pay provision	-350
(+)	Risks fund provision	
	Net Cash flow of current management	**-7,994**
(+/-)	Stocks change	710
(+/-)	Change in trade receivables	-4,382
(+/-)	Change in trade payables	3,750
(+/-)	Change in other assets/(liabilities)	-287
	Change in invested capital	**-209**
(+/-)	Increase/decrease in technical fixed assets	6,159
(+/-)	Increase/decrease redudancy pay	961
(+/-)	Dividends	714
	Net financial position at 31.12.2018	**48,441**
	Change in net financial position	**-369**

The conclusion of the analysis carried out is that, even in the presence of difficult times as a result of the unfavorable economic situation for the development of new customers and the strong tensions on the purchase prices of raw materials, the ASA Group has been able to keep the level of investments expected high without increasing the level of indebtedness, taking advantage of the repayment capacity deriving from the cash flow of the current management.

These investments and the benefits expected starting from the end of the 2019 financial year and completely from 2020, will give the ASA Group the possibility of continuing the growth that led it to be the first independent group in Europe in the General Line metal packaging .

In conclusion, it is reasonable to expect that the performance of the ASA Group, both economic and financial, will continue to improve over the next few years, given the Group's proven ability to manage costs appropriately, as well as to maximize cash flow.

Falciano (Republic of San Marino), 29 may 2019

For the Board of Directors

Ing. Emilio Amati - Chairman

Consolidated Financial Statements 2018

Statement of Consilidated Financial Position

(€thousand)	Notes	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	59,097	56,974
Intangible assets	5.2	2,658	3,220
Deferred tax assets	5.3	956	858
Investment in associates	5.4	31	36
Other non-current assets	5.5	233	229
TOTAL NON-CURRENT ASSETS		**62,974**	**61,317**
Current assets		-	-
Inventories	5.6	26,840	26,130
Trade receivables	5.7	22,859	27,241
Other current assets	5.8	2,884	2,861
Cash and cash equivalents	5.9	832	360
TOTAL CURRENT ASSETS		**53,415**	**56,592**
TOTAL ASSETS		**116,389**	**117,909**
EQUITY AND LIABILITIES		-	-
Equity		-	-
Issued capital		1,600	1,600
Other reserves		23,296	20,379
Retained earnings		5,065	4,795
Profit for the period attributable to the Group		2,934	3,917
TOTAL EQUITY	5.10	**32,895**	**30,709**
Non-current liabilities			
Non-current financial payables	5.11	17,640	18,870
Deferred tax liabilities	5.12	4,247	4,199
Staff severance provision	5.13	1,488	2,099
Other non-current liabilities		-	-
TOTAL NONCURRENT LIABILITIES		**23,375**	**25,168**
Current liabilities		-	-
Trade payables	5.15	20,786	24,536
Current financial payables	5.11	31,633	30,300
Current provisions	5.14	108	181
Other current liabilities	5.16	7,592	7,015
TOTAL CURRENT LIABILITIES		**60,118**	**62,032**
TOTAL EQUITY AND LIABILITIES		**116,389**	**117,909**

Consolidated Income Statement

(€thousand)	Notes	31.12.2018	31.12.2017
OPERATING INCOME			
Sales	6.1	104,257	103,734
Other operating income	6.2	3,639	2,824
Total operating income		**107,896**	**106,558**
OPERATING EXPENSES			
Cost of goods sold and materials consumed	6.3	53,339	49,601
External supplies and services	6.4	23,301	22,849
Personnel costs	6.5	19,473	20,390
Other operating expenses	6.6	2,070	3,894
Amortization and depreciation	6.7	4,875	3,882
Provisions and impairment losses	6.8	62	1,019
OOPERATING PROFIT		**4,775**	**4,923**
Financial Income	6.9	46	896
Financial expenses	6.10	1,252	1,544
Results from financial activities		**1,205**	**648**
Income (costs) from associated companies		5	-
PROFIT BEFORE TAXES		**3,564**	**4,275**
Income taxes	6.11	630	358
TOTAL NET PROFIT		**2,934**	**3,917**

Comprensive Consolidated Income Statement

(€thousand)	Notes	31.12.2018	31.12.2017
Profit/(loss) for the year (A)		**2,934**	**3,917**
Actuarial gains/(losses) concerning defined benefit plans, net of taxation effect (IAS 19)	5.13	(24)	7
Items not to be reclassified to profit or loss in subsequent periods (B1)			
Exchange differences on translation of foreign operations	5.10	(5)	320
Items to be reclassified to profit or loss in subsequent periods (B2)			
Total other profits/losses, net of taxes (B)=(B1)+(B2)		**(29)**	**327**
Comprehensive income (A)+(B)		**2,905**	**4,244**
Of which of Group		2,905	4,244
Of which of third parties		-	-

Consolidated Cash Flow Statement

(€thousand)	31.12.2018	31.12.2017
Operating activities		
Profit/(loss) for the year	2,934	3,917
Adjustment:		
Amortization/Depreciation	4,710	3,882
Net provisions	227	1,019
(Financial income)	(46)	(896)
Net financial expenses	1,252	1,544
Income/(expenses) relating to related parties	-	-
Income tax payment/(receipt)	630	358
Net cash flow from operating activities before changing in working capital	**9,707**	**9,824**
(Increase) decrease in inventories	(710)	(2,287)
(Increase) decrease in trade receivables	4,217	(3,117)
(Increase) decrease in trade payables	(3,745)	2,983
(Increase) decrease in other assets and liabilities	44	(195)
Net change in provisions	(746)	(105)
Income tax paid	(382)	(441)
Cash-flow from operating activities (A)	**8,385**	**6,662**
Investing activities		
Investment in property, plant and equipment	(6,186)	(4,716)
Net disposal of property, plant and equipment	107	799
Investment in intangible assets	(189)	(87)
Net disposal of intangible assets	-	-
Cash-flow from investment activities (B)	**(6,268)**	**(4,004)**
Financing activities		
Proceeds from share issuance	-	-
Net change in current and non-current financial payables and receivables	103	(840)
Distribution of dividends	(714)	(750)
Interests and similar costs	(1,034)	(1,544)
Cash-flow from financing activities (C)	**(1,645)**	**3,134**
Increase/(decrease) in cash-flow (D)=(A)+(B)+(C)	**472**	**(476)**
Opening cash and cash equivalents	**360**	**836**
Increase/(decrease) in cash and cash equivalents	472	(476)
Closing cash and cash equivalents	**832**	**360**

Statement of Variations in Consolidated Equity

(€thousand)	Issued capital	Share premium reserve	Other reserves	Retained earnings	Consolidated net profit	Consolidated net equity
Balance as at 1 January 2017	**1,600**	**0**	**16,013**	**2,050**	**8,004**	**27,667**
Profit of previous exercise				8,004	(8,004)	**0**
Overall profit of exercise					3.917	**3,917**
Translation reserve			(320)			**(320)**
IAS 19 reserve variation			(7)			**(7)**
Dividends payment			(750)			**(750)**
Other variations			202			**202**
Balance as at 31 December 2017	**1,600**	**0**	**15,138**	**10,054**	**3,917**	**30,709**
Profit of previous exercise				3,917	(3,917)	**0**
Overall profit of exercise					2,934	**2,934**
Translation reserve			5			**5**
IAS 19 reserve variation			24			**24**
Dividends payment			(780)			**(780)**
Other variations			(4)			**(4)**
Balance as at 31 December 2018	**1,600**	**0**	**14,383**	**13,971**	**2,934**	**32,888**

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

ASA San Marino S.p.A. ("ASA" or "the Company") head office is in the Republic of San Marino. The company's registered office is 18/20, Strada dei Censiti, Falciano (RSM).

The Company and its subsidiaries ("Gruppo ASA" or "the Group") included in consolidated financial statement, and all of which integrally consolidated, as at 31st December 2018, are as follows:

Company	% of capital held	Head Office
ASA San Marino SpA	Parent company	Falciano (Republic of San Marino)
ASA Italia Srl	100%	Rovato (BS, Italy)
ASA Servizi Srl	100%	Rovato (BS, Italy)
ASA Switzerland AG	99.80%	Ermatingen (Switzerland)
Louis Sauter AG	99.80%	Ermatingen (Switzerland)
ASA U.K. & Ireland Ltd	100%	Liverpool (U.K.)

2. SUMMARY OF ACCOUNTING POLICIES

The following are the more significant accounting policies used in the consolidated financial statements.

2.1 PREPARATION OF THE FINANCIAL STATEMENTS

This document contains the consolidated financial statements for the years ended December 31, 2018 and December 31, 2017, including the balance sheet,

the income statement and comprehensive income statement, the cash flow statement, the statement of variations in shareholders' equity and related explanatory notes (hereinafter the "Consolidated Financial Statements").
ASA San Marino SpA, pursuant to the Law of 23 February 2006, no. 47 of the Republic of San Marino, it is not obliged to draw up the Consolidated Financial Statements at 31 December 2018, nor to submit this consolidated financial statement to an audit. However, for the specific purpose of representing the Company's shareholders and third parties the performance of the Group, during the 2018 financial year, the Company's Directors, in continuity with the previous years, voluntarily prepared the Consolidated Financial Statements in accordance with IFRS, meaning for this all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), all the interpretations issued by the "International Reporting Interpretations Committee" (IFRIC), previously named "Standard Interpretations Committee" (SIC), which, at the date of approval of the consolidated financial statements, have been subject to approval by the European Union according to the procedure set out in the Regulation (CE) n. 1606/2002 by European Parliament and Council dated 19 July 2002.
The Consolidated Financial Statements have been prepared on the basis of going concern assumption, as the Company's Directors verified the absence of financial, management or other indicators that could indicate critical issues regarding the Group's ability to fulfil its obligations in the foreseeable future, and in particular in the next 12 months.
The consolidated financial statements were prepared in Euro, which represents the currency of the primary economic environment of the Group. For easier reading, all figures in this Consolidated Financial Statements are in thousands of euros, unless otherwise specified.
The following are the presentation formats and the relevant classification criteria adopted by the Group among the options set out by IAS 1 – "Presentation of Financial Statements":

- the balance sheet was drawn up by classifying assets and liabilities based on the "current/non-current" distinction;

- the consolidated income statement is separate from the statement of comprehensive income, classifying operating costs by nature;

- the consolidated statement of comprehensive income includes, besides the result for the period, other changes in the shareholders' equity items related to economic items that, pursuant to international accounting standards, are recorded among the components of the shareholders' equity;

- the cash flow statement displays the cash flows from operating activities based on the "indirect method".

