



# 2007

## Annual Report and Accounts

CORTICEIRA AMORIM, S.G.P.S., S.A.

### About CORTICEIRA AMORIM, S.G.P.S., S.A.

While tracing its roots to the XIX century, CORTICEIRA AMORIM, S.G.P.S., S.A. has become the world's largest cork and cork-derived company in the world, generating over **€ 453 million** in sales throughout **more than 100 countries**.

CORTICEIRA AMORIM, S.G.P.S., S.A. and its subsidiaries are an integral part of a conservationist effort to guarantee the survival of **hundreds of thousand of cork trees** throughout the Mediterranean Basin.

We are proud of our contribution to the correct utilisation of these important forests that represents a key role in the CO<sub>2</sub> retention, contributing this way to preserve biodiversity and preventing desertification.

We encourage you to learn more by visiting informative websites such as [www.corkfacts.com](http://www.corkfacts.com) or [www.apcor.pt](http://www.apcor.pt).



AMORIM



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## Chairman's Letter

### Dear Shareholders,

The world economy continued to grow at a significant pace, although that growth was not uniform. The more favourable first half of 2007, which benefited from the strong *momentum* of world trade, was followed by a second-half marked by the high-risk mortgage credit crisis in the US. Because of the interrelationship between business operations and globalisation, the effects of this crisis spread rapidly to other sectors, penalising economies in general.

Although the Portuguese economy is not immune to the consequences of the subprime crisis, it continued to grow in 2007 – albeit at a slower pace than the European Union average – benefiting from a favourable evolution of external demand, private investment and the consolidation of public finances.

CORTICEIRA AMORIM, a global Group that operates in more than a hundred countries, was inevitably affected by the worsening of some key conditions for its business, particularly higher oil prices, the depreciation of the US dollar against the Euro and higher interest rates. However, the group's diversification strategy – “more than one product, more than one market, more than one currency” – and its increased operational efficiency helped increase business and, in particular, produced greater profitability.

Today's world wine market, which is again expanding, is strongly committed to analysing every factor, internal and external, that could influence the quality of the wine it produces. In spite of the growth in market share for plastic and aluminium closures, this search for quality is strongly focused on the effects of the type of bottle closure used. The failure to find manufacturing processes that effectively replicates the quality that cork clearly possesses of balance between extraction effort and an optimum level of oxygen permeability for winemaking has made the cork stopper the bottle closure of choice and the industry benchmark for quality, performance and image.

In this context, 2007 was a particularly important year for the Cork Stopper Business Unit, which accounts for more than half of CORTICEIRA AMORIM's sales. Benefiting from the most efficient manufacturing systems in the sector, in terms of technology and costs, the Unit continues to supply products that achieve the highest levels of sensory mechanical and visual performance.

By means of the acquisition of a major shareholding in the Oller Group, an important player in the Champagne cork stopper segment, with an important presence in the main world markets, the Cork Stopper Business Unit also strengthened its presence and leadership of important industry segments and markets. Through the acquisition of Sobefi, located in the Cognac region of

“CORTICEIRA AMORIM welcomes sustainable development as the new driving force in its business – embracing the cause of protecting the cork oak forest and assuming the role of ensuring economic viability, increasing public awareness and providing sustainable management for this unique ecosystem.”





France, it also took an important step towards implementing its sales growth strategy for capsule closures.

In spite of an unfavourable international economic climate for the real estate construction and renovation industry, the superior quality, the ecological features and the attractive and functional design of the products delivered by the Floor and Wall Coverings Business Unit have provided clear advantages that have enabled the Unit to overcome a certain degree of apathy in the sector and lift its sales by a substantial amount.

As the ecological and innovative characteristics of the products produced by the group's other Business Units become better known and highly valued, CORTICEIRA AMORIM has also embraced the challenge leading innovation and R&D in these markets.

At the end of 2007, the Agglomerated Cork and CorkRubber Business Units were merged to create a new Cork Composites Business Unit, an important step in the group's strategy to leverage business development, widen and strengthen the loyalty of its Customer base and improve operational efficiency.

In several important areas, CORTICEIRA AMORIM is a unique Organisation: no other industry group rivals in its knowledge across the whole range and diverse factors of the cork industry; no other group rivals its presence in existing and potential markets, anticipating trends and responding to quality requirements; no other group is as committed to promoting cork and enhancing its value, researching and developing new applications and new products; and, above all, no other group has taken on the crucial role of ensuring the conservation of the unique ecosystem of the cork oak forest.

At CORTICEIRA AMORIM, traditional management methods gave away several decades ago to a professional management approach based on an integrated, holistic view of the business. The permanent challenges the group faces and its responsibility as the engine driving the whole cork segment, which involves more than 100,000 jobs, are the key motivations for the Group's continued evolution.

In 2007, CORTICEIRA AMORIM announced the restructuring of its organisational model, which from 2008 will enable the company to implement an integrated business strategy and share business know-how transversally across the whole Group.



Another highlight of the year was the creation of Amorim Cork Research. Its activities, which will support all the group's Business Units, will be decisive for achieving two major global objectives: the development of innovative products and/or solutions and the registration of the respective patents (new techniques, technologies and processes). In organisational terms, the new unit is intended to become an advanced centre for innovation, covering both Research and Development and the Intellectual Property that it produces.

CORTICEIRA AMORIM welcomes sustainable development as the new driving force in its business – embracing the cause of protecting the cork oak forest and assuming the role of ensuring economic viability, increasing public awareness and providing sustainable management for this unique ecosystem – by making it part of an industrial operation geared towards sustained economic, social and environmental prosperity. Uniquely in the sector, the Company has assumed the responsibility of making public its policies, practices and goals in this area by publishing a sustainability report, which has been welcomed with great interest and enthusiasm by its Stakeholders.

We are aware that the development of our activities is interconnected with a range of increasingly diverse and unforeseeable factors. The whole Organisation, however, is strongly committed to – and has succeeded in – building a solid Group that delivers strong results, particularly at the operational level; a group that is financially stable and that promotes, together with its Employees, a process of permanent improvement and innovation that involves the entire organisation in advancing CORTICEIRA AMORIM's strategy.

For all these reasons, we face the future with confidence and determination.

Finally, on behalf of all the members of the Board of Directors, I would like to extend our appreciation and gratitude to our Customers and Shareholders for the confidence they have placed in us; to the many Entities with whom we have a relationship for their support; and, particularly, to our Employees for their professionalism and dedication.

Respectfully,



**António Rios de Amorim**  
**Chairman and CEO**  
**CORTICEIRA AMORIM, S.G.P.S., S.A.**

Today, CORTICEIRA AMORIM  
is internationally recognised  
for the activity it leads  
and for the competence  
of the whole Organisation  
which supports it.





# Board Members\*



## BOARD OF DIRECTORS

**Chairman:** António Rios de Amorim

**Vice-Chairman:** José Américo Amorim Coelho

**Member:** Joaquim Ferreira de Amorim

**Member:** José Fernando Maia de Araújo e Silva

**Member:** Nuno Filipe Vilela Barroca de Oliveira

**Member:** Luísa Alexandra Ramos Amorim

**Member:** José da Silva Carvalho Neto

## BOARD OF THE GENERAL MEETING

**Chairman:** Joaquim Taveira da Fonseca

**Secretary:** Tiago Borges de Pinho

## STATUTORY AUDITOR

**Auditor:** PricewaterhouseCoopers & Associados – Sociedade de Revisores  
Oficiais de Contas, Lda., represented by José Pereira Alves (ROC)  
or António Joaquim Brochado Correia (ROC)

**Substitute:** Hermínio António Paulos Afonso (ROC)

## SUPERVISORY BOARD:

**Chairman:** Durval Ferreira Marques

**Member:** Joaquim Alberto Hierro Lopes

**Member:** Gustavo José de Noronha da Costa Fernandes

**Substitute Member:** Alberto Manuel Duarte de Oliveira Pinto

\* Board Members as of December 31, 2007.



# Chart 2007

## CORTICEIRA AMORIM, S.G.P.S., S.A.

### Raw Materials

AMORIM FLORESTAL, S.A.
RAW MATERIALS
Amorim Florestal Ponte de Sôr – PORTUGAL
Amorim Florestal Coruche – PORTUGAL
Amorim Florestal, S.A. Abrantes – PORTUGAL
Amorim Florestal España, S.L. Algeciras – SPAIN
Amorim Florestal España, S.L. San Vicente de Alcántara – SPAIN
Comatral – Compagnie Marocaine de Transformation du Liège, S.A. Skhirat – MOROCCO
S.N.L. – Société Nouvelle du Liège Tabarka – TUNISIA
F.L.T. – Société Fabrique de Liège de Tabarka, S.A. Tabarka – TUNISIA
S.I.B.L. – S.A.R.L. Jijel – ALGERIA

### Cork Stoppers

AMORIM & IRMÃOS, S.G.P.S., S.A.	
PRODUCTION	DISTRIBUTION
Amorim & Irmãos, S.A. Santa Maria de Lamas – PORTUGAL	Amorim Distribuição Santa Maria de Lamas – PORTUGAL
Amorim & Irmãos, S.A. Paços de Brandão – PORTUGAL	Amorim Australasia Adelaide – AUSTRALIA
Amorim & Irmãos, S.A. Vergada – PORTUGAL	Amorim Cork Italia, S.p.A. Conegliano – ITALY
Amorim & Irmãos, S.A. Valada – PORTUGAL	Amorim Cork Deutschland, GmbH Bingen am Rhein – GERMANY
Amorim & Irmãos, S.A. Rolhas de Champanhe Santa Maria de Lamas – PORTUGAL	Amorim Cork Bulgaria, EOOD Sofia – BULGARIA
Portocork Internacional, S.A. Santa Maria de Lamas – PORTUGAL	Amorim Cork America, Inc. Napa Valley, CA – USA
Equipar, S.A. Coruche – PORTUGAL	Amorim France, S.A. Eysines, Bordeaux – FRANCE
Francisco Oller, S.A. Girona – SPAIN	Victor & Amorim, S.L. Navarrete (La Rioja) – SPAIN
	Hungarokork Amorim, Rt. Veresegyház – HUNGARY
	Korken Schiesser, GmbH Wien – AUSTRIA
	Amorim Argentina, S.A. Buenos Aires – ARGENTINA
	Portocork America, Inc. Napa Valley, CA – USA
	Amorim Cork South Africa (PTY) Ltd. Cape Town – SOUTH AFRICA
	Industria Corchera, S.A. Santiago – CHILE
	Société Nouvelle des Bouchons Trescases, S.A. Le Boulou – FRANCE
	I.M. «Moldamorim», S.A. Chisinau – REPUBLIC OF MOLDOVA
	Amorim Cork Beijing, Ltd. Beijing – CHINA
	SA Oller et Cie Reims – FRANCE



