Informazione Regolamentata n. 2043-58-2019	Data/Ora Ricezione 13 Novembre 2019 17:35:18	MTA - Star

Societa'	:	GUALA CLOSURES
Identificativo Informazione Regolamentata	:	124682
Nome utilizzatore	:	GUALASPANSS01 - Baj Badino
Tipologia	:	REGEM
Data/Ora Ricezione	:	13 Novembre 2019 17:35:18
Data/Ora Inizio Diffusione presunta	:	13 Novembre 2019 17:45:19
Oggetto	:	Guala Closures – 3Q 2019 results

Testo del comunicato

Vedi allegato.

PRESS RELEASE

FIRST NINE MONTHS 2019 RESULTS

STRONG REVENUES GROWTH €447M, +12.7% AT CONSTANT FX, BEST IN CLASS PROFITABILITY, Adj. EBITDA AT €78M, OPERATING CASH FLOW IMPROVED AT €46M, IMPACT OF DUTIES INSIGNIFICANT

- **Group revenue: approx. €447 million at constant exchange rates +12.7%, organic growth +3.5%[1], and up by €53 million at current exchange rates, +12.9%;**
- **Adjusted[2] EBITDA: €78.4 million, +6.7% at constant exchange rates; on a like-for like basis, profit margins in line with the corresponding period of last year;**
- **Net profit up by €13 million, corresponding to €1.5 million against a loss of €11.5 million in the first nine months of 2018;**
- **Cash flow from operating activities was significantly higher by €36m; 9M 2019 corresponding to €46.3 million against €10.3 million in the same period of 2018;**
- **Net financial debt: €486 million, in line with the first half of 2019 and compares to €476 million as at 1 January 2019.**

Milano, 13 November 2019. **The Board of Directors of Guala Closures S.p.A.**—a global leader in the production and sale of plastic and aluminium closures for the beverage industry—**approved the Financial Report at 30 September 2019**[3]**.**

COMMENT OF THE GROUP'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER

"In the first nine months of 2019 – stressed Marco Giovannini, Chairman and Chief Executive Officer of Guala Closures – *we have continued to record solid results in terms of turnover, profitability and strong improvement in cash flows; it is precisely due to the strong growth of the latter that we have succeeded in maintaining the level of debt in line with the first half, despite seasonal nature of the business and the significant increase in revenue.*

[1] Please see the closing section of this document for the definitions of growth at "constant exchange rates" and "organic growth".
[2] Please see the closing section of this document for the definition of "adjusted".
[3] The pro forma information in this press release corresponds to the consolidated amounts of the Guala Closures Group following the Business Combination between Space4 S.p.A. and the former "Guala Closures S.p.A".

At industrial level, the UCP integration project is proceeding in line with that envisaged at the time of the acquisition. This has been achieved through the creation of a single responsible management team in the United Kingdom, significant extraordinary maintenance and engineering work to bring efficiency and productivity up to Group standards, and the activation of Supply Chains. We have still got work to do before we reach the profitability that the Group already enjoys in the UK, but we know how and where to focus our energy to improve profitability during the course of 2020.

On 4 November 2018, we inaugurated the complete plant in Nairobi, Kenya. In February of this year we started production and given the excellent results obtained by the end of the first quarter, in August, we decided to double its production capacity.

Lastly, in Belarus, we started production at the beginning of November with four assembly lines. This investment will enable us to more efficiently serve the local and Russian markets.

As far as new product launches are concerned, at the end of September, we presented our innovative line of NěSTGATE™ connected closures at the Luxe Pack trade fair in Monte Carlo. The NěSTGATE™ range currently includes seven wine, spirit and olive oil closures and a while selection of different versions: wood and cork closures, anti-fill closures, aluminium or resin covering for the luxury sector.
Thanks to NFC technology, by simply "tapping" on the closures, the consumer is transported into the brand universe, which, in turn, can gather information for customer relations and monitor a product's traceability.

With regard to the duties recently imposed on European alcoholic products by the US administration, thanks to the group's industrial organisation and it delocalisation, we are not expecting any significant impact.

Consequently, the results for the first nine months enable us to predict solid and continuous growth in 2019 in terms of turnover and cash flow generation compared to last year."