The consolidated financial statements were drawn up based on the method of the historical cost, with the exception of the assessment of financial assets and liabilities for which the fair value shall be used.

2.2 CONSOLIDATION AREA AND CRITERIA

The following table shows the list of companies included in the consolidation area and the consolidation method used as at 31 December 2017 and 31 December 2018:

Company	Financial year ended 31 December 2018 (Euro)				
	Head office	2018 controlling percentage	2017 controlling percentage	Currency	Issued capital 2018
Companies consolidated with the global integration method					
ASA San Marino SpA	Republic of San Marino	Parent company	Parent company	Euro	1,599,600
ASA Italy Srl	Rovato (IT)	100%	100%	Euro	500,000
ASA Servizi Srl	Rovato (IT)	100%	100%	Euro	80,000
ASA Switzerland AG	Ermatingen (CH)	98.8%	98.8%	CHF	2,600,000
Blechverpackungen Louis Sauter AG	Ermatingen (CH)	98.8%	98.8%	CHF	500,000
ASA UK & Ireland Ltd	Liverpool (UK)	100%	100%	GBP	7,000
Associated companies consolidated with the equity method					
Marsilio Srl	Albenga (IT)	49%	49%	Euro	15,000

Significant events in the financial year

During 2018 the following important facts occurred :

- As also reported in the significant events of the 2017 financial year, the main customer of the Group, based in Switzerland and operating in the infant formula sector (milk powder), had opened a complaint with the subsidiary ASA Switzerland AG regarding boxes contaminated with metal particles, as a result of a defect in a machine used in the production cycle, attributable to the supplier of the same. During the 2018 financial year, following the claim for damages to the competent insurance company, the Swiss subsidiary obtained reimbursement of most of the compensation agreed with the customer, debited as a cost in 2017.

- During the year an investment was approved in a new lithographic printing line installed in the Falciano plant (RSM). The investment at its completion, scheduled for the second half of 2019, will have a total value of around 9 million euros, deriving from the purchase cost of the installed machinery and of the new warehouse that will house the new lithography department. This investment in a 9 color printing machine, the first installed in Europe and the second in the world, will position the Group at the highest levels of quality and production capacity in the sector.

2.3 CONSOLIDATION CRITERIA

The following are the criteria adopted by the Group to define the consolidation area and the consolidation principles.

Subsidiaries

Subsidiaries are companies in which the Group has, at the same time:

- decision-making power, i.e. the power to direct the subsidiary's relevant activities, namely activities that have a significant impact on the subsidiary's results;

- the right on (positive or negative) variable results from its shareholding in the company;

- the capacity to use its decision-making power to determine the amount of results deriving from its shareholding in the company.

Control may be exercised based on the direct or indirect ownership of the majority of voting shares as well as on contractual or legal agreements, notwithstanding the type of ownership. The existence of potential voting rights, to be exercised at the date of the financial statements, is taken into account for the purpose of determining the control.

The existence of control is checked each time facts or circumstances indicate a change in one or more of the elements that qualify the control.

Subsidiaries are consolidated on a line-by-line basis starting from the date of the control actual acquisition and cease to be consolidated from the date control is transferred to third parties. The criteria adopted for line-by-line consolidation are the following:

- the carrying amount of shareholdings in the companies included in the consolidation area is deleted against the relevant shareholders' equity upon acquisition of the subsidiary's assets and liabilities;

- any acquisition cost in excess of the market value of Group's pertaining share of net assets is recognised as goodwill only regarding Central Tin Containers Ltd., now ASA U.K. & Ireland Ltd., takeover occurred in November 2015;

- In case of business combination under common control, also in the light of the provisions of OPI No. 1R, when transfer values exceed historical ones, the surplus is reversed by reducing the shareholders' equity of the acquiring/transferee company, by means of specific debiting of a reserve: indeed, it should be mentioned that in November 2014 ASA San Marino SpA purchased from the shareholders of ASA San Marino SpA 100% of the shares of Co.pro.met. SpA, a San Marino company that owned 100% of ASA Italia Srl and ASA Servizi Srl. Later on, in 2015, Co.pro.met SpA was merged by incorporation into ASA San Marino SpA that, from the date of legal effectiveness of the merger, directly owns the shareholdings in the two aforementioned companies.
Therefore, the acquisition of the Co.pro.met SpA "sub-group" was dealt with as a business combination under common control and, thus, not applying IFRS 3 but rather the provisions of OPI No. 1R;

- if the acquisition cost is lower than the fair value of the share pertaining to the Group in the net assets of the acquired subsidiary, the difference is directly recognized in the income statement;

- profits and losses yet to be realised in relation to third parties deriving from transactions between Group companies are eliminated, as well as receivables, payables, costs, revenues, margins on stock products and any significant transactions between consolidated companies;

- dividends distributed among the Group companies are eliminated, as well as hedges of losses and writedowns of investments in consolidated companies;

- the shares of shareholders' equity and the result for the year pertaining to third party shareholders were not recognized, given their insignificance (0.02% owned of ASA Switzerland AG);

- acquisitions of minority shares in entities already controlled or transfers of minority shares that do not imply loss of control are considered transactions on the shareholders' equity; therefore, any difference between the acquisition/transfer cost and the relative portion of shareholders' equity acquired/transferred is accounted for as an adjustment to the Group shareholders' equity. Any forward contract obligation to purchase its own equity instruments against cash at bank and in hand implies the recognition of a liability whose fair value is reclassified from equity. If the contract expires without any delivery, the liability carrying amount is transferred to the shareholders' equity. The contractual obligation to acquire its own equity instruments gives rise to a financial liability for the present value of the redemption amount, even if the obligation is conditional on the counterparty exercising a right to redeem

Associated companies

Investments in associated companies are included in the consolidated financial statements by use of the equity method, as foreseen by IAS 28 (Investments in associates).

An associate is a company in which the Group owns at least 20% of voting rights or exercises significant influence, but with no control or joint control, on financial and operating policies.

Investments in associates are included in the financial statements from the starting date of the significant influence to the time it ceases.

Under the equity method, the investment in an associate is initially recognized at cost (including accessory charges) and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of profit or loss of the investee for the year is recognised in the consolidated income statement. Any dividend received from an investee reduce the carrying amount of the investment.

2.4 CONVERSION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The financial statements of subsidiaries are prepared in the currency of the primary economic environment in which they operate. If the foreign company, though preparing its financial statements in the local currency, mainly operates in Euro (functional currency), it prepares financial statements in Euro for the purpose of the consolidated ones.
The rules for the conversion of financial statements in currencies other than Euro are the following:

- assets and liabilities are converted at the exchange rates in force at the financial statements reference date;

- costs and revenues are converted at the average exchange rate for the reference year;

- the "translation reserve" in the statement of comprehensive income includes both exchange rate differences from the conversion of economic magnitudes at an exchange rate other than the final one and those generated by the conversion of starting shareholders' equities at an exchange rate other than that at the end of the reporting year;

- goodwill, if any, and fair value adjustments related to the acquisition of a foreign entity are dealt with as assets and liabilities of the foreign entity and converted at the closing exchange rate.

The following tables display the exchange rates used to convert the aforementioned financial statements:

Balance Sheet

Currency	as at 31 December	
	2018	2017
CHF	1,127	1,170
GBP	0,895	0,887

Income Statement

Currency	Average of the financial year ended 31 December	
	2018	2017
CHF	1,155	1,1115
GBP	0,8847	0,8762

The financial statements of ASA Switzerland AG, prepared in CHF pursuant to Swiss laws, were drawn up, for the purposes of consolidation, in the functional currency euro, which is considered the currency of the primary economic environment in which the company operates: indeed, most of its costs and revenues are in Euro as well as the sale prices with all its main customers.

Conversion of transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency of the company carrying out them are converted by using the exchange rate in force at the transaction date. Exchange gains and losses generated at the transaction closing or from the year-end conversion of assets and liabilities in other currencies are recognized in the income statement.

2.5 EVALUATION CRITERIA

The following are the main accounting standards and evaluation criteria used for the preparation of the consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are recognized in accordance with the cost method and carried at purchase or construction cost (apart from the revaluation at fair value made on the transition to international accounting standards on 1 January 2014 and on the subsequent acquisitions of companies, including properties also valued at fair value), including directly attributable accessory costs that are necessary to make the assets available for use.

Financial charges directly attributable to the acquisition, construction or production of tangible assets are recognized in the income statement when incurred, unless referable to a “qualifying asset”. The Group does not own assets for which a certain period of time normally passes to make the asset available for use (qualifying asset).

Costs borne for ordinary and/or cyclical maintenance and repair are directly charged to the income statement of the financial year in which they are incurred. The capitalization of costs relating to the extension, modernization

or improvement of structural elements owned or used by third parties takes place up to the limits they meet the requirements to be separately classified as assets or part of an asset, applying the "component approach" criteria.

Tangible assets, with the exception of land, are systematically depreciated in each financial year on a straight-line basis over their estimated useful life according to their residual possibilities of use. When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, depreciation is recognized separately for each part of the asset, applying the "component approach". Depreciation begins when an asset is available for use, i.e. the time when this condition actually occurs.

The useful life estimated by the Group for the different categories of property, plant and equipment and valid for all the periods concerned is as follows:

Category	Useful life
Land	Indefinite
Buildings	from 30 to 40 years
Leasehold improvements	Term of the lease
Plant and equipment	from 8 to 11 years
Industrial and commercial equipment	from 5 to 6 years
Other assets	from 5 to 11 years

Depreciation rates of tangible assets are reviewed and updated, if necessary, at least each financial year-end.
In the event that, regardless of depreciation already accounted for, an impairment loss has occurred the tangible assets is written down accordingly; if in subsequent financial years the conditions for the write-down no longer apply, the original value is reinstated net of the amortization that would have been recorded in the meantime. Residual values and the useful life of assets are reviewed at each balance sheet date and, if necessary, proper adjustments are made.

Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance that are controllable and able to generate future benefits. These elements are initially recognized at purchase and/or production cost, including directly attributable costs that are necessary to make the assets available for use. Intangible assets are amortized on a straight-line basis over their estimated useful life; amortization rates are reviewed on an annual basis and changed if the current estimated useful life differs from that estimated before.