## Floor & Wall Coverings

### AMORIM REVESTIMENTOS, S.A.

PRODUCTION	DISTRIBUTION
Amorim Revestimentos, S.A. S. Paio de Oleiros – PORTUGAL	Amorim Benelux B.V. Tholen – NETHERLANDS
Amorim Revestimentos, S.A. Lourosa – PORTUGAL	Amorim Deutschland GmbH & Co. KG Delmenhorst – GERMANY
	Amorim Flooring Austria Ges.m.b.H. Wien – AUSTRIA
	Amorim Flooring Nordic A/S Copenhagen – DENMARK
	Amorim Flooring (Switzerland) AG Zug – SWITZERLAND
	Amorim Revestimentos, S.A. Barcelona – SPAIN
	Dom Korkowy, Sp. Zo.o Krakow – POLAND
	Amorim Flooring North America Hanover, MD – USA

## Composite Cork

### CORTICEIRA AMORIM INDÚSTRIA, S.A.

Corticeira Amorim – Indústria S.A.  
Mozelos – PORTUGAL

Drauvil Europea, S.L.  
San Vicente de Alcántara – SPAIN

## Cork Rubber

### AMORIM INDUSTRIAL SOLUTIONS, S.G.P.S., S.A.

Amorim Industrial Solutions  
– Indústria de Cortiça e Borracha I, S.A.  
Corroios – PORTUGAL

Amorim Industrial Solutions  
– Indústria de Cortiça e Borracha II, S.A.  
Mozelos – PORTUGAL

Amorim Industrial Solutions, Inc.  
Trevor, WI – USA

Samorim  
Kinel, Samara – RUSSIA

Amorim (UK) Limited  
London – U.K.


## Insulation Cork

### AMORIM ISOLAMENTOS, S.A.


Amorim Isolamentos, S.A.  
Mozelos – PORTUGAL

Amorim Isolamentos, S.A.  
Silves – PORTUGAL

Amorim Isolamentos, S.A.  
Vendas Novas – PORTUGAL



“Cork is a gift of Nature  
and a key factor for  
Sustainable Development.”



*Américo Amorim*



SECTION I

## Significant Events





## SECTION I

# Significant Events

### January

Wicanders launched **HPS – High Performance Surface**, an innovative product specially conceived for commercial areas with heavy foot traffic. The wear layer incorporates a new matt surface finish, created using nanoparticle technology, which renders it more resistant to scuffs, stains, scratches and rubber marks, while making maintenance easier and quicker.

**Corticeira Amorim – Indústria** took part in **BAU 2007 in Munich (Germany)**, where it launched **AcoustiCORK DPW**, a new cork underflooring with a wavy surface that allows air to circulate between the flooring and the concrete foundation, ensuring extra protection against fungi and microbes.

**Amorim & Irmãos** took part in **WINE EVOLUTION, in France**, an important event held in France that aims to provide valuable information to international executives in the wine and spirits industry. A seminar on wine bottle closures was among the sessions held during the event.

**Amorim Deutschland** took part in **HEIMTEXTIL in Frankfurt, DOMOTEX in Hanover and BAU 2007 in Munich (Germany)**, three important industry trade fairs where Amorim technical innovations, new concepts and products were exhibited. The new President and Royal collections were highlighted. These natural cork floor coverings, aimed at the high end of the market, were very well received by the market.

**Corticeira Amorim – Indústria** participated in **PAPERWORLD 2007, in Frankfurt (Germany)**, where it presented its new Cork Nature collections: Teenagers, Skate, 3-in-1 and Retro Organizer, which represent an effective combination of design and product function.

**Amorim & Irmãos** exhibited at **ENOVIT – the 4<sup>th</sup> Trade Exhibition for Viticulture and Oenology Technologies and Equipment – held at FIL, Parque das Nações in Lisbon (Portugal)**. The large number of industry professionals who visited the company stand had an opportunity to discover the Cork Stopper Business Unit's latest innovations.

#### TREE HOUSE

*Design Cork Project,  
a partnership of  
CORTICEIRA AMORIM  
and SUSDESIGN*

*Authors: Ana Correia,  
Bruno Guerreiro, Vasco Lopes  
and Vera Gomes*

Cees Groenewegen, Managing Director of Amorim Benelux, was appointed President of the Netherlands' Parquet Alliance, an association of parquet manufacturers and importers that promotes natural products and builds relationships with leading distributors to improve market conditions and enhance the image of natural flooring products. Association members represent approximately 60% of all the wood and cork parquet flooring sold in the Benelux Region.

Amorim Isolamentos participated in BIOCLIMA, the Sustainable Construction Trade Fair, in Bolzano (Italy), with a stand that highlighted materials and other products created by the Insulation Cork Business Unit for use in bio construction.

## February

CORTICEIRA AMORIM held an Investor and Analyst conference call to present its operations and consolidated financial results for 2006. Consolidated Sales reached €442.6 million, to which the Floor and Wall Coverings Business Unit made a particularly strong contribution. Benefiting from increased Sales and a Higher Gross Margin, EBITDA (earnings before interest, taxes, depreciation and amortisation) reached €56 million, with EBIT (earnings before interest and taxes) also registering significant growth. The net earnings of CORTICEIRA AMORIM rose to €20.104 million, up 27.7% on the previous year.

APCER awarded Corticeira Amorim – Indústria Certification to OHSAS Standard 18001:1999, recognising the quality of its occupational health and Safety Management System as well as the company's commitment to minimising the risk of accident and work-related illness.

Amorim & Irmãos took part in the "Best of the Year" event, organised by Revista de Vinhos, a leading Portuguese wine magazine. The awards were presented to the best wine industry companies and professionals in 2006. António Rios de Amorim, chairman of CORTICEIRA AMORIM, presented the "Company of the Year – Liqueur Wines" award to Bacalhôa Vinhos de Portugal, S.A.

Amorim & Irmãos participated in ENOMAQ – the 16<sup>th</sup> International Exhibition of Winery and Bottling Machinery and Equipment, in Zaragoza (Spain). At this fair, which is internationally recognized to be one of the most important in the Iberian Peninsula, Amorim & Irmãos was presented with the innovation award for its patented, anti-TCA ROSA Evolution® system.

Amorim Revestimentos was selected for the prestigious "Textile and Decoration Innovation Awards" attributed by the German magazine AIT (Intelligent Architecture) in partnership with Messe Frankfurt, one of the leading international home textiles and furnishing events.





Corticeira Amorim – Indústria  
(Composite Cork BU)

*The Company was rewarded in the NATIONAL FLOOR SHOW 2007, which took place in September 2007, in the United Kingdom.*

## March

CORTICEIRA AMORIM held its Annual General Shareholders Meeting, which was attended by 70.8% of the Company's Shareholders or their representatives.

Amorim Revestimentos presented its Wicanders brand at DOMOTEX ASIA/CHINA FLOOR, the International Floor Coverings Trade Fair, in Xanghai (China), where it was very well received.

Corticeira Amorim – Indústria participated in an innovative project in partnership with the Portuguese company M.A.R. Kayaks, Lda., whose NELO kayaks, used by most world and olympic champions, are renowned worldwide. Cork gives the kayaks unique features, including greater impact resistance and thermal stability. It has also contributed to optimising the M.A.R. Kayaks' production processes.

Amorim & Irmãos received 50 members of the Krems (Austria) Winegrowers Cooperative. They visited the industrial units at Coruche and Equipar, which produce discs for technical and Champagne cork stoppers. They observed the production processes for several different types of stoppers and were impressed by the high level of technology used in producing cork stoppers.

The Architectural Department of Chile's Ministry for Public Works organised a technical seminar on the use of cork in Construction. María Irene Popescu, who is responsible for sales and promotion at Corticeira Amorim – Indústria and represents Amorim Revestimentos in Chile, and Eduardo Henriques, who represent the Portuguese trade body ICEP in Chile, gave a presentation on Portugal's cork industry, highlighting its industrial applications for the Public Works Ministry officials who attended.

## April

CORTICEIRA AMORIM announced its Consolidated Financial Results for the three months to March 31, 2007. Accumulated Consolidated Sales reached €117.6 million, up 2.7% on the same period in 2006. EBITDA and EBIT grew 2.5% and 2.6% respectively. CORTICEIRA AMORIM's Net Earnings rose to €3.874 million, an increase of 2.4% on the first quarter of 2006.

Amorim Cork Deutschland took part in INTERVITIS-INTERFRUCTA in Stuttgart (Germany), an event that attracted over 40,000 professional visitors. The company's stand was visited by more than 700 Clients, who used the opportunity to view the Cork Stoppers Business Unit's latest innovations, particularly its ROSA Evolution system.

Corticeira Amorim – Indústria sponsored the Circuit Portugal fashion show in Lisbon (Portugal), which featured a trio of designers known as the White TenT – Ei Ei Kyaw, Evi Tabakova and Pedro Noronha-Feio, who presented a collection of garments made of corkleather.



Amorim Revestimentos participated in Moscow's 13<sup>th</sup> International Fair of Construction Equipment and Materials – MOSBUILD/BATIMAT, the sector's biggest trade fair in Russia. The company's local distributors, Cork Gallery and Polimpex, used two different stands to present the Floor and Wall Coverings Business Unit's products and solutions to construction professionals, including architects, interior designers, planning engineers and top construction executives.