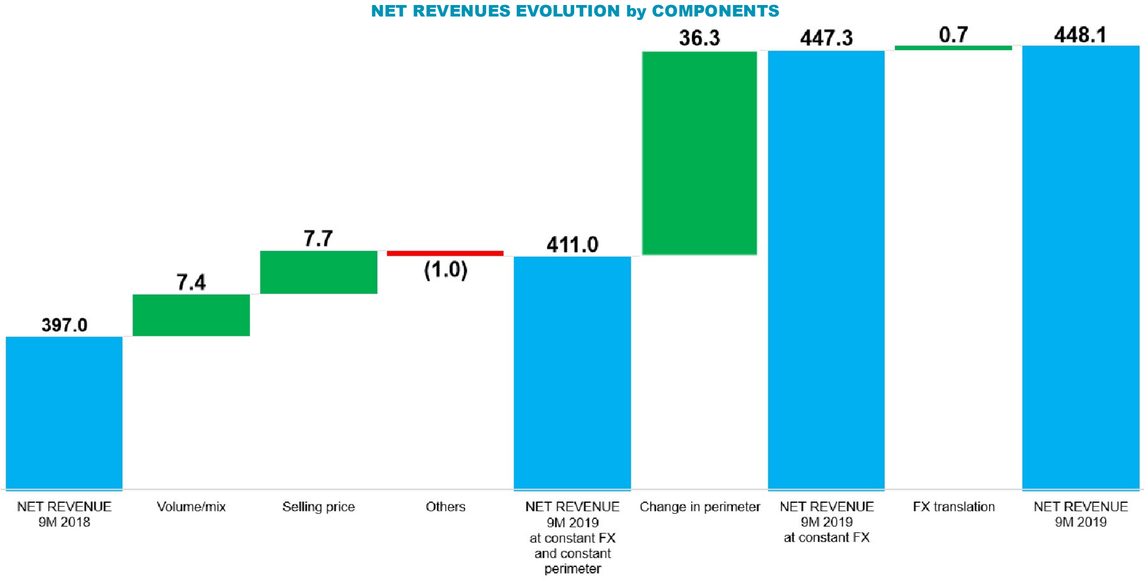
ANALYSIS OF THE RESULTS FOR THE FIRST NINE MONTHS OF 2019

Consolidated operational highlights

Consolidated **net revenue** at 30 September 2019 amounted to €448.1 million di Euro, up by €51.1 million, +12.9% at current exchange rates (1.7% at constant exchange rates) compared to €397.0 million at 30 September 2018. Organic growth of 3.5% was boosted by the contribution (+9.2%) of the acquisition of UCP at the end of 2018.

At constant exchange rates, net revenue rose by €50.3 million (+12.7%) against the first nine months of 2018. This increase breaks down as follows:

- €7.4 million (+1.9%) relates to the growth obtained by higher sales volumes/mix in the United Kingdom, Mexico, Spain, Chile and North America, due to the further penetration of the safety closures market, the mix of the products sold, which recorded a larger share of Luxury closures, and the transition from cork closures to aluminium ones for wine bottles;
- €7.7 million (+1.9%) regards sales prices;
- €36.3 million (+9.1%) relates to the consolidation of Guala Closures UCP (previously called United Closures and Plastics) following the acquisition on 12 December 2018.



With regard to the different growth components, in geographic terms, the best performers were the Americas and Europe, while in terms of product type, specialty closures (Safety and Luxury segments) and Roll-ons were the top performing categories. The tables below show the relative details.

Breakdown of revenue by geographic area:

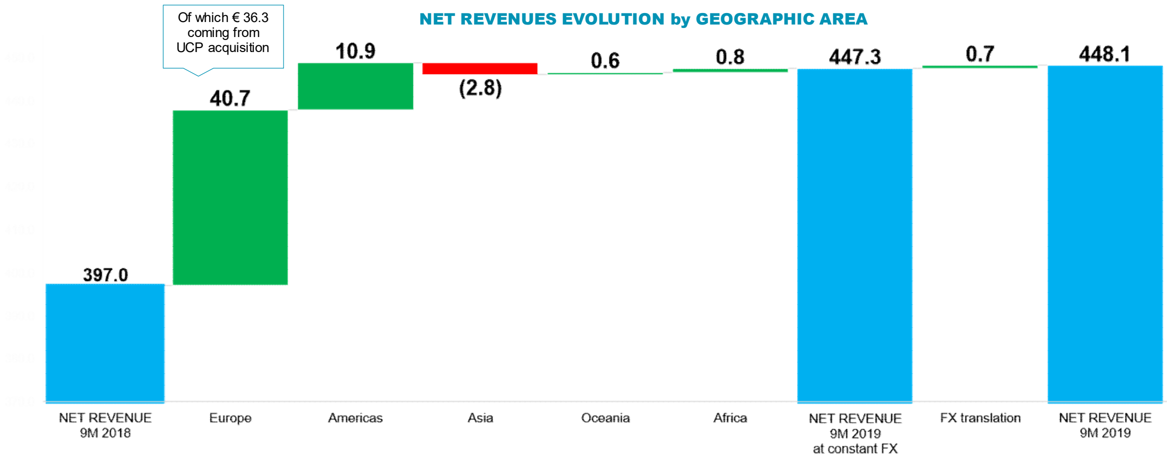
NET REVENUES BY GEOGRAPHICAL SEGMENT				
	9M 2018	9M 2019	Variation %	
			Current FX rates	Constant FX rates
Europe	223.2	265.7	19.0%	18.2%
% of Group Net Revenues	*56.2%*	*59.3%*		
Latin and North America	71.1	80.8	13.7%	15.4%
% of Group Net Revenues	*17.9%*	*18.0%*		
Asia	60.3	58.5	(3.0%)	(4.6%)
% of Group Net Revenues	*15.2%*	*13.1%*		
Oceania	30.0	30.3	0.9%	2.1%
% of Group Net Revenues	*7.6%*	*6.8%*		
Africa	12.4	12.7	2.5%	6.8%
% of Group Net Revenues	*3.1%*	*2.8%*		
Total Group Net revenues	**397.0**	**448.1**	**12.9%**	**12.7%**