The useful life estimated by the Group for the different categories of intangible assets and valid for all the periods concerned is as follows:

Category	Useful life
Goodwill	Indefinite
Software, licences and other	3 years
Other multiannual costs	from 3 to 5 years

Impairment of tangible and intangible assets

A tangible or intangible asset becomes impaired if the carrying amount at which it is recognized in the financial statements cannot be recovered by use of sale. The impairment test pursuant to IAS 36 aims at making sure that tangible and intangible assets are not recognized at a value higher than their recoverable value, i.e. the higher between the net sale price and the value in use.
The value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit which the asset belongs to. The expected cash flows are discounted using a pre-tax discount rate reflecting the current estimate of the market rate for risk-free investments, adjusted to take into account time and the asset specific risks.
If the carrying amount exceeds the recoverable value, the assets or the cash-generating unit which the assets belong to are depreciated until they reflect their recoverable value. These impairments are accounted for in the income statement in the financial year in which the difference emerges.
The impairment test is carried out when internal or external conditions make believe assets have suffered an impairment loss. The impairment test for goodwill and other intangible assets with an indefinite useful life is carried out at least annually.
If the conditions that led to any such impairment are no longer met, the original value of assets previously depreciated is reinstated on a proportional

basis until reaching at most the value that these assets would have, net of depreciation calculated on the historical cost, had any such impairment losses not occurred. The reversal of impairment losses are recognized in the income statement. Where goodwill was previously written down for impairment, the write-down is not reversed. At December 31, 2018, an impairment test was carried out on the value of goodwill relating to the subsidiary ASA UK & Ireland; as a result of this valuation, goodwill was written down by 600,000 euros; the management of the English company has prepared a recovery plan, then approved by the Board of Directors of the parent company, which provides for a return to positive results already during the 2019 financial year.

Financial activities

At the time of their initial recognition, financial assets must be classified in one of the three categories indicated below based on the following elements:

- the entity's business model for managing financial assets;

- the characteristics relating to the contractual financial flows of the financial asset. Financial assets are subsequently derecognised from the financial statements only if the sale entailed the substantial transfer of all the risks and benefits connected to the assets themselves. On the other hand, if a significant portion of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally the ownership of the assets themselves has been effectively transferred.

Financial assets valued at amortized cost

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved by collecting the cash flows contractually provided ("Hold to Collect" business model);

- the contractual terms of the financial activity envisage, on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (the so-called "SPPI test" passed).

Upon initial recognition, these assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, the financial assets in question are valued at amortized cost, using the effective interest rate method.
The amortized cost method is not used for assets valued at historical cost whose short duration suggests the effect of applying the discounting logic to be negligible, for those without a defined maturity and for revocable credits.

Financial assets valued at fair value with impact on the overall profitability

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both by collecting the cash flows contractually provided and by selling the financial asset ("Hold to Collect and Sell" business model);

- the contractual terms of the financial activity expect, on certain dates, cash flows represented solely by payments of principal and interest on the amount of capital from return (so-called "SPPI test" passed).

This category includes equity investments, which cannot be qualified as controlling, associated or jointly controlled, which are not held for trading, for which the option to designate at fair value with impact on overall profitability was exercised.
On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, non-controlling, associated and joint control equity interests are measured at fair value, and the amounts recognized as a balancing entry to shareholders' equity (statement of comprehensive income) must not subsequently be transferred to the income statement, even if of assignment. The only component referable to the equity securities in question that is recorded in the income statement is represented by the related dividends.
For equity securities included in this category, not listed on an active market, the cost criterion is used as an estimate of fair value only on a residual basis and limited to a few circumstances, ie when the most recent information for assessing fair value is insufficient, or if there is a wide range of possible fair value measurements and the cost represents the best estimate of fair value in this range of values.

Financial assets valued at fair value with an impact on the income statement

Are classified in this category Financial assets other than those among "Financial assets valued at amortized cost" and among "Financial assets measured at fair value with impact on comprehensive income".
This category includes financial assets held for trading and derivative contracts that cannot be classified as hedges (which are represented as assets if the fair value is positive and as liabilities if the fair value is negative).
On initial recognition, financial assets valued at fair value with an impact on the income statement are recorded at fair value, without considering the transaction costs or revenues directly attributable to the instrument itself. At the subsequent reference dates they are valued at fair value and the valuation effects are recognized in the income statement.

Value reduction of financial assets

In accordance with the provisions of IFRS 9, the Group applies a simplified approach to estimate expected credit losses over the life of the instrument and takes into account its historically accrued experience regarding credit losses, adjusted on the basis of specific prospective factors of the nature of the Group's receivables and the economic context.

In summary, the Group value the expected losses on financial assets to reflect:

- a target amount and weighted according to the probabilities determined by evaluating a range of possible results;

- the time value of money;

- reasonable and demonstrable information that is available without excessive costs or efforts at the balance sheet date on past events, current conditions and forecasts of future economic conditions.

Investments in other companies

Based on the Group accounting policies, investments in companies other than subsidiaries, associates and joint ventures, recognized as non-current assets, are measured at fair value with the effects recognized in the shareholders' equity reserve related to other comprehensive income components; changes in the fair value recognized in the shareholders' equity are charged to the income statement upon write-down or sale. When investments are not listed on a regulated market and the fair value cannot be measured reliably, they are measured at cost adjusted for impairment losses; the impairment losses are not subject to value restoration.

Inventories

Inventories are measured at the lower of cost and estimated realizable value based on the market conditions. Cost, including accessory charges, is determined by using the weighted average method.

Trade receivables, other current and non-current assets

Trade receivables, other receivables, and other current and non-current financial assets are initially recognized at fair value less directly attributable transaction costs and subsequently measured at amortized cost according to the effective interest rate method (i.e. the rate that equalises, at the time of initial recording, the current value of the expected cash flows and the recorded value), properly adjusted to take write-downs into account. Trade receivables and other financial assets are classified as current assets, with the exception of those falling due more than 12 months after the financial statements date, which are classified as non-current assets.

Cash and cash equivalents

This item includes cash on hand and short-term bank deposits. Elements included in cash in hand and at bank are measured at nominal value, which corresponds to their fair value.

Trade payables, other payables and other current and non-current financial liabilities

Trade payables, other payables and current and non-current financial liabilities are recognized when the Group becomes a party to the relevant contractual provisions and are measured at fair value, less directly attributable transaction costs.

Staff severance provision

The severance indemnity reserve is considered as deferred remuneration and its amount depends on the years of service and the salary earned by the employee during the service period. Therefore, pursuant to IAS 19, the severance indemnity reserve assumes the character of a "Defined benefit plan" and the relevant obligation to be recognized in the financial statements (Severance indemnity reserve) is measured by actuarial calculations only in relation to the Italian companies of the Group. Therefore, changes in actuarial gains and losses ("re-measurements") are accounted for as other components of the statement of comprehensive income. The interest payables relating to the "time value" component in the actuarial calculations (classified as financial charges) are recognized in the income statement.
Starting from 1 January 2007, the Italian law allows employees to choose the destination of their accruing severance indemnity (to complementary pension funds or to the company). Companies with at least 50 employees are required to pay the severance indemnity provision to the "Treasury Fund" managed by the social security agency INPS. Therefore, pursuant to IAS 19 the obligation to INPS and the contributions to complementary pension funds assumed the character of "Defined contribution plans".

Provisions for liabilities and charges

Provisions for liabilities and charges relate to costs and charges having an established nature and the existence of which is certain or probable, for which the amount or due date cannot be determined at the reporting date. Provisions are recognised when:

- the existence of a current, legal or implied obligation is probable, arising from a previous event;

- the discharge of the obligation may likely carry charges;

- the amount of the obligation may be reliably estimated.

The amount of the provision is representative of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at the end of the reporting period. If the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the amount of the allocation is determined by discounting the expected cash flows, determined by taking into account the risks associated with the obligation; the increase of the provision related to the passing of time is recorded in the income statement in the item "Financial income" or "Financial charges".
These provisions are updated on a regular basis to reflect changes in estimates of costs and redemption timing; estimate changes are allocated to the same item of the income statement that had previously included the provisions.

The existence of potential liabilities, represented by:

- possible but not probable obligation, arising from past events, whose existence will be confirmed only if one or more uncertain future events that are not totally under the Company's control occur or fail to occur;

- current obligations arising from past events, which are unlikely to involve future costs or whose amount cannot be reliably estimated;

does not lead to the recognition of liabilities in the financial statements, but shall be illustrated in a specific explanatory note.

Taxes

Taxes for the period include current and deferred taxes. Income taxes are generally charged to the income statement, unless they are relating to items directly recorded under capital and reserves. In this case, income taxes too are recognized directly in equity.
Current taxes are those that are expected to be paid on the taxable income in the financial year and are calculated in compliance with the tax regulations in force in the countries where Gruppo ASA operates.
Deferred taxes are calculated using the so-called liability method on the temporary differences between the amount of assets and liabilities of the consolidated financial statements and the corresponding values recognized for tax purposes. Deferred taxes are calculated based on the tax rate that is expected to be in force upon realization of the asset or settlement of the liability.
Deferred tax assets are recognized only when it is likely that a taxable income will be achieved in future financial years, sufficient to realize any such deferred taxes.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax balances and when they refer to income taxes levied by the same tax authority.
Income taxes relating to previous financial years include expenses and income recognized in the financial year for income taxes related to previous financial years.

Recognition of costs and revenues

Revenues are recognized based on the remuneration that is expected to be received for the goods and services provided, based on five steps: 1) identification of the contract, defined as an agreement having commercial substance between two or more parties capable of generating rights and obligations; 2) identification of the individual obligations contained in the contract; 3) determination of the transaction price, ie the expected consideration for the transfer of the goods and services to the customer; 4) allocation of the transaction price to each individual obligation, based on the selling prices of the individual obligation; 5) recognition of the revenues allocated to the individual obligation when the same is settled, ie when the customer obtains control of the goods and services.
The control of the goods by the customer is normally identified with the delivery or shipment of the goods.
Revenues for the provision of services are recognized in the accounting period in which the services are rendered, with reference to the completion of the service provided and in relation to the total services still to be rendered.
Revenues are recognized at the amount equal to the fair value of the consideration received or to be received, net of returns, discounts, reliefs and rebates, as well as directly related taxes.
The costs are recorded when they relate to services and goods purchased or consumed during the year or by systematic allocation or when their future usefulness cannot be identified.
The fees for operating leases are charged to the income statement over the duration of the contract.
Financial income and charges are recognized in the income statement during the year in which they accrued.

Dividends

The dividend distribution to the controlling company's shareholders is recognized as a liability in the consolidated financial statements of the period in which it is approved by the shareholders' meeting.
Dividends received from non-consolidated companies are recognized as assets in the consolidated financial statements of the period in which they were decided by the competent corporate bodies.