Amorim & Irmãos was represented at the Concours Mondial de Bruxelles, which in 2007 was held in Maastricht (Netherlands). The event was attended by more than 230 international wine experts who blind-tasted more than 5,700 wines from the 47 participating countries over a period of three days. Every year, these wine experts and Amorim & Irmãos collaborate in a detailed study of the tasting samples eliminated because of "cork taint". It was established that levels of both TCA<sup>1</sup> (caused by cork stoppers) and TBA<sup>2</sup> (caused by wood) were below 1%.

Corticeira Amorim – Indústria and Amorim Isolamentos participated in the MATERIALS AND THE CITY Exhibition, part of the International Materials Conference 2007 held at the Engineering Faculty of the University of Porto (Portugal).

Amorim & Irmãos hosted a visit by eight *sommeliers* from some of Britain's most prestigious restaurants (Suka, Tate Britain, One-o-One, Fat Duck). The visitors observed the whole process for producing cork stoppers from the cork oak to shipping the finished products to Customers.

<sup>1</sup> Trichloroanisole

<sup>2</sup> Tribromoanisole

## May

**General Meeting of CORTICEIRA AMORIM Shareholders approved alterations to the Company's Statutes and governing bodies together with other measures relating to the functioning of those bodies. The Meeting was attended by 70.9% of the Company's Shareholders or their representatives.**

**Amorim Industrial Solutions took part in the COIL WINDING, INSULATION AND ELECTRICAL MANUFACTURING EXHIBITION AND CONFERENCE, the biggest world fair for this sector and a major international event, which was held in Berlin (Germany). The Company presented its Corkrubber solutions for industrial sealing and acoustic insulation as applied to electrical power and distribution transformers.**

**Corticeira Amorim – Indústria sponsored 2ndSKIN Cork Jewellery, a project in which renowned international designers combined cork with the precious materials used to create jewellery, which was shown at several exhibitions in Portugal and overseas.**

**To mark the 10<sup>th</sup> International NATO Conference – SPS Pilot Study on Clean Products and Processes, which focused on the “Transfer and Incorporation of Sustainable Technologies by Industry”, Amorim & Irmãos was visited by 50 scientists from a number of NATO member countries. After a presentation on innovation and new products in the cork industry, the group visited a production unit where they observed some of the processes involved in the production of cork stoppers.**

**CORTICEIRA AMORIM relaunched its Internet site: [www.corticeiraamorim.com](http://www.corticeiraamorim.com). Providing an up-to-date image of the Company, the new site contains information on the Group's history, strategy and operations, acting as a permanent point of contact between the Company and its Stakeholders (Customers, Suppliers, Investors, Shareholders and Employees).**

**As part of the London International Wine & Spirit Fair, Amorim & Irmãos organised two technical workshops on “Sensory Defects in Wine” led by Dr. Pascal Chatonnet, a highly reputed wine producer and consultant, and one of the most prestigious scientists to have studied the organoleptic properties of wines. The aim of the workshops was to demonstrate the true sensory impact of a wide range of defects found in wine.**

**Amorim Cork stoppers uses the CORK MARK symbol, an international emblem that identifies products that contain or are made of cork. The use of the CORK MARK symbol, attributed by the Confédération Européenne du Liège, on a wine bottle label guarantees that it has a genuine cork stopper produced in accordance with the most rigorous quality standards.**

Amorim Isolamentos hosted a visit by a group of Italian architects. They visited a cork oak forest, observed cork manufacturing processes and examined the use of cork agglomerates for insulation during a visit that highlighted the technical and natural advantages of sustainable construction.

## June

Amorim & Irmãos took part in WINEXPO, an important wine fair held in the Republic of Georgia, where it received numerous visits from local partners and producers. The company also sponsored the official wine-tasting competition, strengthening its image as a world leader in cork stoppers in a market that is registering a significant level of qualitative growth.

For the second year running, Amorim Revestimentos attended DOMOTEX MIDDLE EAST – DUBAI 2007 to promote its Wicanders brand of floor and wall coverings in the Middle East, a region where the construction sector is enjoying an unparalleled vitality.

The Academie Amorim organised a debate on “The Influence of Wine Packaging and the Consumer: Environmental constraints? Foreseeable evolutions?” at VINEXPO in France. Themes discussed included the use and consumption of different types of packaging together with their economic costs and their impact on the environment, taking into account the environmental concerns of consumers and future development in the packaging industry. The panel of speakers included António Rios de Amorim, Chairman of CORTICEIRA AMORIM, Jean-Marie Chadronnier, Chairman of Vinexpo and Brian Howard, Editor of Wine Intelligence.

## July

CORTICEIRA AMORIM published its 2006 Sustainability Report, the first of the cork industry and the beginning of a regular, systematic and structured communication programme dedicated to sustainability issues. The aim is to promote a shared reflection with the company’s Stakeholders on how to develop its operations and the potential improvements that can be made with a view to increasing public wellbeing. Welcomed with great interest by Stakeholders, the CORTICEIRA AMORIM Sustainability Report was among the top downloads from the website of BCSD Portugal – the Business Council for Sustainable Development.

Corticeira Amorim – Indústria participated in ISOT 2007 (Japan), an important stationary and office materials fair, where it presented its Cork Nature-Teenagers, Skate, 3-in-1 and Retro Organizer collections.

Amorim & Irmãos organised a number of technical workshops on “Sensory Defects in Wine” in South Africa and the United States, led by Dr. Pascal Chatonnet. The



Wicanders HPS – High Performance Surface  
*The new matt surface finish, created using nanoparticle technology, renders it more resistant and resilient.*

workshops, which included a strong educational component, gave industry professionals a practical opportunity to compare and assess different types of sensory defects, particularly those caused by different types of bottle closures.

## August

CORTICEIRA AMORIM held an Investor and Analyst conference call to present its operations and its consolidated financial results for the first half of 2007. Accumulated consolidated sales reached €242.2 million at the end of the first half, driven by the performance of the Cork Stopper Business Unit. EBITDA and EBIT rose 9.6% and 16.3% respectively. Despite the negative impact of the depreciation of the US dollar on before-tax earnings, CORTICEIRA AMORIM's Net Profit rose to €9.145 million, up 11.2% on the same period in 2006.

Amorim & Irmãos was internationally recognised as the first packaging company to be certified by the Forest Stewardship Council (FSC), which provides Customers and the end Consumer with a product quality guarantee, certifying that good environment practices have been respected throughout the production process, from bark to bottle. This represents an extremely important step towards creating value over the long term, gaining new markets, strengthening brand value and, in this way, gaining the confidence of Stakeholders.

## September

CORTICEIRA AMORIM becomes an associate member of the BCS D Portugal – the Business Council for Sustainable Development. The principle mission of the BCS D Portugal is to create leading business catalysts for change in favour of sustainable development and to promote corporate eco-efficiency, innovation and social responsibility. CORTICEIRA AMORIM membership of the BCS D reflects the Group's policy of adopting and strengthening sustainable development practices and emphasises the active stance of the world's leading cork company and the contribution it makes to public wellbeing.

Corticeira Amorim – Indústria organised its 2007 Theme Week, which focused on Sustainability and Social Responsibility. The event involved Employees, Suppliers, Social Institutions, Local Schools and Environmental Organisations.

As part of a process of permanent improvement, Amorim & Irmãos completed the certification phase of its Food Safety System. Its main distribution units received certification to the standard of ISO 2200:2005.

Corticeira Amorim – Indústria participated in the NATIONAL FLOOR SHOW 2007 in the UK, where it was distinguished with the award for the best stand. The Company focused on presenting AcoustiCORK C31, a product with a wavy surface that has gained considerable popularity.

## October

CORTICEIRA AMORIM announced the acquisition, through Amorim & Irmãos, S.G.P.S., S.A., of 87% of the Oller Group, which comprises OLLER ET CIE, based in Reims (France) and Francisco Oller, S.A., based in Cassà de la Selva (Spain). The acquisition significantly strengthens the group's production and distribution capacity for Champagne stoppers in the French, Spanish and Italian markets, which are respectively famous for Champagne, Cava and Asti.

Amorim Revestimentos took part in BRANCHENTAG HOLZ, a fair held in Cologne (Germany), where it exhibited its Ipocork brand and Ipowood product range.

Amorim & Irmãos participated in the "The Great Cork Debate" held at COPIA – The American Center for Wine, Food & the Arts, in Napa (US). The panel was composed of Randall Graham (Bonny Doon Vineyard), Bruno Saizieu (Alcan Packaging Capsules), Pascal Chatonnet (Excell Laboratories) and Carlos de Jesus (Amorim & Irmãos). The standing of cork stoppers emerged strengthened from the debate due to its quality control innovations and environmental advantages.

CORTICEIRA AMORIM joins an innovative partnership for the Protection and Sustainability of the Cork Oak and Related Biodiversity Issues. As part of the Business and Biodiversity Initiative of the Portuguese Presidency of the European Union and included in the Action Programme for the Recovery of Cork and Holm Oak Groves, an innovative agreement was signed between CORTICEIRA AMORIM, Portugal's Directorate General of Forestry Resources, the Institute for Nature Conservation and Biodiversity, Quercus and the World Wildlife Fund. The organisations involved are pooling their interests with a view to strengthening the economic instruments available for supporting the sustainability of cork oak plantations in recognition of the crucial role they play in supporting biodiversity and combating desertification and climate change.

Revestimentos Amorim participated in FILDA – CONSTRÓI ANGOLA 2007 – the 5<sup>th</sup> International Civil Construction, Public Works and Safety Fair, in Luanda (Angola), where its WICANDERS brand was exhibited at the stand of the company's local partner ELECAFRIO.

Amorim Isolamentos participated in important construction material fairs:

- CONCRETA – Porto (Portugal) – the stand exhibited application systems for thermal insulation agglomerates and coconut fibre agglomerates for acoustic solutions;
- SAIE – Bologna (Italy) – the stand focused on the advantages of the company's products for thermal and acoustic insulation and for sustainable construction.



#### CORTICEIRA AMORIM

*Innovative partnership for the protection and sustainability of the cork oak and related biodiversity issues.*

### November

CORTICEIRA AMORIM announced the merging of its Agglomerates and CorkRubber Business Units into a single Unit – an important step in advancing the Group's strategy for accelerating business growth, broadening its current Customer base, strengthening Customer loyalty and increasing operational efficiency.