In **Europe**, in the Group's core geographic area, net revenue rose by €42.5 million, increasing from €223.2 million in the first nine months of 2018 (56.2% of net revenue) to €265.7 million in the first nine months of 2019 (59.3%). The change in this area is mainly due to the consolidation of Guala Closures UCP (change in scope of €36.3 million) and to the increases recorded in the United Kingdom mainly in the luxury sector and in Spain in the aluminium closures for water sector.

In the **Americas**, revenue rose by €9.8 million, increasing from €71.1 million in the first nine months of 2018 to €80.8 million in the first nine months of 2019 (representing 17.9% and 18.0% of revenue respectively), despite the negative impact of the exchange rate trend (€-1.2 million). At constant exchange rates, the net revenue of this area would have been €10.9 million higher (+15.4%), €1.1 million of which related to the revaluation due to hyperinflation in Argentina. The change in this area is mainly attributable to the significant increase recorded in Mexico in the tequila safety closures market.

In **Asia**, after the fall in sales recorded in the first half of 2019, (-6.7% at current exchange rates and -7.1% at constant exchange rates), in the third quarter, sales finally started to stabilise. The downtrend of sales is due to the weak results recorded in China and by the Indian subsidiary, following the downturn of the domestic market and the start-up of operations of the company in Kenya, where part of these volumes has been moved.

In **Oceania,** following the market weakness in the first quarter and more stable revenue in the second quarter, in the third quarter a rise of €0.9 million was recorded at constant exchange rates. Sales in this area are mainly linked to the Wine sector, and in recent years they have been influenced by the trend in exports of bulk wine, which is then bottled in the destination country where it is consumed. In any event, the Group recorded higher revenue in this area thanks to higher sales prices, which offset the lower volumes.

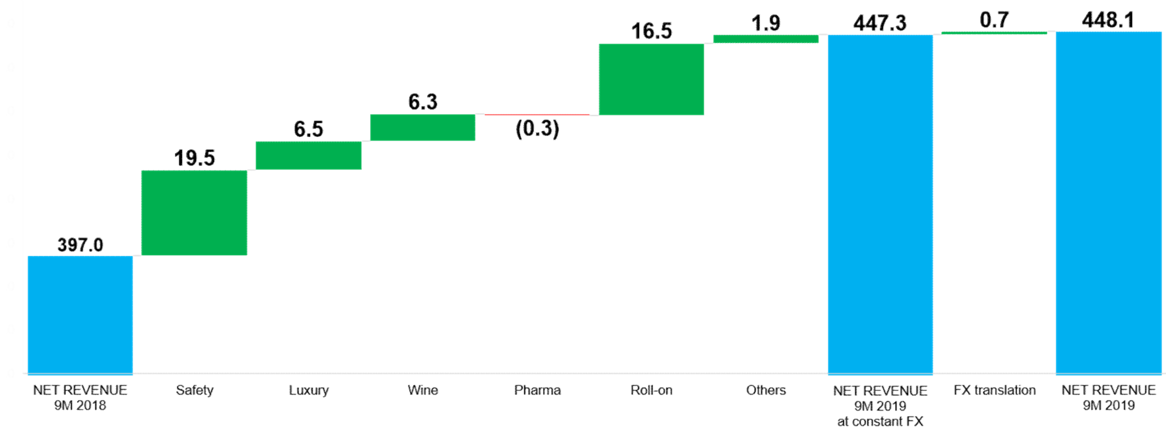


Breakdown of revenue by operating segment:

Specialty Closures ↗ ↘ (Safety, Luxury)

NET REVENUES BY PRODUCT				
	9M 2018	**9M 2019**	**Variation %**	
			Current FX rates	Constant FX rates
Safety	166.9	188.1	12.7%	11.7%
% of Group Net Revenues	*42.0%*	*42.0%*		
Luxury	15.9	23.0	44.6%	40.9%
% of Group Net Revenues	*4.0%*	*5.1%*		
Roll on	115.9	132.4	14.2%	14.2%
% of Group Net Revenues	*29.2%*	*29.5%*		
Wine	77.0	82.1	6.6%	8.2%
% of Group Net Revenues	*19.4%*	*18.3%*		
Pharma	6.7	6.4	(5.3%)	(5.0%)
% of Group Net Revenues	*1.7%*	*1.4%*		
PET	2.2	4.6	112.3%	112.3%
% of Group Net Revenues	*0.5%*	*1.0%*		
Other revenues	12.4	11.6	(6.5%)	(4.2%)
% of Group Net Revenues	*3.1%*	*2.6%*		
Total Group Net revenues	**397.0**	**448.1**	**12.9%**	**12.7%**