2.6 CHANGES OF INTERNATIONAL ACCOUNTING STANDARDS

Starting from 1 January 2018, the following accounting standards and amendments to accounting standards issued by the IASB and implemented by the European Union are mandatory:

IFRS 15 (and subsequent clarifications issued on 12 April 2016) - Revenues from contracts with customers. This principle came into force on 1 January 2018, introducing a five-phases new model that will apply to revenues from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration to which the entity deems to be entitled in change for the transfer of goods or services to the customer. The standard provides a more structured approach for the recognition and evaluation of revenues, replacing all the current requirements in the other IFRSs regarding revenue recognition. The introduction of this principle had no impact on the Group's revenues.

IFRS 9 - Financial Instruments (Regulation 2067/2016). Principle published by the IASB in its final version on 24 July 2014 at the end of a multi-year process aimed at replacing the current IAS 39.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the management methods of the financial instruments and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine the evaluation criterion, replacing the different rules envisaged by the IAS 39. For financial liabilities, on the other hand, the main change occurred concerns the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through the income statement, in the event that these changes are due to the change in creditworthiness of the issuer of the liability itself. According to the new standard, these changes must be recognized in the statement of comprehensive income and no longer in the income statement. Another significant change also regards the methods for

detecting valuation differences in the event that estimates of payments or collections are reviewed in relation to financial assets and financial liabilities measured at amortized cost. The new approach provides, in fact, that the adjustment is recognized as income or expense in profit (loss) for the year.

The new standard requires that the estimate of credit losses be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using information that can be supported, available without unreasonable charges or efforts, that include historical, current and perspective data. The principle requires that this valuation criterion applies to all financial instruments, i.e. financial assets measured at amortized cost, to those valued at fair value through other components of comprehensive income, to loans deriving from rental contracts and to trade receivables. The introduction of this principle had no impact on Group's revenues.

Changes to IFRS 2 - Share-based payments (Regulation 289/2018). On 20 June 2016, the IASB published the document: "Classification and measurement of share-based payment transactions". The amendments provide some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share- based payment that modify the classification from cash-settled to equity-settled. The introduction of this principle has not generated any impact on Group's Financial statements.

Amendments to IAS 40 - Investment property (Regulation 400/2018). Document issued by the IASB on 8 December 2016. The amendments clarify the requirements relating to transfers in the purchase or sale of real estate investments. At present, this standard is not applicable to Group's Financial statements

IFRIC 22 - Transactions in foreign currency and advanced payments. The interpretation, published by IASB on 8 December 2016 and applicable from 1 January 2018, establishes the exchange rate to be used in transactions in foreign currency that provide for payments paid or collected in advance. These variations did not have any impact on the group's financial statements.

Accounting standards, amendments and interpretations validated by the European Union but not yet applied and not adopted in advance by the Company.

Starting from 1 January 2019, the following accounting standards and amendments to accounting standards will be mandatory, having also already completed the process of community endorsement:

Ifrs 16 - Leases (Regulation 1986/2017). Principle published by the IASB on 13 January 2016, intended to replace the IAS 17: Leasing principle; as well as

IFRIC interpretations 4: Determine whether an agreement contains a leasing; SIC 15: Operative leasing – Incentives, and SIC 27: Evaluation of the substance of the operations in the legal form of leasing.

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard establishes a unique model for the recognition and evaluation of leasing contracts for the lessee, which provides for the recording of the asset subject to a lease also operating in assets, with a financial debt offset, also providing the possibility of not recognizing as leases the contracts concerning low-value assets and leases with a contract term of 12 months or less. In contrast, the standard does not include significant changes for renters.

The company carried out a preliminary analysis relating to the introduction of this standard and noted that it will not have a significant impact on the Group's Financial statements.

Amendments to IFRS 9 - Financial Instruments (Regulation 498/2018). Document issued by the IASB on 12 October 2017, applicable from 1 January 2019 with early application permitted. The changes allow companies to evaluate particular prepaid financial assets with the so called negative compensation at amortized cost or at fair value with changes to the other components of the comprehensive income statement if a specific condition is met, rather than at fair value through profit or loss

IFRIC 23 - Uncertainties on tax treatment. The interpretation, published by IASB on 7 June 2017 and applicable from 1 January 2019, has the objective of clarifying the recognition and measurement requirements envisaged by IAS 12 in the case of regulatory uncertainty regarding the treatment of taxes on incomes.

Amendments to IAS 28 - Investments in associates and joint ventures. Document issued by the IASB on 12 October 2017, applicable from 1 January 2019 with early application permitted.

The amendments clarify that companies must account for long-term holdings in an associated or joint-venture company to which the equity method is not applied using the provisions of IFRS 9.
There are no significant effects on the Consolidated Financial statements of the Company related to the introduction of the amendments.

3. ESTIMATES AND ASSUMPTIONS

As part of preparing consolidated financial statements, Directors are required to use accounting principles and methods that, in some circumstances, require the use of complex and subjective valuations and estimates based on historical experience and assumptions that, in each case, are deemed to be reasonable and realistic under the circumstances existing at that time.
The use of these estimates and assumptions has an impact on the amounts reported in the financial statements schedules, such as the balance sheet, the income statement and the cash flow statement, as well as in additional disclosures.
The final results for which estimates and assumptions have been made may differ from those reported in the consolidated financial statements, due to the uncertainty that accompanies the assumptions and the conditions on which the estimates are based.
Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the income statement of the period when a revision of estimates occurred.
The following are the financial statements items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements:

- Non-current assets: the Group periodically revises the carrying amount of property, plant and equipment, intangible assets, investment in associates and other non-current assets, when facts or circumstances call for said revision to determine the recoverable amount. The recoverability analysis of the carrying amount is generally carried out by using estimates of cash flows expected from the use or the sale of the asset and proper discount rates to calculate the current value. If the carrying amount of a non-current asset is considered impaired, the Group records an impairment loss for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to its most recent business forecasts.

- Deferred tax assets: the Group has deferred tax assets on deductible temporary differences and theoretical tax benefits for any tax losses carried forward that are recognized to the extent that it is probable that future taxable profit will be available against which they may be recovered. The measurement of the recoverability of deferred tax assets recognized with reference to both tax losses that can be used in subsequent periods and deductible temporary differences takes into account the estimate of future taxable income and is based on conservative tax planning.

- Obsolescence allowances on inventories: based on the management estimate of the expected impairment of inventories, determined on the basis of

past experience. Any anomalous trends of market prices could lead to future inventory write-downs.

- Bad debt provision: The recoverability of receivables is measured by taking into account the risk of non-payment and ageing.

- Personnel severance fund and employee benefits: provisions for employee benefits and net financial charges are measured with an actuarial method that requires the use of estimates and assumptions to determine the obligation net value. The actuarial method takes into account financial parameters such as the discount rate and rates of salary increase, as well as the probability of occurrence of potential future events through the use of demographic parameters, such as rates related to mortality, resignation or retirement of employees.

- Contingent liabilities: the Group records a liability in case of ongoing legal disputes and litigations when it deems it probable that an outflow of resources will occur and the amount of the deriving losses can be estimated reasonably. If the financial outlay becomes possible, but it is not possible yet to determine the amount, said fact is reported in the explanatory notes. Disputes may relate to complex legal and tax proceedings, with a different degree of uncertainty. For this reason, the value of provisions may vary following the future development of the proceedings. The Group monitors the status of ongoing proceedings and consults legal advisors to better foresee probable liabilities.

- Amortization and depreciation: changes in the economic conditions of markets, technology and the competitive scenario may significantly influence the useful life of property, plant and equipment and intangible assets and lead to a difference in the amortization and depreciation timing, with a consequent impact on the relevant costs.

- Income taxes: they are determined in each country in which the Group operates based on prudent interpretations of tax laws in force.

4. MAIN CUSTOMERS

In compliance with the provisions of IFRS 8, paragraph 34, it is hereby specified that in the financial years ended 31 December 2018 and 2017 only one customer, ie the main Swiss customer of ASA Switzerland AG, generated Group revenues higher than 10% of the total consolidated revenues.

5. NOTES TO THE FINANCIAL STATEMENTS

5.1. PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounted to Euro 56,097 thousand as at 31 December 2018 (Euro 56,974 thousand as at 31 December 2017).
The following table shows the breakdown and changes in the item Property, plant and equipment for the financial years ended 31 December 2018 and 2017:

(€ thousand)	Land	Buildings and third-party assets improvements	Plant and equipment	Industrial and commercial equipment	Other assets	Payments on account and assets in course of construction	Total
Net values as at 31 December 2017	**9,641**	**31,400**	**13,114**	**547**	**279**	**2,137**	**57,118**
Historical cost as at 1 January 2017	**9,641**	**39,681**	**51,790**	**4,784**	**3,166**	**2,137**	**111,199**
Investments	-	112	2,902	138	141	1,423	4,716
Divestments	-	-	(1,557)	(59)	(129)	-	(1,745)
Other changes/reclassifications	47	(214)	(37)	-	-	(918)	(1,122)
Conversion effect	-	599	(80)	-	(2)	3	520
Historical cost as at 31 December 2017	**9,688**	**40,178**	**53,018**	**4,863**	**3,176**	**2,645**	**113,568**
Accumulated depreciation as at 1 January 2017	**-**	**8,281**	**38,676**	**4,237**	**2,887**	**-**	**54,081**
Depreciation	-	863	2,522	221	117	-	3,723
Divestments	-	-	(784)	(40)	(122)	-	(946)
Other changes/reclassifications	-	(214)	-	-	2	-	(212)
Conversion effect	-	(2)	(48)	-	(2)	-	(52)
Accumulated depreciation as at 31 December 2017	**-**	**8,928**	**40,366**	**4,418**	**2,882**	**-**	**56,594**
Net values as at 31 December 2017	**9,688**	**31,250**	**12,652**	**445**	**294**	**2,645**	**56,974**
Historical cost as at 1 January 2018	**9,688**	**40,178**	**53,018**	**4,863**	**3,176**	**2,645**	**113,568**
Investments	-	136	2.024	180	67	3,779	6,186
Divestments	-	-	(375)	(10)	(20)	(27)	(432)
Other changes/reclassifications	-	291	650	9	4	(713)	241
Conversion effect	-	(11)	(30)	-	-	-	(41)
Historical cost as at 31 December 2018	**9,688**	**40,594**	**55,287**	**5,042**	**3,227**	**5,684**	**119,522**
Accumulated depreciation as at 1 January 2018	**-**	**8,928**	**40,366**	**4,418**	**2,882**	**-**	**56,594**
Depreciation	-	845	2,786	228	99	-	3,958
Divestments	-	-	(280)	(25)	(20)	-	(325)
Other changes/reclassifications	-	125	79	6	5	-	215
Conversion effect	-	(2)	(15)	-	-	-	(17)
Accumulated depreciation as at 31 December 2018	**-**	**9,896**	**42,936**	**4,627**	**2,966**	**-**	**60,425**
Net values as at 31 December 2018	**9,688**	**30,698**	**12,351**	**415**	**261**	**5,684**	**59,097**

The category "buildings and third-party assets improvements" as at 31 December 2018 mainly include real property used for production activities and installations on property owned by the Group.
Said real estate property is located in Falciano (Republic of San Marino), where ASA San Marino SpA carries out its industrial activities; in Italy in Rovato (BS), Chignolo Po (PV) and Conversano (BA), where ASA Italia Srl carries out part of its activities, and in Imperia (IM), where is a land to be used for building; In Switzerland at Ermatingen, in the canton of Thurgau and in the United Kingdom in Liverpool, where the foreign subsidiaries ASA Switzerland and ASA U.K. & Ireland carry out their production activities .
The real estate in Rovato and Conversano and the land for building in Chiusanico (IM) are owned by ASA Servizi Srl, while the real estate in Chignolo PO (PV) is owned by ASA Italia Srl.
The category "plant and equipment" mainly includes assembly facilities for metal packaging, machinery for the manufacture of bottoms and tops (presses), machinery for cutting sheets in clamps (shears), machinery for lithographic printing and for cutting coils in sheets.
The increases of the year, referring mainly to assets under construction, are mainly related to the investments made by the Parent Company ASA San Marino SpA for the installation of the new "Metalstar 3" printing machine and the related industrial warehouse.