CORTICEIRA AMORIM announced its Consolidated Results as of 30 September 2007. In the first nine months of 2007, Accumulated sales reached €352.9 million. At the end of the third quarter, EBITDA and EBIT showed accumulated growth of 10.5% and 22.8% respectively. CORTICEIRA AMORIM's accumulated net earnings rose to €14.7 million, up 14.7% on the same period in 2006.

Corticeira Amorim – Indústria participated in the COMPOSITES EUROPE 2008 exhibition in Stuttgart (Germany) where it presented its innovative Cork Polymer Composite (CPC) product, the result of a collaboration between the Agglomerates Business Division and Wacker, the leading company in this sector.

Amorim Revestimentos held its International Sales Meeting 2007 at Europarque in Santa Maria da Feira (Portugal). The programme focused on aligning Employees with the Company business and value creation strategies.

Amorim & Irmãos, in partnership with the University of Bordeaux, published a study measuring oxygen admission during the wine-bottling process. The study demonstrates the advantages of cork over synthetic stoppers. Wine bottled using the latter showed high levels of oxidation.

Corticeira Amorim – Indústria participated in the RAILWAY INTERIORS 2008 exhibition held in Cologne (Germany), where, in association with its partners Alma Design, Couro Azul and IPE, it presented the application of an innovative eco-design for the interior of railway carriages.

### December

CORTICEIRA AMORIM announced the acquisition, through Amorim France, of SOBEFI, a sales and production unit for bar-top closures in the Cognac region (France) – an important step in implementing the group's growth strategy for its Cork Stoppers Business Unit in high added-value markets.

CORTICEIRA AMORIM announced a renewal of its organisational model – A New Organisation for New Challenges. Highlights include the creation of two macro-areas for implementing business strategy: Amorim Natural Cork and Amorim Cork Composites, as well as a transversal support unit for the whole group called Amorim Cork Research.

Amorim Flooring presented Acrodur, an advanced technology agglutinate created by BASF, representing the next generation of cork floor and wall covering products. Amorim Flooring's brands (Wicanders, Ipocork and Corklife) are now available with this new water-based agglutinate, which is low in gaseous emissions, provides high technical performance and will replace the classic Melamine-Formaldehyde-Urea resin.

Amorim & Irmãos supported the closing session of the Portuguese Presidency of the Council of the Europe Union held in Brussels (Belgium). To draw the attention of EU Heads of State to the history and culture of Portugal and to raise their awareness of the quality and versatility of cork, the lunch menu for this official event was printed on cork.

Amorim Isolamentos participated in the 3<sup>rd</sup> National Construction Congress held in Coimbra (Portugal), an event attended by 300 delegates. Technicians from the University of Coimbra gave several presentations related to materials produced by Amorim Isolamentos.

In 2007, Amorim Revestimentos installed its products in a number of outstanding international projects:

- The Spradon Project housing development in Istanbul (Turkey) – Wicanders PT 02 Mutune Plank Loc;
- Mavisu Residence Apartments (Turkey) – Wicanders Serie 300 WRT;
- The Vienna International Centre, UNO-City (Austria) – Wicanders Series 2000;
- Sets for the Japanese series The Splendid Family (Kareinaru Ichizoku) - Wicanders Series 300 - Vintage Royal;
- The Borealis office building in Mechelen-Noord (Belgium) – Wicanders Series 4000;
- Amazement Square, a children's museum and educational park in Lynchburg (US) – Wicanders Series 1000 - Originals;
- The Quinta das Sedas real estate development in Porto (Portugal) – Wicanders Series 300;
- The 987 Barcelona Hotel in Barcelona (Spain) – Wicanders Series 3000;
- The Holiday Inn Hotel in the Azores Islands (Portugal) – Series 3000 AcoustiCORK.



CORTICEIRA AMORIM's Sustainability Report (July, 2007) – the first issued by cork industry – was distinguished by **Corporate Register Reporting Awards** in the Openness and Honesty (second runner) and Relevance and Materiality (sixth place) categories.



“Cork. Gift of nature. National heritage.

A Portuguese ambassador, cork has carried the nation's name to the five continents and even into space. Today, Portugal is the world leader in cork production (...) placing it at the forefront of knowledge and research in the area and bestowing it with the responsibility of protecting and promoting this noble product of the Mediterranean forest.”

*Jaime Gama*  
President of the Assembly  
of the Portuguese Republic



## SECTION II

# Consolidated Management Report

1. The economy in 2007
2. Operating activities by Business Unit (BU)
3. Innovation, Research & Development
4. Integrated Management System
5. Human Resources
6. CORTICEIRA AMORIM on the stock market
7. Consolidated Income
8. Consolidated Balance Sheet
9. Organisational renewal
10. Outlook
11. Business risks and uncertainties
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14. Treasury stock
15. Significant events
16. Statement of Responsibility
17. Final words





## SECTION II

# Consolidated Management Report

To the Shareholders,

Under the terms of the relevant legislation, CORTICEIRA AMORIM, S.G.P.S., S.A., an open company, presents its:

## 1. The economy in 2007

### 1.1. Overview

In 2007, the **World Economy** endured strong growth, estimates pointing to a 4.9% rate of growth, allowing for the continuity of the longest period ever with growth rates above the 4.0% level. Still, the full year was the result of two different halves – until July, the context was a favourable one, benefiting from *momentum* in world trade (estimates point to 7.75% rate of growth in trade *vs.* 8.0% in the previous year) and allowing for only a minor economic slowdown in developed economies; differently, after the outburst of the subprime crises in the US, turbulence, uncertainty and volatility became dominant forces in financial markets, igniting, in several steps, a crisis of confidence, a contraction in credit markets and a serious crisis in financial markets. The repricing of risk became a common place. As the situation evolved, the macroeconomic follow through become apparent, leading to a more notorious slowdown especially in the United States. Japan performed moderately whereas the Euro Zone grew marginally above its potential medium-to-long term rate. Emerging markets showed high and increasing rates of growth, China and India performance being the most noteworthy, profiting from “strong *momentum* of domestic demand, more disciplined macroeconomic policy frameworks, and in the case of commodity exporters, from high food and energy prices”<sup>3</sup>. Surprisingly, they went unscathed by financial markets turbulence, estimates assuming they

“A STAMP MADE OF CORK,  
THE BARK OF THE CORK OAK.”

*Jaime Gama*

President of the Assembly  
of the Portuguese Republic  
Reproduced with  
CTT authorisation.

Stamp design: *João Machado*

<sup>3</sup> in “IMF Sees World Growth Slowing, With U.S. Marked Down”, World Economic Outlook. 29 Jan. 2008.

In 2007, the World Economy continued to grow at a significant pace, although that growth was not uniform.

contributed two thirds of world growth. Inflation trended upwards throughout most economies.

### 1.2. Euro Area

The Euro Area should have expanded at 2.7%, only a tenth of percentage point lower than in 2006. Growth was led by Domestic Demand but benefited also from a relevant contribution of Net Exports. Private Consumption, originally supported by improvements at Labour Market level, ended up losing steam in the 2nd half of the year while fixed investment should have added marginally less than what was seen in 2006, estimates pointing to a change of 4.7%. Its main economy, Germany, has not shown the negative impact arising from the VAT increase at the beginning of 2007, as was previously expected, instead growing more than 2.0%. Germany benefited from external demand originated in Asia. Spain should have seen a 3.8% rate of growth, the highest among the four most representative economies of EMU. The ECB followed its policy of quarterly 0.25% increases in its main interest rate a policy that had already been initiated in 2006. In June 2007, it raised again the Refi Rate and, at the time, readied the market for a new increase in September. Meanwhile, the changes seen in financial markets led the Bank to consider maintaining rates steady at 4.0% during the rest of the year, a total of 200 bps accumulated tightening in the cycle. The Fiscal Balance should have ended the year with a gap of 0.8% of GDP, almost half of the deficit seen in 2006. Inflation should have increased by 2.1%, again and by the 8<sup>th</sup> time in a row, above the defined price stability understanding whereas Unemployment should have decreased to a minimum of 15 years, estimates pointing to a rate around 7.0%.

### 1.3. United States of America

The United States should have grown in 2007 at an estimated rate of 2.2%, reflecting the impact of the correction in Real State sector that had already started in the 2<sup>nd</sup> quarter of 2006. Still, it has shown a higher resilience than expected a year ago, especially in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters. Monetary policy followed two different moments – until September it presented stable conditions (Fed Funds at 5.25%, the same level from August 2006); since then, as a reaction to the fallout in financial markets and to expectations that instability would result in downside risks to the economy, several interest rates cuts were agreed by the FED, leading its main rate to 4.25%. The decline seen in internal demand contribution to GDP (resulting from the contraction in Investment, especially in Residential Investment) was partially counterbalanced by the fact that, for the first time since 1995, Net Exports added positively to economic growth. Nonetheless, Private Consumption was as ever the corner stone of economic activity, having printed, estimates say, a 2.7% change. Labour Market posted a positive and unexpected positive performance only losing strength at the end of the year. The estimated Unemployment Rate should have been around 4.6% after a cycle *minimum* of 4.4% in March 2007. The external deficit reflected the cumulative effects of a devaluing USD, diminishing internal demand and strong growth in several export markets, showing a decrease from 6.1% of

GDP in 2006 to lower than 5.4% in 2007. At budget level, the Deficit should have declined marginally, estimates considering it could have reached 2.1% of GDP.

## 1.4. Portugal

In 2007, **Portugal** showed a higher pace of GDP expansion than the one seen in the previous year, allowing for a continuity of the economic recovery initiated in 2005, though, and by the 8<sup>th</sup> consecutive year, still under EU average. Preliminary data sees GDP growth at 1.9%, the highest rate since 2001, and with strong acceleration in the last quarter. Similar to the previous year, External Demand was the engine of economic growth, benefiting from good performance from end markets as Spain and Angola. Nevertheless, it may not have been the only “engine”, as Private Investment, in strike contrast to what has been seen in the last few years, is expected to have shown a positive change. Public Accounts followed the planned consolidation, even outpacing what was established, to end up showing a lower deficit than forecasted – the Budget Deficit should have come lower than 3.0% of GDP, moving forward by almost a year the goal agreed with Brussels. Household spending performed modestly, in line with disposable income. It should have increased by 1.3%, a rate similar to the one seen last year. Unemployment, reflecting structural changes, should have trended upwardly, nearing 8.0%. Inflation should have registered 2.4%. The Basic Balance, the sum of the Current and Capital Accounts, a measure of the funding requirements of the economy towards the exterior, should have worsen – due to an increase in the debt service to foreign creditors – to reach a deficit around 8.2% of GDP.