NET REVENUES EVOLUTION by PRODUCTS



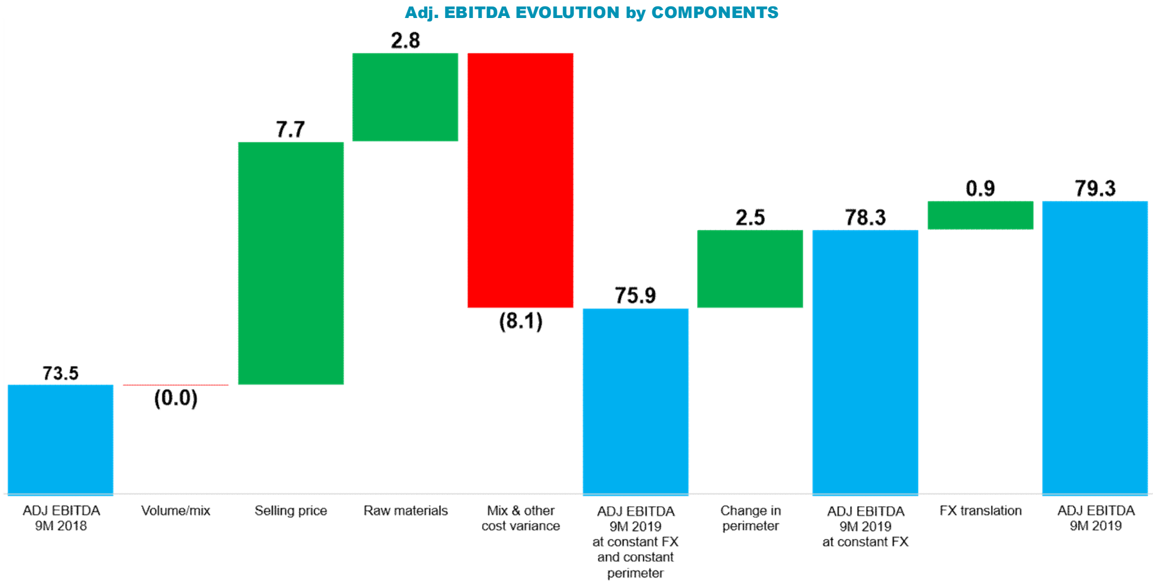
The revenue generated by **safety** closures, the Group's core segment, rose, at constant exchange rates, by 11.7% compared with the first nine months of 2018, thanks to the growth recorded by the tequila market in Mexico and to higher revenue recorded by the United Kingdom, also by virtue of the contribution of the consolidation of Guala Closures UCP.

Revenue from the **luxury** segment rose, at constant exchange rates, by 40.9% compared to the first nine months of 2018, as it now corresponds to 5.1% of the Group's net revenue against 4% in the same period last year. This increase is due above all to the recent investments made in the United Kingdom and Mexico to sustain the sector.

Revenue from sales of **Roll-on** closures rose at constant exchange rates, by 14.2% compared to the first nine months of 2018, due above all to the consolidation of Guala Closures UCP (€13.0 million) and to the increases recorded in the water segment in Italy.

Revenue from **Wine** closures recorded, at constant exchange rates, an increase of 8.2% against the same period of 2018.

Analysis of adjusted EBITDA::



In the first nine months of 2019, consolidated **Adjusted EBITDA** amounted to €79.3 million, marking an increase of €5.8 million (+7.9%) compared to the first nine months of 2018. At constant exchange rates, Adjusted EBITDA rose by €4.9 million (+6.7%) compared to the first nine months of 2018.
In terms of profit margins, in the first nine months of 2019, Adjusted EBITDA represented 17.7% of net revenue, compared to 18.5% in the first nine months of 2018; The fall in profit margins is exclusively due to the dilutive effect of the consolidation of UCP acquired in December 2018.
On a like-for-like basis with 2018 and at current exchange rates, the profit margin for the first nine months of 2019 was 18.7%, up compared to the first nine months of 2018 (18.5%).

The increase in sales prices and the fall in the cost of raw materials, mainly relating to the cost of plastic, more than offset the impact of volumes, mix and other cost changes. "Mix and other cost changes" include the positive impact of the application of IFRS 16 amounting to €3.9 million, which was more than offset by the generalised increase in the number of resources employed by the Group, and in particular in Mexico, where the new production plant for wooden closures which opened in 2018 is now fully operational, by the inflationary increase of wages, by higher energy costs, by costs for third-party processing, by higher recurring costs for services linked to the Group's status as a listed company and by provisions of €1.7 million relating to the long-term incentive plan for Managers with strategic responsibilities. The result for the period also benefitted from the consolidation of Guala Closures UCP (€2.5 million) and exchange rates (€0.9 million).