5.2 INTANGIBLE ASSETS

The item "Intangible assets" amounted to Euro 2,658 thousand as at 31 December 2018 (Euro 3,250 thousand as at 31 December 2017).

The following table shows the breakdown and changes in the item for the financial years ended 31 December 2018 and 2017:

(€ thousand)	Goodwill	Patents & copyrights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total
Net values as at 31 December 2017	**2,633**	**4**	**125**	**514**	**3,276**
Investments	-	-	64	23	87
Amortization	-	(3)	(77)	(63)	(143)
Net values as at 31 December 2017	**2,633**	**1**	**112**	**474**	**3,220**
Investments	-	-	94	96	190
Devaluations	(600)	-	-	-	(600)
Amortization	-	-	(77)	(75)	(152)
Net values as at 31 December 2018	**2,033**	**1**	**129**	**495**	**2,658**

The item "Goodwill" is almost exclusively related to the difference between the price paid in November 2015 to the former shareholders of the English subsidiary and the fair value of the assets and liabilities acquired.

Based on the results of the impairment test carried out by the management, the value of goodwill was written down on December 31st 2018 by 600,000 euros.
The item "Other intangible fixed assets" includes multiannual costs as well as capitalized costs related to software licences.

5.3 DEFERRED TAX ASSETS

The item "Deferred tax assets" amounted to Euro 956 thousand as at 31 December 2018 (Euro 858 thousand as at 31 December 2017).

The following table shows the breakdown and changes in the item for the financial years ended 31 December 2018 and 2017:

(€ thousand)	Severance indemnity reserve	Intercompany capital gains	Bad debt provision	Inventory write-down provision	Profit in intercompany stocks	Others	Total deferred tax assets
Values as at 1 January 2017	**0**	**223**	**0**	**0**	**434**	**68**	**725**
Allocation	3	120	-	-	-	10	133
Use	-	-	-	-	-	-	-
Values as at 31 December 2017	**3**	**343**	**0**	**0**	**434**	**78**	**858**
Allocation	-	23	36	36	89	395	579
Use	(3)	(3)	-	-	(26)	(449)	(481)
Values as at 31 December 2018	**0**	**363**	**36**	**36**	**497**	**24**	**956**

The slight increase at December 31, 2018 of deferred tax assets compared to the previous year is mainly due to the recognition of the deferred tax effect related to the elimination of intercompany capital gains realized on asset disposals.

5.4 INVESTMENT IN ASSOCIATES

The item "Investment in associates" amounted to Euro 31 thousand as at 31 December 2018 (Euro 36 thousand as at 31.12.2017) and relates to the valuation by the equity method of the 49% shareholding in the associate company Marsilio Srl.

5.5 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" amounted to Euro 233 thousand as at 31 December 2018 (Euro 229 thousand as at 31 December 2017).

The following table displays the breakdown of other non-current assets as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Other non-current assets		
Receivables from other companies	96	96
Guarantee deposits	124	120
Investment in other companies	13	13
Total other non-current assets	**233**	**229**

Receivables from other companies consist of receivables from the subsidiary Marsilio Srl.

Guarantee deposits were paid to third parties for rented real estate, utilities and import practices.

Equity investment in other companies refers to minority shareholdings in some consortia connected with the activity carried out by the Group (CONAI, Consorzio Acciai ecc.).

5.6 INVENTORIES

The item "Inventories" amounted to Euro 26,840 thousand as at 31 December 2018 (Euro 26,130 thousand as at 31 December 2017).

The following table displays the breakdown of inventories as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Inventories		
Raw materials	7,316	7,706
Semi-finished goods	15,254	14,375
Finished products	4,270	4,049
Total inventories	**26,840**	**26,130**

The increase in the balance of inventories at December 31, 2018 compared to December 31, 2017 (mainly in semi-finished products) is attributable to increased buying at the end of the year and is propaedeutic to manage the production planning for orders with execution in progress at the end of the year he value of inventories is shown net of an inventory write-down provision, which during the financial year 2018 has undergone the following movement:

(€ thousand)	As at 31 December	
	2018	2017
Inventories		
Raw materials, semi.finished and finiched goods	27,185	26,393
Inventory write-down provision	(345)	(263)
Total inventories	**26,840**	**26,130**

5.7 TRADE RECEIVABLES

The item "Trade receivables" amounted to Euro 22,259 thousand as at 31 December 2018 (Euro 27,241 thousand as at 31 December 2017), net of the relevant bad debt provision.

The following table displays the breakdown of trade receivables as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Trade receivables		
Trade receivables (nominal value)	20,418	20,687
Bad debt provision	(435)	(563)
Transferred trade receivables	2,876	7,117
Total trade receivables	**22,859**	**27,241**

The reduction in trade receivables at December 31, 2018 compared to the previous year mainly derives from the reduction in receivables sold.

The item trade receivables assigned to factoring companies, respectively equal to Euro 2,876 thousand at December 31, 2018 and Euro 7,117 thousand at December 31, 2017, refers to receivables assigned to three factoring companies, which are maintained on the balance sheet as they are not all the conditions required for their derecognition from assets are verified.
The reduction in the balance derives from two non-recourse assignments, made for the first time by ASA Italia Srl at December 31, 2018, for an amount of 4,827 thousand Euro, for which the conditions required for the elimination from assets have been respected.

The financial liabilities include the amounts received from the factoring companies as advances against the aforementioned sales. It should be noted that the Group has been using commercial credit insurance policies since 2014, and this activity is constantly increasing towards customers with significant volumes of turnover.

As for uncertain receivables, for which legal procedures have been initiated for collection, and for certain trade receivables with a potential lower degree of enforceability specific bad debt provisions have been allocated up to the supposed realizable value, analytically determined for each credit position.

The table below shows the changes in the bad debt provision in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Bad debt provision
Values as at 1 January 2017	1,160
Allocation	16
Use	(13)
Releases	(600)
Values as at 31 December 2017	**563**
Allocation	165
Use	(99)
Releases	(194)
Values as at 31 December 2018	**435**

The use of the bad debt provision in 2018 and 2017 refers to trade receivables for which the Group ascertained the existence of requirements for write-off. The releases relate to the surplus of previously allocated funds.

5.8 OTHER CURRENT ASSETS

The item "Other current assets" amounted to Euro 2,884 thousand as at 31 December 2017 (Euro 2,861 thousand as at 31 December 2017).

The following table displays the breakdown of other current assets as at 31 December 2018 and 2017 :

(€ thousand)	As at 31 December	
	2018	2017
Other current assets		
Tax assets	1,840	1,594
Advances to suppliers	567	432
Goods to be received	19	260
Prepaid expenses	306	327
Other receivables	152	248
Total other current assets	**2,884**	**2,861**

Tax assets mainly consist of VAT and single-phase tax receivables and advances paid, based on the tax regulations in force in the countries where the Group companies operate, in the form of corporate income taxes. The increase recorded in the item "tax assets", compared to the previous financial year, is mainly due to the higher receivable reported by ASA San Marino for single-phase tax refund required.

5.9 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" amounted to Euro 832 thousand as at 31 December 2018 (Euro 360 thousand as at 31 December 2017).

The following table displays the breakdown of cash and cash equivalents as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Cash and cash equivalents		
Bank accounts	817	346
Cash in hand	15	14
Total cash and cash equivalents	**832**	**360**

Bank deposits represent a temporary surplus of cash in the Group current accounts at year-end. The decrease recorded in total cash and cash equivalents is due to normal operations in treasury management

The following table displays the breakdown by currency of the item cash and cash equivalents as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
EUR	682	249
CHF	5	-
GBP	145	111
Total	**832**	**360**

As at 31 December 2018 and 2017, there were no constraints to the use of the Group cash and cash equivalents.

5.10 EQUITY AND LIABILITIES

The item "Equity and Liabilities" amounted to Euro 32,888 thousand as at 31 December 2018 (Euro 30,709 thousand as at 31 December 2017).

The following table displays the breakdown of the item "Equity and Liabilities" as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Equity and Liabilities		
Issued capital	1,600	1,600
Other reserves	14,390	15,138
Translation reserve	*(507)*	*(512)*
Reserve for first adoption of IAS/IFRS accounting standards	*19,367*	*19,367*
IAS 19 reserve	*(69)*	*(93)*
Others	*(4,401)*	*(3,624)*
Retained earnings	13,971	10,054
Profit for the period attributable to the Group	2,934	3,917
Total equity	**32,895**	**30,709**

The following table shows the breakdown and changes in the item for the financial years ended 31 December 2018 and 2017:

(€ thousand)	Issued capital	Other reserves				Retained earnings	Profit (loss) for the period attributable to the Group	Equity attributable to the Group
		Translation reserve	Reserve for first adoption of IAS/IFRS accounting standards	IAS 19 reserve	Others			
Values as at 1 January 2017	**1,600**	**(192)**	**19,367**	**(86)**	**(3,076)**	**2,050**	**8,004**	**27,667**
Profit for the previous year	-	-	-	-	-	8,004	(8,004)	0
Dividends	-	-	-	-	(750)	-	-	(750)
Total profit for the period	-	-	-	-	-	-	3,917	3,917
Translation reserve	-	(320)	-	-	-	-	-	(320)
Changes in the IAS 19 reserve	-	-	-	45	-	-	-	(7)
Other changes	-	-	-	-	202	-	-	202
Values as at 31 December 2017	**1,600**	**(512)**	**19,367**	**(93)**	**(3,624)**	**10,054**	**3,917**	**30,709**
Profit for the previous year	-	-	-	-	-	3,917	(3,917)	0
Dividends	-	-	-	-	(780)	-	-	(780)
Total profit for the period	-	-	-	-	-	-	2,934	2,934
Translation reserve	-	5	-	-	-	-	-	5
Changes in the IAS 19 reserve	-	-	-	24	-	-	-	24
Other changes	-	-	-	-	3	-	-	3
Values as at 31 December 2018	**1,600**	**(507)**	**19,367**	**(69)**	**(4,401)**	**13,971**	**2,934**	**32,895**

The issued capital of the parent company ASA San Marino SpA, fully subscribed and paid-in, amounts to Euro 1,599,600 and consists of 1,599,600 ordinary shares with a nominal value of Euro 1.00 each.