## 2. Operating activities by Business Unit (BU)

The Companies that make up the CORTICEIRA AMORIM Group are structured in Business Units (BUs). The most relevant events in 2007 are reported in reference to these units.

### 2.1. Raw Materials

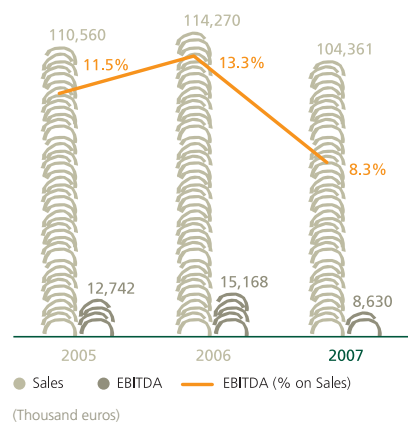
In 2007, the Raw Materials Business Unit operated in accordance with this strategy, acting throughout the campaign to ensure the acquisition of cork in the right quantity and of the right quality and price to meet the requirements of downstream industrial units.

The amount of cork harvested in the 2007 campaign was slightly below initial estimates, as a result of which prices could be expected to increase. However, the availability of cork from the 2006 campaign in fact led to a reduction in prices in 2007 compared with the previous year.

As well as implementing and managing the acquisition of raw materials (cork), this BU is also responsible for the first phase of cork processing.

Provisioning strategy:  
focused on sustained  
and continuous  
purchases of  
reproduction cork  
with a view to  
acquiring the  
necessary amounts  
with a minimum of  
pressure, ensuring  
the quality and price  
standards required  
for CORTICEIRA  
AMORIM's  
operations.

## Sales & EBITDA – Raw Materials



Because of the instability affecting the cork manufacturing sector, the BU decided to reduce its exposure to non-payment risk in the Portuguese market. This led to a reduction in sales to external Customers (outside the CORTICEIRA AMORIM Group). This had a strong impact on the BU's sales volume, which fell 8.7% compared with 2006.

The raw material price increase registered in 2006, the reduction in the Twin Top® stopper market and the focus of the natural cork stopper market on better quality materials (which exerted pressure on lower quality cork) led to a reduction in the gross margin for processing cork in the Iberian Peninsula and in cork production in North Africa. As a result, the gross margin fell 27%.

Industrial rationalisation measures implemented in recent years, mainly relating to the production of discs for Twin Top® and Champagne stoppers, had a substantial impact in 2007, resulting in a 14.2% decrease in operating costs.

## 2.2. Cork Stoppers

Consolidation in the wine industry and the growing power of distributors decelerated in 2007. Pressure for improved quality and operating efficiency increased at all levels, particularly in the US, which, if the present trend continues, will become the world's biggest wine market over the medium term. In Continental Europe, the wine market began to show signs of recovery, particularly in Spain and Italy, after a short period of recession.

The global reorganisation of the wine industry requires decisive responses in terms of service efficiency and cost rationalisation, a challenge that also applies to related industries, particularly the cork business. Performance demands for cork stoppers, particularly in terms of their sensory qualities (but also in regard to their physical-mechanical and visual properties) have reached very high levels, requiring investors to invest more in R&D and improved production technologies to guarantee the supply of cork stoppers of a consistently high quality.

Faced with this context, the Cork Stopper BU has implemented a number of measures and initiatives aimed at increasing the differentiation of its services and products in terms of both sensory qualities and operating efficiency.

The industrial restructuring process implemented in 2005 and 2006 produced positive effects in 2007. Industrial specialisation by product and the modernisation of processes resulted in important productivity gains.

Increased control over the production process also constituted a fundamental step towards greater product consistency and credibility, which, together with an industrial standardisation process, became an important sales advantage that highlighted the operational efficiency and sensory and physical-mechanical performance of Amorim cork stoppers.



In 2007, the BU strengthened its presence and leadership in important segments and markets through:

- the acquisition of an 87% holding in the Oller Group, strengthening the company's leadership of the Champagne Stopper segment and increasing in the leading world markets of Champagne and Italy;
- the strengthening of the Company's presence in the Capsule Closure segment in France and in the cognac market through the acquisition of SOBEFI, a capsule closure production and marketing unit based in Cognac (France);
- an important restructuring of the distribution company for Australia, which involved moving the unit from Melbourne to Adelaide, close to its Customer base. This resulted in increased operating efficiency, which is expected to produce benefits in 2008.

Sales in 2007 grew 6% compared with 2006.

Strong sales performance in France, Italy, Chile, Spain and Ukraine more than compensated for an unfavourable evolution of sales in Australia.

In terms of products, the best performance was achieved by Natural Stoppers with sales growing by more than 12%; Neutrocork® stoppers, up more than 27%; and Champagne stoppers, with increased sales of 9%.

The restructuring process completed in 2006 produced clear benefits in 2007. Despite increased costs for energy and other supplies and External Services, operating costs rose only 3.1%, compared with sales growth of 6%. Staff Costs fell 7%.

Increased sales volume and the control of operating costs helped the BU to register an 81.3% increase in earnings before interest and taxes (EBIT) compared with 2006.

Total capital invested in 2007 fell 1.9% compared with the previous year, reflecting a 6.9% reduction in stock compared with 2006, the result of improved logistical planning in 2007.

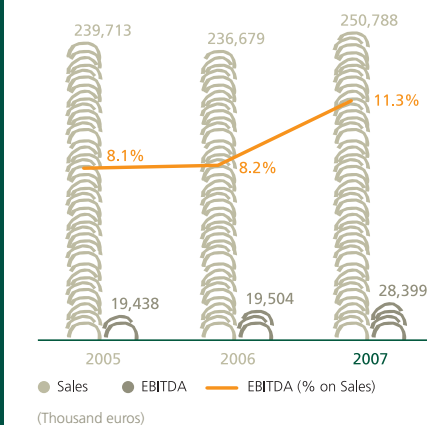
### 2.3. Floor and Wall Coverings

In 2007, sales by the Floor and Wall Coverings Business Unit increased 4.4% on 2006.

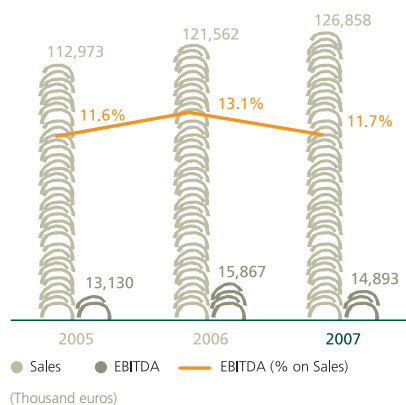
This growth was supported by increased sales of merchandise (products not manufactured by the BU), particularly in Norway and Poland. Sales of cork floor and wall coverings remained at approximately the same level as the previous year.

Within the mix of products sold by this BU, the trend for strong sales growth in floating floors continued.

### Sales & EBITDA – Cork Stoppers



## Sales & EBITDA – Floor and Wall Coverings



Flooring involving the application of the high resistance varnish WRT®, launched by the BU in 2005, continued to show highly positive results, with sales exceeding expectations. This reflects the market's recognition of the distinctive characteristics of this flooring: technical performance, resistance and comfort.

In terms of marketing, the BU participated or was represented at an increased number of specialised international trade fairs and exhibitions, interacting with a wide range of potential Customers for its products and solutions. The high level of market interest in the advanced cork covering systems developed and produced by the BU was evident from the large number of visitors to its stands, the interest expressed in the technical and ecological characteristics of its products and the welcome given to the innovations it presented.

The BU registered EBIT of €10.1 million, reflecting the increased cost of some raw materials.

A three-year investment plan aimed at improving production capacity and efficiency was launched in 2007.

## 2.4. Composite Cork

The Composite Cork Business Unit registered a 6% fall in sales volume compared with the previous year.

Two factors made a decisive contribution to this drop: a reduction in the supply of cork granulates to the Cork Stopper BU, which strengthened its production capacity in mid-2006, and the depreciation of the US dollar against the euro, which alone accounted for almost two percentage points of the fall in sales volume.

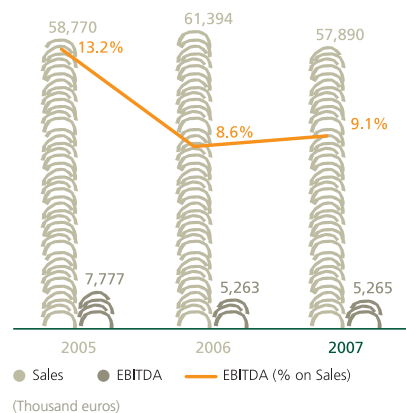
Sales to external Clients (those outside CORTICEIRA AMORIM's consolidation perimeter) at stable exchange rates evolved positively in 2007, continuing the trend of the previous year.

In terms of market segments by application, Home & Office products and solutions produced the best performance, together with general Industrial Applications. The Footwear and Cork Memoboard segments registered a decrease in demand and sales.

European markets showed the strongest growth, whereas the most significant unfavourable sales performance occurred in North America, due mainly to the deceleration of economic growth in the US.

An analysis by product lines shows that, in addition to the drop in sales of granulates for cork stopper production referred to above, the biggest variations affected cork agglomerates, which registered some falloff in sales compared with 2006, and in

## Sales & EBITDA – Composite Cork



finished products (corkboards and table accessories), which achieved relatively substantial gains.

Gross margins stabilised in comparison with 2006. Despite the significant change in the sales mix, the negative impact of euro exchange rates and the increased unit costs of incorporating raw and subsidiary materials, the BU managed to maintain the level of its gross margin. Product and service innovation, the optimisation of operations and the commitment of sales teams to creating value were the key factors in producing this result.