In the first nine months of 2019, the adjustments to EBITDA relate to **non-recurring costs** for around €4.4 million, which relate mostly to restructuring costs for around € 3.1 million for which the Group made provisions in the first half of the year, comprised mainly by €1.6 million relating to the reorganisation of the PET segment of Guala Closures Iberica and €0.8 million to the reorganisation of Guala Closures France, and €0.6 million to write-downs of property, plant and equipment involved in the above-mentioned restructuring project.

Consolidated **EBITDA** in the first nine months of 2019 reached €74.9 million (16.7% of net revenue), showing an increase of €24.0 million (+47.1%) compared to the first nine months of 2018. EBITDA in the first nine months of 2018 includes non-recurring costs of €15.1 million mainly attributable to costs for services related to the listing process of the Group and €7.4 million related to the PPA process, which entailed the recognition of inventories at 31 July 2018 at their fair value and therefore penalised the operating result for the first nine months of 2018 due to the sale of said inventories recognised at revalued book value.

Depreciation and amortisation rose by €20.0 million, increasing from €27.3 million in the first nine months of 2018 (6.9% of net revenue) to €47.4 million in the first nine months of 2019 (10.6% of net revenue). This significant increase is due mostly to the impact of the PPA process resulting from the business combination between the pre-merger Guala Closures Group and Space 4 S.p.A. Specifically, because of the recognition of assets with finite useful lives in place of assets with indefinite useful lives (goodwill), the Group's consolidated profit or loss for the first nine months of 2019 showed depreciation and amortization relating to said allocation process of €15.4 million. The pro-forma comparative information for the first nine months of 2018 included €2.9 million relating to the amortisation of the above-mentioned allocation process insofar as only two months of amortization are considered, namely the period between the reference date of the PPA process (31 July 2018) and 30 September 2018. Amortisation and depreciation in 2019 also increase due to the change in the scope of consolidation following the acquisition of UCP (€2.0 million), the application of IFRS 16 (€4.1 million) and investments made in the period.

Consolidated **EBIT** for the first nine months of 2019 was €27.5 million, up 16.6% compared to €23.6 million recorded in the first nine months of 2018.

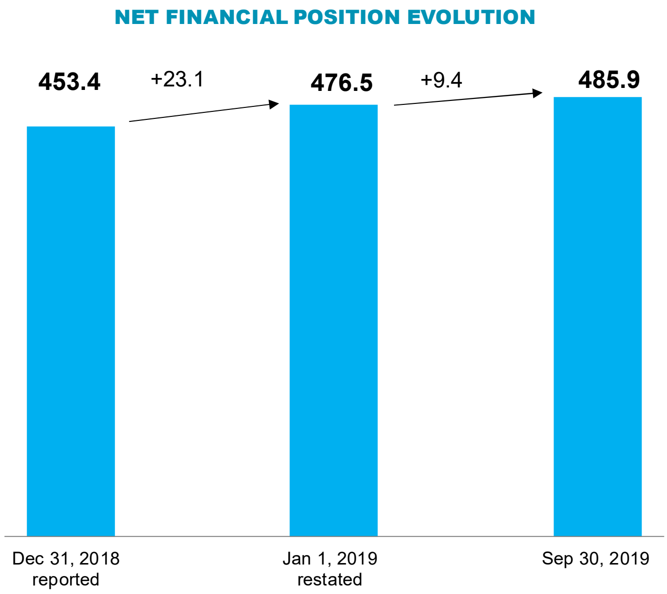
Net financial charges fell from €27.1 million in the first nine months of 2018 to €23.7 million in the first nine months of 2019. The decrease of €3.4 million is mainly due to the following factors:
a) the non-recognition in 2019 of €8.0 million recorded in 2018 and related to the transaction costs of a previous loan;
b) the positive effect of a fall in net interest expense (€4.3 million) due to a fall in overall debt and of the interest rate compared to the first nine months of 2018;
c) lower losses on exchange rates (€5.0 million),
partially offset by:
d) lower financial income recorded with regard to changes in the Fair Value of Market Warrants (€12.1 million) and,
e) financial charges relating to the change in the Fair Value of financial liabilities recognised with regard to the put options for the purchase of minority shareholdings (€1.4 million).
The changes in fair value of the Market Warrants refer to the change in the official value of Borsa Italiana S.p.A. between 31 December of the previous year and 30 September. The changes in the fair value of liabilities for minority shareholdings rose by €3.2 million in the first nine months of 2019 following the periodic update of the estimated fair value of the put options on minority shareholdings.

Income **taxes** fell by €5.8 million, dropping from €8.0 million in the first nine months of 2018 (2.0% of net revenue) to €2.3 million in the first nine months of 2019 (0.5%) mostly due to the effect of €4.1 million due to the reversal of deferred tax assets relating to the first nine months of 2019 recognised at 31 July 2018, the date of the business combination between the pre-merger Guala Closures Group and Space 4 S.p.A., in light of the surpluses arising from the PPA, and to the reversal of €4.0 million relating to deferred tax assets appropriated on the surpluses arising from the PPA process allocated to Guala Closures India following the new tax rate approved in September and applicable from 1 April 2019, which lowered the tax rate from 35% to 25%.