The "translation reserve" derives from the translation of the financial statements of subsidiary foreign companies in Switzerland and the United Kingdom whose functional currency is not Euro.

The item "Other reserves" mainly records the effects deriving from the first adoption of the IFRSs with reference to 1 January 2014 as well as the negative reserve accrued by the business combination under common control following the consolidation of the Co.pro.met "sub-group"in 2014.

The following table shows the reconciliation of the shareholders' equity and the profit for the year of the parent company with the corresponding consolidated values as at 31 December 2018:

(€ thousand)	As at 31 December	
	Equity and liabilities	**Profit for the year**
ASA San Marino	18,049	2,403
Shareholder's equity and profit of subsidiaries	21,972	163
Total aggregated shareholders' equity and result	**40,021**	**2,566**
Write-off of investments	(17,471)	(8)
Evaluation of investments in associates	23	(5)
IAS 17 – Leasing	2,828	(66)
FTA capital gains	16,865	-
Write-off of infra-group profits	(9,365)	626
Other consolidation entries	(13)	(181)
Total consolidation entries	**(7,133)**	**366**
Total consolidated financial statements	**32,888**	**2,932**

5.11 FINANCIAL PAYABLES

The items "Non-current financial payables" and "Current financial payables" as at 31 December 2018 amounted to Euro 17,640 thousand and Euro 31,633 thousand, respectively (Euro 18,870 thousand and Euro 30,300 thousand, respectively, as at 31 December 2017).

The following table displays the breakdown of current and non-current financial payables as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	**2017**
Non-current financial payables		
Long-term portion of loans falling due after more than one year	14,827	15,513
Financial payables for leases	2,804	3,298
Other non-current financial payables	9	60
Total non-current financial payables	**17,640**	**18,870**
Current financial payables		
Short-term portion of loans falling due after more than one year	2,510	3,106
Other short-term loans	23,962	18,034
Financial payables for leases	347	336
Other current financial payables	4,814	8,824
Total current financial payables	**31,633**	**30,300**

Medium-long term loans

The table below shows the changes in loans in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Long-term portion of loans falling due after more than one year	Short-term portion of loans falling due after more than one year	Total loans
Values as at 1 January 2017	**12,536**	**1,716**	**14,252**
New loans	4,486	1,745	6,231
Repayments	(135)	(1,661)	(1,796)
Reclassifications	-	(45)	(45)
Reclassifications from long-term to short-term	(1,353)	1,353	-
Conversion effect	(21)	(2)	(23)
Values as at 31 December 2017	**15,513**	**3,106**	**18,619**
New loans	2,285	115	2,400
Repayments	(458)	(3,220)	(3,678)
Reclassifications from long-term to short-term	(2,509)	2,509	-
Conversion effect	(4)	-	(4)
Values as at 31 December 2018	**14,827**	**2,510**	**17,337**

The following table shows the breakdown of medium-long term loans as at 31 December 2018 and 2017:

(€ thousand)	Expiry	Rate applied	As at 31 December			
			2018	of which, current portion	2017	of which, current portion
Loans						
Thurgauer Kantonal Bank	Ind.te	Variable	4,686	-	5,144	-
Banca Agricola Commerciale	2019	Variable	563	563	1,891	1,327
Banca Sammarinese Investimenti	2022	Variable	1,027	294	1,307	281
Banco BPM	2027	Variable	2,075	238	2,309	234
Barclays Bank	2029	Fixed	535	44	582	43
Cassa dei Risparmi di Forlì e Romagna	2027	Fixed	1,771	187	1,954	183
Cassa di Risparmio di San Marino nr. 5100315	2024	Variable	4,395	718	5,089	695
Cassa di Risparmio di San Marino nr. 92974	2018	Variable	-	-	62	62
Cassa di Risparmio di San Marino nr. 92975	2018	Variable	-	-	281	281
UniCredit Banca nr. 10340855	2023	Variable	2,285	466	-	-
Total loans			**17,337**	**2,510**	**18,619**	**3,106**

All the medium-long term loans are in Euro, with the exception of that granted by Thurgauer Kantonal Bank expressed in Swiss franchs and that with Barclays, expressed in pounds sterling.

Other short-term loans

The following table shows the breakdown of other short-term loans as at 31 December 2018 and 2017:

(€ thousand)	Currency	As at 31 December	
		2018	2017
Other short-term loans			
Unicredit S.p.A.	EUR	4,104	3,140
Cassa dei Risparmi di Forlì e della Romagna	EUR	4,686	4,944
Banco Popolare	EUR	2,788	1,917
Banca Agr. Comm.le Rep. S. Marino	EUR	7,464	7,218
Cassa di Risparmio Rep. S. Marino	EUR	2,089	46
Banca di San Marino	EUR	-	25
B.ca Samm.se d'Investimenti	EUR	1,000	-
Barclays Bank	GBP	629	744
Other banks	EUR	1,200	-
Total other short-term loans		**23,962**	**18,034**

Other short-term loans mainly refer to self-liquidating credit lines aimed at discounting invoices and MOs and, to a lesser extent, to the use of "import funding" lines aimed at the payment of suppliers of raw materials.

Financial payables for leases

Financial liabilities for current and non-current lease contracts refer to the payable to leasing companies, for two contracts signed by the Parent Company for the lease of a property located in Falciano (RSM), where the coils cutting center was set up, and two cutting lines functional to the latter.

Other financial payables

Other current financial payables, amounting to € 4,814 thousand, consist:
a) of a loan (paid out in CHF) for a value of € 2,258 thousand granted to the company ASA Switzerland AG by the previous majority shareholder of the company Blechverpackungen Louis Sauter AG, now belonging to the Group; b) of a loan (paid out in GBP) for an equivalent of Euro 51 thousand granted to the subsidiary English company by Aldermore Asset Finance; c) by payables to factoring companies BPER Factor (Euro 1,204 thousand), UBI factor (Euro 693 thousand) and Ifitalia (Euro 608 thousands) due to the sale of receivables related to the sale of goods. Although these receivables have been sold, they are retained in the financial statements since all the conditions required have not been met for their "derecognition" from assets. See also the previous Note 5.7 - "Trade Receivables".

5.12 DEFERRED TAX LIABILITIES

The item "Deferred tax liabilities" as at 31 December 2018 amounted to Euro 4,247 thousand (Euro 4,199 thousand as at 31 December 2017).

The following table shows the breakdown and changes in the item for the financial years ended 31 December 2018 and 2017:

(€ thousand)	Property, plant and equipment	Intangible assets	Others	Deferred tax liabilities
Values as at 1 January 2017	**3,458**	**9**	**569**	**4,036**
Allocation	83	10	197	290
Use	(93)	-	(38)	(131)
Reclassification	(120)	3	117	-
Conversion effect	-	-	4	4
Values as at 31 December 2017	**3,328**	**22**	**849**	**4,199**
Allocation	80	-	103	183
Use	(92)	-	(42)	(134)
Conversion effect	-	-	(1)	(1)
Values as at 31 December 2018	**3,316**	**22**	**909**	**4,247**

Liabilities for deferred taxes relating to buildings are mainly related to revaluations at fair value, not recognized for tax purposes, adopted on the transition, on January 1, 2014, of the consolidated financial statements of the ASA Group to international accounting standards and for the purposes of subsequent acquisitions of properties, as part of company acquisitions, subject to revaluations at fair value.

5.13 STAFF SEVERANCE PROVISION

The item "Staff severance provision" as at 31 December 2018 amounted to Euro 1,488 thousand (Euro 2,099 thousand as at 31 December 2017).

The following table shows the changes in the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Staff severance provision
Values as at 1 January 2017	**2,291**
Allocation	502
Use	(704)
Discounting benefits	10
Values as at 31 December 2017	**2,099**
Allocation	26
Use	(604)
Discounting benefits	33
Values as at 31 December 2017	**1,488**

The use of the funds relates to outgoing personnel, under the Italian operating company of the Group.
The significant reduction, compared to 2017 (Euro 611 thousand), for the prevalent part, is explained below:

- under San Marino law, the severance indemnity provision allocated each year is paid the following year; being a certain value both in the amount and in the payment date, the entire provision made by ASA San Marino for the 2018 financial year has been reclassified under "Payables to Employees";

- as a result, the severance indemnity provision set aside in 2017 (for € 475 thousand) and disbursed in 2018 was reported as a reduction of the provision for "uses" while there was no contribution from ASA San Marino to the item "provisions".

The discount of benefits required by IAS 19R was carried out only for the severance indemnity reserve of ASA Italia Srl, since, as stated before, the staff severance provision of ASA San Marino is paid in the year subsequent to that in which it accrued.

The Swiss and English regulations do not provide this benefit.

5.14 PROVISIONS FOR LIABILITIES AND CHARGES

The item "Provisions for liabilities and charges" as at 31 December 2018 amounts to Euro 108 thousand (Euro 181 thousand as at 31 December 2017) and refers for Euro 30 thousand to a possible liability resulting from a dispute with an employee and for Euro 77 thousand to the supplementary agents indemnity fund.

5.15 TRADE PAYABLES

The item "Trade payables" as at 31 December 2018 amounted to Euro 20,786 thousand (Euro 24,536 thousand as at 31 December 2017).

Trade receivables mainly refer to transactions for the purchase of raw materials, components and services for transport, processing and technical assistance.

5.16 OTHER CURRENT LIABILITIES

The item "Other current liabilities" as at 31 December 2018 amounted to Euro 7,592 thousand (Euro 7,015 thousand as at 31 December 2017).