However, the decrease in sales volume had a negative effect on the margin in absolute terms and it was only by controlling indirect costs and through the direct rescaling of the BU's structure, leading to a reduction in operating costs, which enabled it to achieve positive growth in operating profit.

On the basis of its strategic guidelines and permanent improvement initiatives, the BU made significant investments in 2007 with the ultimate aim of creating greater value. The main focus was on industrial processes with a view to increasing productivity and improving supervision and control.

## 2.5. CorkRubber

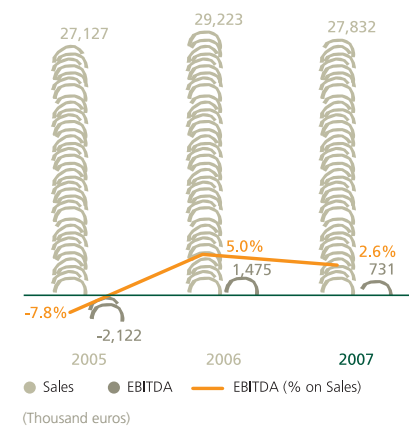
In 2007, sales by the CorkRubber Business Unit fell 4.8% in comparison with the previous year. The main factors were:

- a global reduction in corkrubber sales, particularly in relation to sales to the automobile sector. This was only partially compensated by a growth in sales for other applications, mainly industrial applications for acoustic and vibration insulation;
- a reduction in sales of agglomerates;
- a growth in sales of products made from recycled rubber, particularly applications that generated better margins.

The BU registered a significant reduction in its gross margin, both in terms of value, as the direct result of the fall in sales volume, and as a percentage of sales, due mainly to the increased cost of oil-based raw materials – rubber and chemicals – and to a degree of instability in the transfer within the CorkRubber BU of industrial production from the north to the south of Portugal. As the result, the total gross margin fell 9.9% in 2007 compared with the previous year.

The issue of production transfers also led to an increase in operating costs, mainly in the area of Supplies and External Services and Staff Costs, due to a greater need for machinery maintenance and the need to satisfy orders, in terms of both quality and timely delivery, which led to extra reliance on additional manpower.

Sales & EBITDA – CorkRubber



A process of restructuring the CorkRubber and Composite Cork BUs was launched in the last quarter of 2007 with a view to creating a new BU called Amorim Cork Composites at the beginning of 2008.

The BU's EBIT decreased by €629,000 in comparison with 2006.

Capital investment in 2007 remained at the same level as in 2006.

## 2.6. Insulation Cork

In 2007, sales by this BU increased 8% compared with the previous year. The main factors were:

- increased sales of expanded cork agglomerates, reflecting the BU's permanent accompaniment of its main markets as well as increased demand for the Unit's ecological products;
- faster delivery of orders resulting from the use of semi-finished expanded cork agglomerate products for subsequent finishing, which eliminated some internal production operations;
- the marketing of expanded cork agglomerate products produced by the Group of Complimentary Companies (ACE) to which the BU is associated.

In regard to these last two items – the use of semi-finished products and the marketing of products produced by the BU's ACE – it should be noted that the respective margins are relatively small. This explains the reduction in the gross margin as a percentage of sales despite an increase in sales volume and prices in 2007.

Despite increased production, operating costs remained at approximately the same level as in 2006, due mainly to a reduction in costs of more than 4.5% for supplies and external services.

EBIT fell by 3% and earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 14.5% compared with 2006.

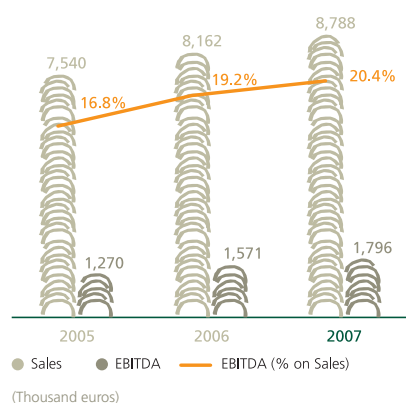
In 2007, Capital Investment was up 11% on the previous year, mainly due to increased raw material stocks and investments in the finishing and grinding production lines respectively at Silves and Vendas Novas industrial units (both located at Portugal).

## 3. Innovation, Research & Development

### 3.1. New applications

The mission of the research unit dedicated to the Development of New Cork Applications and Products (DNAPC) is to conceive and develop new applications and new cork products beyond those that the cork industry is currently producing.

### Sales & EBITDA – Insulation Cork



Projects developed in 2007 include:

- the first steps towards industrialisation of its absorption projects, made in close collaboration with the Agglomerates BU. In the search for functional packaging solutions, an application has been made for a patent for this new cork product;
- the development of new approaches to the treatment and agglomeration of cork using innovative solutions that are environmentally-friendly and involve low energy consumption, with a focus on the use of different enzymes;
- using compounds extracted from cork – a range of activities has been developed with a view to optimising the extraction of cork compounds and analysing them with the aim of transforming them into high value-added products with a wide range of applications from the chemical industry to cosmetics. In 2007, the DNAPC unit invested in developing systems for achieving high levels of purification that would be easy to scale up;
- activities related to the European STREP WaCheUp project, which is expected to be completed in May 2008: involving eight European partners, this project is focused on the transformation of waste material (and by-products) produced by the cork and paper pulp industries into high added-value chemical products and on developing integrated, ecological methods into the production cycles for cork and paper pulp in order to produce these compounds and to study their possible applications. Activities related to this project will continue in 2008;
- concluding the study of new glues, adhesives and varnishes obtained from cork: a more natural glue, obtained from components extracted from cork, has been developed with applications in the cork sector itself as well as other industries;
- strengthening industrial property protection in CORTICEIRA AMORIM's BUs by applying for a number of Portuguese and European patents with the strategic aim of guaranteeing the protection of all the intellectual property rights generated by the Group and building a broad portfolio of patents.

### 3.2. Cork Stoppers

In 2007, the Cork Stopper BU followed the same strategic guidelines for R&D activities as implemented in previous years, specifically:

- intensifying the combat against the problem of TCA;
- gaining more knowledge of the effectiveness of products in terms of wine/cork stopper interaction;
- studying new products.

In regard to the first aspect of this strategy – **intensifying the combat against the problem of TCA** – the ROSA Evolution process gained international validation and an application for a patent was submitted to Portugal's National Institute of Industrial

Property (INPI). The first industrial equipment related to the ROSA Evolution system was installed in an industrial unit and, following the necessary adjustments, produced results that fully lived up to expectations. As a result, the ROSA Evolution system is to be applied to the production of all natural cork stoppers. In 2008, a study will be launched into the application of this process to other natural cork products.

Studies were also carried out in collaboration with the Raw Materials BU, which analysed the incidence of TCA in corkwood piles by geographic origin. The results obtained in these studies will be followed up with further analysis in 2008.

In 2007, particular progress was made in the BU's efforts to gain **more knowledge about the interaction of cork stoppers with wine**. This work benefited considerably from comparative studies of the permeability of different closures, including technical stoppers (Neutrocork®, Twin Top®, Advantec®, etc.), natural and colmated cork stoppers and synthetic closures. These comparisons were made using corks produced by different processes and different formulations, which enabled evaluation and provided better understanding of the effects of different formulations and manufacturing processes on the permeability of cork stoppers. A new scientific paper on permeability was published explaining how oxygen enters wine through cork stoppers and the interface between cork and bottle. (Lopes, P., Saucier, C., Teissedre, P. L. and Glories, Y. (2007), Main routes of oxygen ingress through different closures into wine bottles. The Agricultural and Food Chemistry Journal, 55, 5167-5170.)

This strategic area also carried out a study into the loss of gas from Champagne, which produced useful information on how the internal shape of bottles and different types of cork affect this phenomenon.

The inclusion of Amorim & Irmãos in Portugal's Polymers Skills Network, which involves the Universities of Porto (UP) and Aveiro (CICECO) and the companies Sonae, CUF, Resiquímica, Sysadvance and CIN, facilitated the creation of partnerships with a view to studying the compounds that are released from cork stoppers into wine (UP Science Faculty) and the possibility of introducing barriers into cork stoppers to prevent the ingress of phenol compounds that cause colouration in white drinks (CIN, UP Engineering Faculty and CICECO).

An important development in the strategic area of **new product development** was the launch of the SparkOne® Champagne stopper made of cork micro particles in a single piece with no disks. This stopper was developed internally by the BU and validated by an external Champagne house.

Other new types of cork stoppers, which could be launched in the near future, are also being studied, including a natural cork stopper with special characteristics and an easy-extraction cork stopper for wine.

### 3.3. Floor and Wall Coverings

The R&D activities of this BU seek to respond to global trends in the floor and wall coverings market, as well as to the specific characteristics of some geographical regions, with the aim of guaranteeing a portfolio of products and solutions that evolve with and fully satisfy its Customers' requirements.

As a result, new solutions were presented to the market in 2007 and the preparation of other new products is already under way, with a view to their launch in the next few years.

The results of activities and projects developed in 2007 include:

- the launch in January 2007 of a new varnish, HPS (High Performance Surface), applied on PVC, that has been proved to increase the resistance of floor coverings (to scratches, stains, shoe marks...) and to enhance the product's natural look;
- the launch in February 2007 of a flooring collection using a new type of wood look, sizes and colours aimed at the US market;
- the conclusion of an eco-efficiency study of the BU's Series 100 and 200 products, carried out in partnership with BASF, which involved comparing these two series with alternative wood and vinyl products. The comparison was made not only from an ecological point of view – by determining the ecological fingerprint of each product – but also in terms of the relationship between cost and environmental impact, achieved by analysing their eco-efficiency portfolio;
- the total replacement of Melamine Urea-Formaldehyde (MUF) resin used in agglomeration with an acrylic resin that contains no formaldehyde or isocyanides.

The following initiatives and projects are currently underway and are expected to be concluded in 2008:

- increasing the resistance to fire and ultraviolet light of products finished with WRT varnish;
- in partnership with INEGI, increasing the dimensional stability of Series 4000 products with a view to re-launching them on the market with a new visual appearance;
- the development of new looks for the 2009 collection, using innovative processes for the cork industry, including painting, decoration and PVC embossing (patent applied for);



#### Floor coverings

*Development of new solutions:  
more comfortable and durable,  
emphasizing its natural look.*



#### Amorim Cork Research

*By the end of 2007, the Amorim Cork Research macro area was announced whose activities will be decisive for achieving two important global goals: the development of innovative products and/or solutions and the registration of the respective patents (new techniques, technologies and processes).*

- manufacturing cork agglomerates using resins obtained from natural products – the Ecobinders project, which includes several European partners including Amorim Revestimentos and Amorim & Irmãos (Cork Stopper BU).