The **net result** for the period improved by €13.1 million, passing from a loss of €11.5 million in the first nine months of 2018 to a profit of €1.5 million in the first nine months of 2019. The improvement of €13.1 million originates from the increase of EBITDA (€24 million, of which €7.4 million related to the PPA process, which entailed the recognition of inventories at 31 July 2018 at their fair value and consequently penalised the operating result for the first nine months of 2018 due to the sale of said inventories recognised at a revalued book value) and from the reduction of net financial charges (€3.4 million), partially offset by the increase of amortisation and depreciation (€20 million, of which €12.5 million resulting from the PPA process); this improvement also reflects the reduction of income taxes (€5.8 million, of which €3.3 million in deferred tax assets relating to the PPA process and €4.0 million resulting from the reversal of deferred tax assets following the change of the tax rate in India).

Consolidated financial highlights

The chart below shows the change in net financial debt for the first nine months of 2019:



At 30 September 2019, **net financial debt** amounted to €485.9, it rose in the first nine months of 2019 due to the following:

- the €23.1 million increase in net financial debt at the beginning of 2019, attributable to two factors:
  - €6.1 million associated with the restatement of the comparative information from 2018 following the end of the Purchase Price Allocation and the consequent impact on the recognition of the business combination, which took place on 31 July 2018, in the accounts;
  - €17 million arising from the adoption of international accounting standard IFRS 16 and the ensuing recognition of lease liabilities with respect to operating leases
- €9.4 million associated with the cash flow for the period.

Despite the seasonal nature of the business and the significant rise in sales, the **cash flow** for the first nine months of 2019 (-€9.4 million) marked an improvement of €50.9 million compared to the same period of 2018 (-€60.3 million)—largely because of the cash flow from operating activities, which climbed €35.9 million from €10.3 million in the first nine months of 2018 to €46.3 million in the first nine months of 2019. This increase was attributable to the improved EBITDA and the policies implemented by the Group to optimise net working capital.

The cash flow from investing activities was up €2.7 million from €23.3 million in the first nine months of 2018 to €26.0 million in the first nine months of 2019. In addition to net investments in the period (€25.4 million in the first nine months of 2019 against €25.5 million in the first nine months of 2018) the change was due mainly to the following:

- in the first nine months of 2019, the payment of the deferred consideration for the acquisition made in 2017 of the Indian company Axiom Propack for €0.6 million;
- in the first nine months of 2018, the profit made on the disposal of the production plant in Torre d'Isola (€2.1 million).

In the first nine months of 2019, the change in net financial debt as a result of financing activities was -€29.7 million and was mainly due to net interest expense of €16.5 million, the payment of dividends to minority shareholders of €6.5 million, the change in the fair value of financial liabilities of €3.5 million (€3.2 million of which refers to the change if the financial liability for put options on the purchase of minority shareholdings and €0.3 million to the change in the fair value of Market Warrants) and the increase of liabilities for new rights of use of €2.3 million..

The difference of +€17.6 million, between the change in the first nine months of 2019 (-€29.7 million) and the change in the first nine months of 2018 (-€47.3 million) is mainly due to the following positive factors:

- the lack of the impact, recorded in 2018, of the business combination and refinancing (€23.2 million);
- lower net interest expense (+€4.0 million) due to the fall of the interest rate and the amount of debt following the refinancing made in the third quarter of 2018;
- lesser change of financial liabilities for put options (€3.4 million);
- lower negative impact on derivatives and other financial items of €3.8 million;

partially offset by the following negative factors:

- lesser change in the market value of the Market Warrants (€12.1 million);
- increase of financial liabilities following the recognition of new rights of use in the accounts in 2019 of €2.3 million;
- larger payment of dividends to minority shareholders (€1.9 million).

* * *

The additional financial information for the period ended September 30, 2019, together with the presentation slides, are available to the public at the company's registered office and on the website www.gualaclosures.com, section "Investor Relations – Documents – Financial Statements and reports" and on the authorised storage mechanism eMarket STORAGE at www.emarketstorage.com.

A conference call will be held today at 6:00 p.m during which the management of Guala Closures will present the results for the first nine months of 2019. The details to follow the conference call are available on website www.gualaclosures.com, section "Investor Relations".

* * *

Statement of the Manager in charge of financial reporting pursuant to art. 154-bis comma 2 of Legislative decree no. 58 of 24 February 1998 ("*Testo Unico della Finanza*")

The Manager in charge of financial reporting of Guala Closures S.p.A., Anibal Diaz, hereby states that pursuant to art. 154-bis 2 of Legislative decree no. 58 of 24 February 1998 ("Testo Unico della Finanza") the accounting information included in the current press release is consistent with the accounting records and entries.