The following table displays the breakdown of other current liabilities as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Other current liabilities		
Deferred income and accruals	156	170
Payables to shareholders	103	37
Payables to employees	3,084	2,750
Payables to tax authorities	2,547	2,290
Social security	608	679
Payments received from customers on account	717	652
Other payables	377	437
Total other current liabilities	**7,592**	**7,015**

Payables to employees refer to the salaries of the month of December 2018 paid in January 2019, the estimate of holidays due but not taken and the bonuses to staff for their performance in the closing financial year, as well as the severance indemnity due to the employees of ASA San Marino SpA which, being certain both in the amount and in the payment date, was classified at December 31, 2018 as a debt and not as a fund.

Payables to tax authorities relate to current taxes and withholding taxes made as a substitute tax, of companies falling within the scope of consolidation.

Social security payables mainly refer to social security costs of different nature to be paid during the following financial year with reference to the salaries of December, the year-end bonus and holiday due but not taken.

Payments received on account from customers refer to finished products in the course of production as at 31 December and to be delivered in the following financial year.

Other payables as at 31 December 2018 and 2017 mainly refer to voluntary contributions withheld from employees, contributions to CONAI (Consorzio Nazionale Imballaggi) and contributions to trade unions to be paid in the following financial year.

Accrued expenses mainly refer to insurance premiums.

Payables to shareholders as at 31 December 2018, for Euro 103 thousand, refer to dividends approved but not yet paid. During 2018.

6. NOTES TO THE INCOME STATEMENT

For further information on the Group's financial position and performance, please refer to the Directors' Annual report. Further details on the main items of the consolidated income statement are provided below.

6.1 SALES

The item "Sales" as at 31 December 2018 amounted to Euro 104,257 thousand (Euro 103,734 thousand as at 31 December 2017). The revenues of the Group companies arise from the sale of finished products, components and semi-finished goods. No sales of goods and services other than those related to the core business have been carried out.

6.2 OTHER OPERATING INCOME

The item "Other operating income" as at 31 December 2018 amounted to Euro 3,638 thousand (Euro 2,824 thousand as at 31 December 2017).

The 2018 balance mainly refers to contributions from customers for the creation or modification of lithographic art works, recovery of sundry costs, use of exuberant funds, repayments received from insurance companies and capital gains on the sale of assets.

6.3 COST OF GOODS SOLD AND MATERIALS CONSUMED

The item "Cost of goods sold and materials consumed" as at 31 December 2018 amounted to Euro 53,339 thousand (Euro 49,601 thousand as at 31 December 2017).

The following table shows the breakdown of cost of goods sold and materials consumed as at 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Cost of goods sold and materials consumed		
Tinplate, components, semi-finished goods and finished products	45,322	41,874
Inks, varnishes and other lithographic materials	3,510	3,595
Packing, duties and customs expenses	3,288	3,173
Consumables and sundry materials	1,037	944
Other materials	182	15
Total cost of goods sold and materials consumed	**53,339**	**49,601**

The change in purchase costs, in the year 2018 compared to 2017, occurred almost exclusively in purchases of tinplate and components, as a result of the general increase in purchase prices on European markets.

6.4 EXTERNAL SUPPLIES AND SERVICES

The item "External supplies and services" as at 31 December 2018 amounted to Euro 23,301 thousand (Euro 22,849 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
External supplies and services		
Transport for sales and purchases	7,492	7,817
Maintenance	2,914	2,867
Consultancy, agents' commissions and other professional services	996	1,092
Utilities	3,182	3,281
Third-party processing	1,610	1,407
Temporary labour expenses	2,589	1,863
Enjoyment of third-party assets	926	917
Other external supplies and services	4,522	3,605
Total external supplies and services	**23,301**	**22,849**

Among the costs for other services, the main items relate to insurance premiums, cleaning and waste disposal, remunerations to directors, banking services and expenses for advertising and products promotion.

6.5 PERSONNEL COSTS

The item "Personnel costs" as at 31 December 2018 amounted to Euro 19,473 thousand (Euro 20,390 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Personnel costs		
Wages and salaries	14,985	15,791
Social security costs	3,604	3,694
Provisions relating to employees	884	905
Total personnel costs	**19,473**	**20,390**

The reduction shown in "total personnel costs" is mainly due to the reduction of 13 units in the average number of employees in the 2018 financial year compared to the previous year.

The table below displays the average and precise number of employees by category at 31 December 2018 and 2017:

	Financial year ended 31 December			
	2018		2017	
	Average	Year-end	Average	Year-end
Number of employees				
Executives	6	6	8	8
Clerks	98	96	83	87
Workers	339	342	365	356
Total number of employees	**443**	**444**	**456**	**451**

6.6 OTHER OPERATING EXPENSES

The item "Other operating expenses" as at 31 December 2018 amounted to Euro 2,071 thousand (Euro 3,894 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Other operating expenses		
Direct taxes	520	361
Losses on receivables	182	110
Costs for customer claims	-	2,389
Personnel costs	392	638
Sundry charges	977	396
Total other operating expenses	**2,071**	**3,894**

"Sundry charges" mainly refer to membership fees, to expenses for stationery and office consumables and small office equipment.

The significant overall decrease in the item "Other operating costs" compared to the previous year is totally attributable to the reduction in "costs for customer claims". These claims mainly related to complaints made in 2017 by a major Swiss customer regarding a complaint about a large supply of packaging for powdered milk; it is specified that, during the 2018 financial year, the ASA Group received the insurance reimbursement (included among the "other income") for most of the amount paid to the Swiss customer.

6.7 AMORTIZATION AND DEPRECIATION

The item "Amortization and depreciation" as at 31 December 2018 amounted to Euro 4,875 thousand (Euro 3,882 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Amortization and depreciation		
Depreciation of property, plant and equipment	3,958	3,723
Amortization of intangible assets	152	143
Write-offs of current receivables	165	16
partial write-down of goodwill relating to the UK subsidiary	600	-
Total amortization and depreciation	**4,875**	**3,882**

6.8 PROVISIONS AND IMPAIRMENT LOSSES

The item "Provisions and impairment losses" as at 31 December 2018 amounted to Euro 62 thousand (Euro 1,019 thousand as at 31 December 2017).

6.9 FINANCIAL INCOME

The item "Financial income" as at 31 December 2018 amounted to Euro 46 thousand (Euro 896 thousand as at 31 December 2018).

They mainly consist of realized and unrealized foreign exchange gains and, to a secondary extent, of fees for financial services.

6.10 FINANCIAL EXPENSES

The item "Financial expenses" as at 31 December 2018 amounted to Euro 1,251 thousand (Euro 1,544 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Financial expenses		
Interest expenses on loans	462	454
Bank interest expenses	395	512
Bank commissions and expenses	76	88
Interest expenses from lease payables	104	113
Factoring interest expenses	120	88
Exchange losses	94	240
Other financial expenses	-	49
Total financial expenses	**1,251**	**1,544**

The reduction in the item "financial charges" in the 2018 financial year, amounting to 293 thousand euros, is mainly due to the reduction in exchange losses (for 146 thousand euros).

The only item that shows an increase is that related to "interest on factoring", resulting from the ever increasing activation of sales of receivables from customers and relative insurance, a policy begun in 2014 that the Group tends to increase. In particular, in 2018 two sales of receivables were made definitively which, due to the complete elimination of the risk, led to a slight increase in financial costs.

6.11 INCOME TAXES

The item "Income taxes" as at 31 December 2018 amounted to Euro 630 thousand (Euro 358 thousand as at 31 December 2017).

The table below shows the breakdown of the item in the financial years ended 31 December 2018 and 2017:

(€ thousand)	Financial year ended 31 December	
	2018	2017
Income taxes		
Current	681	425
Deferred	39	63
Prepaid	(90)	(130)
Total income taxes	**630**	**358**

Current taxes were calculated based on tax rates (net of any tax incentives or reductions) in force in the countries where the Group companies are domiciled for tax purposes and taking into account any tax losses, as shown below with reference to 2018:

- ASA San Marino SpA: tax amounting to Euro 97 thousand, rate 3.4% (ordinary rate 17%, net of incentives for new investments and recruitments);

- ASA Italia Srl: taxes amounting to Euro 552 thousand, rate 27.9%;

- ASA Servizi Srl: taxes amounting to Euro 28 thousand, rate 27.9%;

- ASA Switzerland AG : taxes of Euro 3 thousand, tax rate of 15,44% (the company has freed up the year through the use of tax losses carried forward, which hav not been valued as prepaid taxes in the consolidated financial statements, in absence of a detailed tax planning that certifies with reasonable certainty the possibility of future recovery);

- Blechverpackungen Louis Sauter AG: taxes amounting to Euro 0 thousand, tax rate 15.44% (the company closed the year with a tax loss);

- ASA U.K. & Ireland Ltd. : tax amount 0 thousand, rate 19% (the company closed the year with a tax loss).

Deferred taxes mainly refer to the removal of intercompany transactions for the sale of tangible assets, financial leases and revaluations of property owned by the Group at the date of transition to the IFRS accounting standards and within the recording of the aforementioned *business combination under common control*.

Prepaid taxes were mainly recognized against the cancellation of gains arising within the Group and adjustments carried out on the value of stock to take into account the "profit in stock" embedded in them.

7. FINANCIAL DEBT

The following table shows the breakdown of the Group's net financial debt as at 31 December 2018 and 2017:

(€ thousand)	As at 31 December	
	2018	2017
Net financial debt		
A. Cash	15	14
B. Cash equivalents	817	346
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**832**	**360**
E. Current financial receivables	**-**	**-**
F. Current bank payables	(23,962)	(18,034)
G. Current portion of non-current debt	(2,510)	(3,106)
H. Other current financial payables	(5,161)	(9,160)
I. Current financial debt (F) + (G) + (H)	**(31,633)**	**(30,300)**
J. Net current financial debt (I) + (E) + (D)	**(30,801)**	**(29,940)**
K. Non-current bank payables	(14,827)	(15,513)
L. Bonds issued	-	-
M. Other non-current financial payables	(2,813)	(3,358)
N. Non-current financial debt (K) + (L) + (M)	**(17,640)**	**(18,871)**
O. Net financial debt (J) + (N)	**(48,441)**	**(48,811)**

8. MANAGEMENT OF FINANCIAL RISKS

The Group is exposed to financial risks related to its business, in particular:

- Credit risk, arising from commercial transactions or financing;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risk, more specifically:

  a) Foreign exchange risk, related to operations in other currency areas;

  b) Price risk, due to changes in commodity prices.