The following have also been designated priority areas for R&D:

- new technical solutions for floors and walls using new raw materials (e.g. linoleum);
- replacing PVC surface layers with more ecologically-friendly alternatives;
- the use of new materials developed by Amorim Cork Composites.

### 3.4. Composite Cork

The R&D activities of this BU are focused on developing new products and applications for cork agglomerates through exclusively internal projects and also by creating or consolidating partnerships with outside entities. These include:

a) in the Industrial sector:

- establishing R&D partnerships for developing new polymeric materials for use with cork with the aim of developing specific applications for the flooring and sub-flooring markets;
- pursuing existing projects with the European Space Agency (ESA) and the company EADS with a view to gaining approval for the use of cork agglomerates in aerospace applications;
- developing Fiber Reinforced Plastic (FRP) products for use in the aeronautic, naval and transport sectors to replace the non-ecologically friendly products currently on the market;
- developing the concept of Railway Interior Solutions (RIS) in partnership with other Portuguese companies, focusing on the use of natural cork.

b) in the Construction sector, the focus has been on developing new sub-flooring solutions:

- ProfileCork – for floating floors;
- CRC – for use on ceramic floors;
- BackingCork – for use on technical wood floors.

### 3.5. CorkRubber

In 2007, this BU focused on developing applications with a strong potential for international growth over the medium term. To this end, materials and solutions involving three new product ranges were developed:



CORTICEIRA AMORIM  
is a unique Organisation:  
no other group is as  
committed to promoting  
cork and enhancing  
its value, researching  
and developing new  
applications and new  
products; and, above all,  
no other group has taken  
on the crucial role of  
ensuring the conservation  
of the unique ecosystem  
of the cork oak forest.





#### CorkRubber Gaskets

*CorkRubber: combines the compressibility and recovery characteristics of cork with the flexibility and shelf life of rubber, making it an excellent product for sealing applications for automotive industry, for electric transformers, etc.*

- Amorim T&D – aimed at the growing international market for electricity distribution and transmission (transformers and accessories);
- TechSeal – aimed at the market for Automobile and other Heavy Duty sealing applications as well as other industrial sectors;
- ACM – the second generation of this range of acoustic products with applications in the naval, rail and general transport sectors, which now incorporate fire-resistant materials.

The BU is also actively engaged in the “Seating Module” project being developed by ACECIA, a Group of Complementary Companies, to which it has contributed the development of an innovative comfort solution for car seating using a special cork composite.

The same type of composite has also been used in the development of an application for medical products used in operating theatres and rehabilitation and geriatric services.

### 3.6. Insulation Cork

The R&D activities of this BU are focused on technical and acoustic insulation, but also include the area of lightweight concrete, where structured research projects have been created and have already reached a considerably advanced stage.

In partnership with the University of Coimbra, the BU has been working to enhance its knowledge of some of its products (insulation agglomerates, coconut fibre, granulates) with a view to highlighting their technical advantages over other materials in terms of thermal diffusion, durability, dynamic rigidity and acoustic behaviour (aerial and percussive insulation). It has also been studying and testing the use of combined materials in innovative and ecologically-friendly insulation systems.

## 4. Integrated Management System

### Quality, Environmental Protection and Safety

Integrating different management subsystems aimed at improving efficiency and aligning them with the strategic objectives of the Group's balanced scorecard approach constitute an important guarantee for the sustained development of CORTICEIRA AMORIM. In this context, the following achievements merited special note in 2007:

- Amorim Cork Deutschland gained distinction in ISO 9001:2000 and Codex Alimentarius (HACCP) audits. The Codex Alimentarius Commission was created in 1963 by the Food and Agriculture Organization of the United Nations (FAO) and by the World Health Organization (WHO) with the aim of protecting the health of consumers, ensuring best practice in the food trade and promoting the coordination of all existing standards;
- Amorim Cork Composites, S.A. (previously called Corticeira Amorim – Indústria, S.A.) received OHSAS 18001:1999 certification from APCER,

strengthening the certification its Health, Safety and Hygiene Management System and recognising the commitment the company has made to minimising accident and work-related illness risks;

- in 2007, Amorim Cork Composites, S.A. was granted Systecode (International Code of Cork Stopper Manufacturing Practice) accreditation, confirming the company's commitment to comply with the best professional practice rules established for the cork industry and the cork stopper sector;
- the environmental practices of Amorim Cork Composites, S.A. were awarded NP EN ISO 14001:2004 certification, strengthening the certification of its Environmental Management System;
- the Group retained or upgraded all its other certifications, specifically:
  - ISO 9001:2000 (Quality Management System);
  - HACCP/ISO 22000 (Food Safety Management System);
  - WIETA/ETI (Commercial and Management Ethics accreditation);
  - ISO 14001:2004 (Environmental Management System);
  - FSC (Forest Stewardship Council);
  - SYSTECODE (Good Cork Stopper Practices);
  - OHSAS 18001:1999 (Health, Safety and Hygiene Management System).

## 5. Human Resources

### 5.1. Reestructuring, Consolidating and Evolving

The year 2007 was characterised by a number of changes, evolutions and consolidations in different business areas of CORTICEIRA AMORIM. All these processes shared a growing concern to provide the Group's Human Capital, in a structured and considered way, with the necessary skills for the new environments and future challenges that the whole Organisation will face.

#### 5.1.1. Number of Employees

As a result of the restructuring processes implemented, the average number of Employees at CORTICEIRA AMORIM continues to follow the downward trend of recent years, totalling 3,795 in 2007.

#### 5.1.2. Investing in skills and qualifications

The challenge of improving the basic qualifications of its Employees continues to be of the utmost importance to the Group. The Company's Skills Recognition, Improvement and Certification (RVCC) programme saw more than 100 Employees join the stages for certification of the third cycle of basic education (9<sup>th</sup> year of schooling) and for secondary education (12<sup>th</sup> year of schooling).



#### Improving Staff Qualification

*During 2007, CORTICEIRA AMORIM continued to draw special emphasis to the improvement of its Staff qualifications and skills.*

In the area of basic qualifications, the Floor and Wall Coverings BU launched the first edition of its “Operator Skills” course, aimed at developing the skills of production Employees in a structured and considered fashion with a view to providing operators with full professional qualifications tailored to the needs of the organization and the management of the BU’s current production requirements.

The Composite Cork and Cork Stoppers BU launched pilot Training/Action programmes for Industrial Operators as part of their Continuous Improvement initiatives. The results obtained in terms of productivity, improvements in working conditions and Team involvement and mobilisation indicate that this type of scheme is a model to follow.

Continued investment was made in management training through transversal initiatives covering a number of BUs (the second edition of the Global Management Course and organisation of internal management Seminars and Conferences) and by financing post graduates studies.

In the area of improving and developing skills, a growing concern to develop integrated and focused training processes is evident in each BU. Successful examples include the LEME project (leadership) run by the Floor and Wall Coverings BU and the Raw Materials BU’s Strategic Development of Human Resources Project.

### 5.1.3. Workplace Health and Safety

Top priority was given to issues relating to Workplace Health and Safety. Important investments continued to be made in safety, including: the continuous revision of safety plans, which involves monitoring their effectiveness and appropriateness for the risks involved and a continued effort to train and raise the awareness of Employees in these areas. Accident rates, in terms of frequency and seriousness, fell across all the BUs and CORTICEIRA AMORIM continued to register the lowest average accident rates in the sector.

In 2007, the group made a big investment in promoting health and engaged in an important effort to mobilize its Employees in this regard by organizing a range of medical (respiratory, ophthalmologic, dental, cardiovascular and other) examinations as well as a series of information and awareness campaigns (diet and healthy lifestyles, ergonomics, smoking, alcoholism and drug addiction).

### 5.1.4. Social Responsibility

The growing visibility of questions relating to Social Responsibility and the recognition that the action of each and every individual makes a difference has led to the whole Organization engaging enthusiastically with projects and activities aimed at strengthening ties Staff, CORTICEIRA AMORIM and the wider Community.

One of the most important of these initiatives, which has proved a highly positive experience for CORTICEIRA AMORIM, has been a protocol signed between the Company and the Porto City Council as part of the “Porto of the Future” project, aimed at establishing a partnership between Companies and the School Community (vertical groupings of primary and middle schools) in which companies provide support (consulting) and cooperate in transferring management practices to schools.

Numerous events and interactions involving the local Community (schools and institutions) organized by different BUs are also worthy of special note. The Floor and Wall Coverings and Agglomerates BUs organised themed weeks and fortnights on the general subject of Sustainability. These also involved the holding of conferences on environmental themes and the organisation of other initiatives (exhibitions in which a number of local charities, associations and public utility bodies participated, the collection of gifts and donations), leading to a general increase in levels of awareness and involvement that clearly had a positive impact on the local community.

## 6. CORTICEIRA AMORIM on the stock market

### 6.1. Overview

The year of 2007 was marked by the Subprime crisis affecting the US mortgage market, the effects of which were felt throughout the world's financial markets. There is still uncertainty and concern regarding the full impact of the crisis on the real economy and

company results. World stock markets, also exposed to this adverse environment, registered a high level of volatility and a performance that, although worse than expected, did not turn investors away from shares, given that the available alternatives were also unattractive.

In the US, the focus of the crisis and the related instability and uncertainty, the main stock market indices were heavily penalized and registered only modest gains compared with previous years. The Dow Jones index gained 6.4% over the year (the Dow Jones Stoxx 6000 registered its first annual fall since 2002), the S&P 500 gained 4.2% and the NASDAQ 100 closed the year at 2,652.28 points, up 9.8% from the close of 2006.