* * *

Attached below some detailed tables, such as the reclassified consolidated statements of profit and loss compared with the pro-forma statement for the nine month period ending 30 September 2018 and the consolidated statement of cash flows compared to the pro-forma statement for the nine month period ending 30 September 2018, as well as the statement of profit and loss, balance sheet and consolidated statement of cash flows.

Marco Giovannini
Group Chairman and CEO

Anibal Diaz
Group CFO

For information:

Investor Relations:
Guala Closures S.p.A.
Alessandro Baj Badino
Tel +39 0131 753 1
abajbadino@gclinternational.com

Media contact:
Havas PR
Rafaella Casula
Tel +39 02 8545 7056
rafaella.casula@havaspr.com

13 November 2019

DEFINITIONS

Growth at constant exchange rates
The growth at constant exchange rates is calculated by applying the exchange rates of the previous year to the same items of the same period of the current year and making the comparison.

Organic growth in revenues
The organic growth in revenues is calculated adjusting the revenues of the two considered periods by acquisitions, by sales and by exchange rate effects (converting the revenues of the same period of the current year to the exchange rates of the previous year) and making the comparison

EBITDA
Result before interests, taxes, depreciation and amortization.

EBIT
Result before interests and taxes.

ADJUSTED EBITDA – ADJUSTED EBIT
“Adjusted”: alternative performance measure determined excluding certain revenue or cost items in order to improve the interpretation of the Group's normalized profitability of the year.

Guala Closures S.p.A. – condensed interim consolidated financial statement of profit or loss for the nine months ended September 30, 2019 (compared to proforma for the nine months ended September 30, 2018)

(Thousands of Euros)	For the nine months ended Sep 30,	
	2018 Pro Forma	**2019**
Net revenue	**397,008**	**448,064**
Change in inventories of finished goods and semi-finished products	2,201	7,950
Other operating income	2,714	2,867
Work performed by the Group and capitalised	4,014	3,268
Costs for raw materials	(185,661)	(200,672)
Costs for services	(85,124)	(86,393)
Personnel expense	(74,883)	(91,306)
Other operating expense	(9,035)	(8,288)
Impairment	(308)	(596)
Gross operating profit (EBITDA)	**50,925**	**74,895**
Amortization	(27,332)	(47,377)
Operating profit (EBIT)	**23,593**	**27,518**
Financial income	17,045	6,554
Financial expense	(44,117)	(30,272)
Net financial expense	**(27,072)**	**(23,717)**
Profit before taxation	**(3,479)**	**3,800**
Income taxes	(8,045)	(2,262)
Profit (loss) for the period	**(11,524)**	**1,538**
Gross operating profit adjusted (Adjusted EBITDA)	**73,472**	**79,264**
% on net revenue	*18.5%*	*17.7%*

Guala Closures S.p.A. - condensed interim consolidated statement of financial position as at September 30, 2019

Thousands of Euros	December 31, 2018 (*)	September 30, 2019
Intangible assets	883,533	875,446
Property, plant and equipment	239,851	223,541
Right-of-use assets	-	26,799
Contract costs	29	154
Non-current assets classified as held for sale	-	520
Net working capital	124,732	144,085
Contract assets (liabilities)	25	(196)
Net financial derivative assets	88	(8)
Employee benefits	(6,461)	(6,617)
Other net liabilities	(139,328)	(128,054)
Net invested capital	**1,102,468**	**1,135,671**
Financed by:		
Net financial liabilities	472,224	472,763
Financial liabilities - IAS 17 / IFRS 16 effect	6,095	19,890
Financial liabilities – put option to non-controlling investors	24,647	27,865
Market Warrants	4,338	4,650
Cash and cash equivalents	(47,795)	(39,288)
Net financial indebtedness	**459,509**	**485,880**
Consolidated equity	**642,959**	**649,791**
Sources of financing	**1,102,468**	**1,135,671**

(*) The comparative figures at December 31, 2018 were restated to reflect the effects of the business combination which took place on July 31, 2018. Guala Closures Group has applied IFRS 16 starting from January 1, 2019 and elected to adopt the modified retrospective approach under which the comparative figures are not restated and there were no FTA effects in the reserves at January 1, 2019.