Credit risk

The credit risk operational management is the responsibility of the credit management function, which operates based on a credit policy that regulates: (i) assessment of customers' credit standing to manage credit limits and any request for suitable bank or insurance guarantees to support the granting of deferred payments; (ii) adoption of credit insurance policies; (iii) monitoring the balance of receivables and the relevant seniority so that the amount of pending receivables is not significant; (iv) monitoring the expected collection flows; (v) suitable reminders; (vi) any recovery measures.

Write-downs of receivables are carried out on percentages of the past due, based on insolvency historical series, with the exception of any write-downs on specific receivables under dispute. The Group's maximum theoretical exposure to credit risk at year-end is mainly represented by the carrying amount of trade receivables.

Liquidity risk

The Group's liquidity risk is carefully monitored by the parent company with a specific control activity. In particular, polices and processes have been implemented to optimize the management of financial resources and reduce liquidity risk: (i) maintaining an adequate level of available liquidity; (ii) negotiation of adequate credit lines; (iii) monitoring prospective liquidity conditions in relation to the business planning process. Within this typology

of risk, in the composition of net financial debt the Group tends to finance current investments and liabilities, with both operating cash flow and short-term credit lines.

The following table displays the amount of credit lines used and available as at 31 December 2018 and 2017:

Bank lines	Cash credit lines	Self-liquidating credit lines	Financial lines	Total
As at 31 December 2017				
Credit lines	942	23,400	10,700	35,042
Utilizations	(416)	(9,477)	(6,426)	(16,319)
Availability as at 31 December 2017	**526**	**13,923**	**4,274**	**18,723**
As at 31 December 2018				
Credit lines	1,067	19,700	10,900	31,367
Utilizations	(23)	(9,009)	(10,736)	(19,768)
Availability as at 31 December 2018	**1,044**	**10,691**	**164**	**11,599**

The following table displays the breakdown and maturity of debt items as at 31 December 2018 and 2017:

	Within 1 year	From 1 to 5 years	Over 5 years	Total
Values as at 31 December 2017				
Non-current financial payables	-	12,822	6,048	18,870
Other non-current liabilities	-	-	-	-
Trade payables	24,536	-	-	24,536
Liabilities for income taxes	-	-	4,199	4,199
Current financial payables	30,300	-	-	30,300
Liabilities for financial derivative instruments	-	-	-	-
Other current liabilities	7,196	-	-	7,196
Commitments	-	-	2,099	2,099
Total	**62,032**	**12,822**	**12,346**	**87,200**
Values as at 31 December 2018				
Non-current financial payables	-	9,085	8,555	17,640
Other non-current liabilities	-	-	-	-
Trade payables	20,786	-	-	20,786
Liabilities for income taxes	-	-	4,247	4,247
Current financial payables	31,633	-	-	31,633
Liabilities for financial derivative instruments	-	-	-	-
Other current liabilities	7,700	-	-	7,700
Commitments	-	-	1,488	1,488
Total	**60,119**	**9,085**	**14,290**	**83,494**

Market risk

Exchange rate risk

The Group operates internationally and, therefore, is exposed to exchange rate risk, especially for commercial and financial transactions in CHF and GBP. Exchange rate fluctuations from invoicing to payment are managed separately, without hedge accounting, by balancing them with analogous debt flows. The Group's investments in foreign subsidiaries are not hedged, since foreign currency positions are considered long-term positions.

The following table displays trade receivables and payables, cash and cash equivalents and financial liabilities as at 31 December 2018 and 2017 by currency:

(€ thousand)	EUR	CHF	GBP	USD	Total
Trade receivables					
As at 31 December 2018	21,409	178	1,254	18	**22,859**
As at 31 December 2017	25,235	14	1,981	11	**27,241**
Cash and cash equivalents					
As at 31 December 2018	682	5	145	-	**832**
As at 31 December 2017	248	2	110	-	**360**
Current financial payables					
As at 31 December 2018	29,020	2,562	50	-	**31,286**
As at 31 December 2017	27,111	2,472	717	-	**30,300**
Trade payables					
As at 31 December 2018	19,402	758	616	10	**20,786**
As at 31 December 2017	23,623	454	459	-	**24,536**

Interest rate risk

Risks related to changes in interest rates refer to the use of credit lines for short-term and medium/long-term loans. Variable rate loans expose the Group to the risk of changes in cash flows due to interests. No derivative hedging instruments are used for interest rate risks.

Price risk

The Group makes purchases internationally and, therefore, is exposed to a normal risk of commodity price fluctuation, though to a limited extent.

9. TRANSACTIONS WITH RELATED PARTIES

The relationships of the Groups with related parties, identified based on criteria defined by IAS 24, Related Party Disclosures, are based on normal market conditions.

The following table displays the asset and economic balances relating to the Group's relationships with related parties in the financial years ended 31 December 2018 and 2017, including their incidence on the relevant financial statements item:

(€ thousand)	Gran Volume	Shareholders	Total
Trade receivables			
As at 31 December 2018	-	-	-
As at 31 December 2017	-	-	-
Non-current financial receivables			
As at 31 December 2018	-	-	-
As at 31 December 2017	-	-	-
Current financial payables			
As at 31 December 2018	-	-	-
As at 31 December 2017	-	-	-
Trade payables			
As at 31 December 2018	-	-	-
As at 31 December 2017	-	-	-
Current financial payables			
As at 31 December 2018	-	2,258	2,258
As at 31 December 2017	-	2,473	2,473
Other current liabilities			
As at 31 December 2018	-	103	103
As at 31 December 2017	-	37	37

(€ thousand)	Gran Volume	Shareholders	Total
Revenues			
Financial year ended 31 December 2018	-	-	-
Financial year ended 31 December 2017	-	-	-
External supplies and services			
Financial year ended 31 December 2018	-	-	-
Financial year ended 31 December 2017	-	-	-
Financial income			
Financial year ended 31 December 2018	-	-	-
Financial year ended 31 December 2017	55	-	55
Financial expenses			
Financial year ended 31 December 2018	-	33	33
Financial year ended 31 December 2017	-	36	36

The relationships between the Group and related parties in the financial years ended 31 December 2018 and 2017 are mainly of financial nature and relating to the loan granted to the company ASA Switzerland AG by the previous majority shareholder of Blechverpackungen Louis Sauter AG, currently the minority shareholder of the two Swiss companies of the Group.

Remuneration of Directors

The total remuneration of the Parent Company's Board of Directors in 2018 amounted to Euro 275 thousand (Euro 272 thousand in 2017).

10. CONTINGENT LIABILITIES

At December 31, 2018, no significant legal or tax proceedings were pending against any company in the Group, for which no specific provisions for risks and charges have been accounted.

11. COMMITMENTS AND GUARANTEES

At December 31, 2018 the Group granted mortgage guarantees in favor of credit institutions, for loans granted, for Euro 19,000 thousand (Euro 14,000 thousand at December 31, 2017).

12. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During the 2018 financial year, the following significant or non-recurring events occurred that impacted the income statement:

- As reported in the significant events for the year 2017, the Group's main Swiss customer, operating in the "infant formula" (powdered milk) sector, had opened a claim towards the subsidiary ASA Switzerland AG against boxes contaminated with particles of metal, a consequence of a defect in a machine attributable to its supplier, used in the production cycle, with a consequent

negative impact of Euro 2,389 thousand on the consolidated pre-tax profit. During the 2018 financial year, following the claim for damages to the competent insurance company, the Swiss subsidiary obtained reimbursement of most of the compensation granted to the customer.

- During the year an investment was approved in a new lithographic printing line that will be installed in the Falciano plant (RSM). The investment at its completion, scheduled for the second half of 2019, will have a total value of about € 9 million deriving from the sum of the machines installed and the new warehouse that will house the new lithography department. This investment in a 9 color printing machine, the first installed in Europe and second in the world, will position the Group at the highest levels of quality and production capacity in the sector.

13. OUTSTANDING FACTS AFTER THE CLOSING OF THE FINANCIAL YEAR 2018

During the first few months of the 2019 financial year and up to today's date, there are no significant events to report, with the exception of what has already been mentioned previously regarding the expected completion by the third quarter of 2019 of the new lithography department at the plant of Falciano (RSM).

Falciano (Republic of San Marino), 28 June 2018

Consolidated financial statements approved by the Board of Directors of ASA San Marino SpA.

pwc

Independent auditor's report

To the Board of Directors of ASA San Marino SpA

Opinion

We have audited the consolidated financial statements of ASA San Marino SpA (hereinafter also the "Company") and its subsidiaries (the "ASA Group" or the "Group"), which comprise the statement of financial position as of December 31, 2018, the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of ASA Group as of December 31, 2018 and for the year then ended have been prepared on a voluntary basis by the Directors of ASA San Marino SpA for the specific purpose of representing to shareholders and third parties the performance of the ASA Group during the financial year 2018.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ASA Group as of December 31, 2018, and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

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 "Auditor's responsibilities for the audit of the consolidated financial statements" section of this report. We are independent of ASA San Marino SpA pursuant to the regulations and standards on ethics and independence of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants applicable to audits of consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of emphasis - Basis of preparation and restriction on distribution and use

Without modifying our opinion, we draw your attention to the note "Preparation of the financial statements" of the explanatory notes to the consolidated financial statements, which describes the drafting criteria. The consolidated financial statements have been prepared on a voluntary basis by the Directors of ASA San Marino SpA for the specific purpose of representing to shareholders and third parties the performance of the ASA Group during the financial year 2018; consequently, the consolidated financial statements may not be suitable for other purposes. Our report has been issued only for your information and it can not be used for other purposes neither disclosed to third parties, towards which we do not accept any responsibility, without our prior written consent.

PricewaterhouseCoopers SpA

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Other aspects

This report is not issued in accordance with law but on a voluntary basis, given that ASA San Marino SpA, pursuant to Law no. 47 of the Republic of San Marino dated February 23, 2006, was not required to prepare consolidated financial statements as of December 31, 2018, nor to submit such consolidated financial statements to auditing.

Responsibilities of the Directors and the Board of statutory auditors for the consolidated financial statements

The Directors of ASA San Marino SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union which govern the drafting criteria and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated 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, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting, unless they either intend to liquidate the parent company ASA San Marino SpA or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors is responsible for overseeing, in the terms prescribed by the law of the Republic of San Marino, the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;

- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated 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;
- we obtained 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 on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

Bologna, June 24, 2019

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

"This report has been translated into English from the Italian original solely for the convenience of international readers. Reference in this report to the consolidated financial statements refer to the consolidated financial statements in original Italian and not to any their translation."

Annual Report **/2018**

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