Guala Closures S.p.A. – condensed interim consolidated statement of cash flows for the nine months ended September 30, 2019 (compared to <u>proforma</u> for the nine months ended September 30, 2018)

(Thousands of Euros)	For the nine months ended September 30, 2018 Pro Forma	2019
Opening net financial indebtedness	**(552,513)**	**(459,509)**
Opening net cash	**145,666**	**-**
Effects of IFRS 16 FTA	**-**	**(16,962)**
A) Opening net financial indebtedness Pro Forma	**(406,848)**	**(476,471)**
B) Cash flows from operating activities		
Gross operating profit (EBITDA)	50,925	74,895
PPA – margin on inventory	7,424	-
Change in net working capital	(31,861)	(16,186)
Other operating items	(2,452)	311
Taxes	(13,692)	(12,760)
Total B) Net cash from operating activities	**10,344**	**46,259**
C) Cash flows used in investing activities		
Net investments	(23,316)	(22,662)
Change in liabilities for investments	(2,152)	(2,773)
Proceeds from sale of assets held for sale	2,130	-
Contingent consideration for the acquisition of Axiom Propack (India)	-	(554)
Total C) Cash flows used in investing activities	**(23,339)**	**(25,990)**
D) Change in net financial indebtedness due to financing activities		
Increases in rights of use assets	-	(2,308)
Net interests expense	(20,426)	(16,455)
Dividends paid	(4,605)	(6,526)
Change on the liability for put option	(6,578)	(3,218)
Fair value gains (losses) on market warrants	11,794	(312)
Acquisition of non-controlling interest in Guala Closures Argentina	(114)	-
Derivatives and other financial items	(4,625)	(846)
Effect of exchange rate fluctuation	938	471
<u>Effects deriving from business combination and refinancing:</u>		
Withdrawal	*(31,323)*	-
Financial expense related to transaction costs on the previous bond issue and revolving facility	*(7,995)*	*(483)*
Market Warrants opening impact	*(9,367)*	-
Capital increases	*25,000*	-
<u>Total effects deriving from business combination and refinancing</u>	*(23,685)*	*(483)*
Total D) Change in net financial indebtedness due to financing activities	**(47,301)**	**(29,677)**
E) Total change in net financial indebtedness (B+C+D)	**(60,296)**	**(9,408)**
F) Closing net financial indebtedness (A+E)	**(467,143)**	**(485,880)**

Guala Closures S.p.A. – condensed interim consolidated financial statement of profit or loss for the nine months ended September 30, 2019

(Thousands of Euros)	For the nine months ended Sep 30	
	2018	**2019**
Net revenue	**91,326**	**448,064**
Change in inventories of finished goods and semi-finished products	(8,220)	7,950
Other operating income	687	2,867
Work performed by the Group and capitalised	510	3,268
Costs for raw materials	(40,396)	(200,672)
Costs for services	(23,502)	(86,393)
Personnel expense	(15,868)	(91,306)
Other operating expense	(1,689)	(8,288)
Impairment	-	(596)
Gross operating profit (EBITDA)	**2,849**	**74,895**
Amortization	(8,328)	(47,377)
Operating profit (EBIT)	**(5,479)**	**27,518**
Financial income	13,693	6,554
Financial expense	(17,561)	(30,272)
Net financial expense	**(3,868)**	**(23,717)**
Profit before taxation	**(9,347)**	**3,800**
Income taxes	547	(2,262)
Profit (loss) for the period	**(8,801)**	**1,538**

Gross operating profit adjusted (Adjusted EBITDA)	**18,738**	**79,264**
% on net revenue	*20.5%*	*17.7%*

Guala Closures S.p.A. – condensed interim consolidated statement of cash flows for the nine months ended September 30, 2019

(Thousands of Euros)	For the nine months ended September 30,	
	2018	**2019**
A) Opening Cash and cash equivalent	**512,206**	**47,795**
B) Cash flows from operating activities		
Profit before taxation	(9,347)	3,800
Amortization and depreciation	8,328	47,377
Net finance costs	3,868	23,717
Change in:		
Receivables, payables and inventory	2,822	(16,186)
Other	(628)	311
VAT and indirect tax assets/liabilities	181	(563)
Income taxes paid	(3,959)	(12,197)
Total B) Net cash from operating activities	**1,264**	**46,259**
C) Cash flows used in investing activities		
Acquisitions of property, plant and equipment and intangibles	(4,639)	(25,512)
Proceeds from sale of property, plant and equipment and intangibles	53	77
Deferred payment on acquisition of Axiom Propack Ltd (India)	-	(554)
Acquisition of Guala Closures Group, net of cash acquired	(306,374)	-
Total C) Net cash used in investing activities	**(310,960)**	**(25,990)**
D) Cash flows used in financing activities		
Withdrawal of previous shareholders	(31,323)	-
Interests received	1,036	1,746
Interests paid	(5,933)	(16,716)
Payment of transaction cost on Bonds issued in 2018	(12,468)	(483)
Other financial items	(5,599)	(927)
Dividends paid	(130)	(6,526)
Proceeds from new borrowings and bonds	451,105	2,489
Repayment of borrowings and bonds	(566,767)	(3,372)
Repayment of finance leases	(392)	(5,466)
Change in financial assets	858	(192)
Total D) Net cash used in financing activities	**(169,614)**	**(29,448)**
E) Net cash flows used in the period (B+C+D)	**(479,310)**	**(9,178)**
F) Effect of exchange rate fluctuations on cash held	(440)	672
G) Closing Cash and cash equivalent (A+E+F)	**32,456**	**39,288**

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