Despite being exposed to the same adverse environment, share markets in **Europe** managed to register attractive gains in 2007 as a result of good performances by companies, which proved fast and flexible in their response to higher interest rates and oil prices and the depreciation of the US dollar against the euro. The main European stock market indices registered annual gains: the FOOTSIE 100 gained 3.8%, the DAX XETRA 22.3%, the CAC 40 1.3% and the IBEX 7.3%.

In **Portugal**, the stock market recorded an annual gain for the fifth consecutive year, with the main index, the PSI-20, gaining 16.3% to reach 13,019.36 points at the close of 2007. Accumulated volatility over the year reached 13.88%, representing an increase of 51.4% compared with 2006.

Stock market capitalisation rose 7.4% to €255.3 billion at the end of the year. Trading volume rose 50.5% to more than €296 billion. The number of share transactions grew by a bigger percentage, as it did in 2006, increasing by about 51%. This highlighted the interest shown in the Portuguese equity market, which achieved one of the best stock market performances in the world.

## 6.2. CORTICEIRA AMORIM – share performance

The share capital of CORTICEIRA AMORIM is currently €133 million, represented by 133 million ordinary shares with a face value €1 each. Every share confers the right to receive dividends.

Shares issued during the Company's capital increase were admitted to trading by the Euronext Lisbon Stock Exchange (then called the BVLP – Bolsa de Valores de Lisboa e Porto) on December 19, 2000, joining the Company's other shares, which had been quoted on the BVLP since the beginning of 1991. The shares have been traded on Portugal's continuous trading system since December 11, 1991.

On December 31, 2007, CORTICEIRA AMORIM shares closed at €1.96, the same price at which they closed at the end of 2006. However, during 2007 their performance was substantially different: the value of company shares traded reached approximately €21.6 million, more than double the amount traded in 2006; the number of transactions totalled

6,846, up 52% on 2006 and representing a trading volume of more than €43.8 million, an increase of 122.7% on transaction volume in 2006.

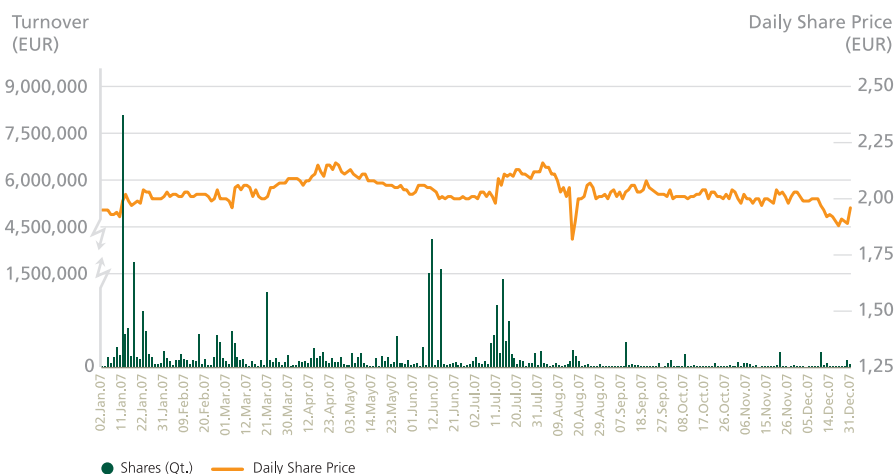
In 2007, the Company's shares traded at an average price of €2.03 a share; the maximum price of €2.19 per share was reached on April 16; the minimum price of €1.70 occurred on August 17; the minimum to maximum share prices in 2007 was 28.8%, compared with 61.1% in 2006, reflecting a decrease in the volatility of CORTICEIRA AMORIM shares.

The following charts illustrate CORTICEIRA AMORIM's stock market performance:

### Share price performance in 2007



### Trading volumes on the regulated market in 2007



## Stock market performance in recent years

	2007	2006	2005	2004
No. of shares Traded	21,631,823	10,564,708	235,132,019	22,716,018
Share prices (€):				
Maximum	2.19	2.32	1.50	1.30
Average	2.03	1.85	1.23	1.17
Minimum	1.70	1.44	1.03	1.05
Year-end	1.96	1.96	1.48	1.06
Trading Frequency	99.6%	99.6%	100%	99.6%
Stockmarket capitalisation at year-end (€)	260,680,000	260,680,000	196,840,000	140,980,000

Source: NYSE Euronext

## 7. Consolidated Income

### 7.1. Summary

Because CORTICEIRA AMORIM's activities are focused almost exclusively on manufactured cork products, the richness and diversity of its applications, allied to the multiplicity of its sales markets, provided for a relatively even evolution throughout 2007. In 2006, the outstanding performance of the Raw Materials, Floor and Wall Coverings and Insulation Cork BUs helped compensate for the more modest evolution of the other BUs. In 2007, however, the strong growth of the Cork Stopper BU, in terms of both business activity and income, more than offset the deceleration that some other BUs experienced. In terms of markets, growth in North America was of particular note, despite the highly negative impact of the US dollar exchange rate. The evolution of this particularly important market, together with positive growth trends in markets such as East Europe, enabled the Group to compensate for some of the losses registered in other markets, particularly Germany.

Quarterly growth was also relatively even, despite the fact that the Group's margin fell in the fourth quarter. The margin was particularly affected by the combined impact of a lessening of US dollar depreciation in the last quarter and by a less favourable sales mix.

As was the case in the last quarter of 2006, the last quarter of 2007 benefited from the recognition of some non-recurring gains, which, in both years, helped compensate for the lower level of income that marked both fourth quarters.

Significant events that marked the year for CORTICEIRA AMORIM included the important acquisition in the last quarter of 87% of the Oller Group, an historic brand in the Catalan and European markets. Other important events included the launch of the Group's Chinese subsidiary and the acquisition of the SOBEFI industrial plant in the Cognac region of France.



In terms of management organisation, important changes that will begin to produce practical results in 2008 were announced at the end of 2007. Other important changes included the creation of two macro areas integrating the five BUs, as well as the merger of the Agglomerates and CorkRubber BUs to create a new BU called Cork Composites. Following these changes, the legal organisational diagram of CORTICEIRA AMORIM's subsidiary companies was revised to reflect the new structure. The setting up of Amorim Cork Research, the body that will centralize all the Group's research and industrial property activities, was also announced in 2007.

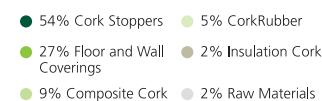
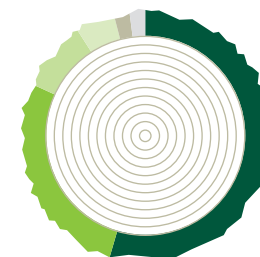
## 7.2. Consolidated Income

In 2007, the Raw Materials BU further strengthened its integration into CORTICEIRA AMORIM's value chain. The decision to reduce its exposure to non-payment risk in the Portuguese market led to a significant fall in its sales to Customers outside the Group. As a consequence, the weight of the BU's sales to Customers within the Group rose to 92%, up from 85% in 2006. Total sales fell to €104.4 million, a drop of about €10 million that was wholly due to the non-payment risk decision referred to above. As explained in the more detailed analysis of this BU's activities, the increase in the purchasing price of cork registered in the 2006 season (stock which not used until 2007), as well as the effect of greater demand for higher quality cork by the Cork Stopper BU, were the main causes of the significant fall in profitability the BU registered in 2007. EBIT totalled €5.5 million, down from €11.4 million in the previous year.

In contrast, 2007 proved highly positive for the Cork Stopper BU. Benefiting throughout the year from the positive effects of the start-up of its restructured industrial units in September 2006, after overcoming the initial difficulties inherent to the launch, the BU achieved significant levels of business activity and, above all, profitability. Its strong sales performance in France (where the Trescases effect had already become more diluted), Italy, Spain, Ukraine and Chile also contributed to this positive outcome. Products that performed particularly well included Champagne, Neutrocork® and Natural Cork Stoppers. Sales totalled €250 million, up 6% on the previous year. EBIT rose to €20.1 million, almost double the €11.1 million registered in 2006.

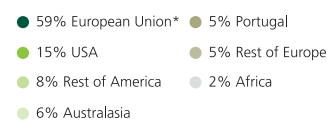
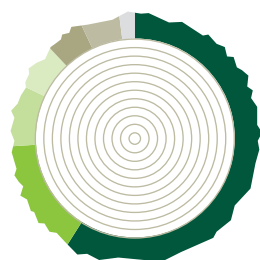
Business activity in the fourth quarter (Q4) was particularly unfavourable for the Floor and Wall Coverings BU. Economic slowdowns in some of its main markets, especially in Germany, saw the 7% growth achieved up to the end of Q3 fall to 4.4% at the end of the year. The deceleration was particularly notable in regard to the BU's leading product, cork floor coverings. Sales of wood coverings withstood the slowdown better, partly benefiting for the fact that this business is mainly carried out in US dollars. In fact, this segment is the only business area in the CORTICEIRA AMORIM Group that has benefited from the depreciation of the dollar. The increased prices the BU had to pay for its most important raw materials (cork and HDF-high density fibreboard) during 2007 was an additional negative factor. Sales totalled €126.9 million. EBIT fell to €10.1 million, down 9.8% on 2006.

### Breakdown Sales by Business Unit



Sales to non-Group Clients

### Breakdown Sales by Geographical Area



\* Including Switzerland and Norway; excluding Portugal



#### From waste to energy

*Over 46% of CORTICEIRA AMORIM's energy needs are supplied by renewable resources.*

As described in the quarterly reports, the Agglomerates BU was negatively impacted by the fact that 2007 was the first year in which it stopped supply granulates to the Cork Stopper BU. This resulted from the above mentioned industrial restructuring process, which enabled the Cork Stopper BU to become self-sufficient. Like the Cork Stopper and CorkRubber BUs, the Agglomerates BU was negatively affected by the depreciation of the US dollar, which had a particularly adverse effect in Q4. Sales fell to €57.9 million (-5.7%). If only sales to external Customers at constant exchange rates were considered, this loss would have changed to a positive result.

EBIT totalled €3.0 million, up 24.6% on the €2.4 million registered in 2006. This increase was achieved thanks to rigorous control of operating costs, particularly staff costs.

The CorkRubber BU was the BU most affected by the depreciation of the US dollar, the currency in which most of its sales are invoiced. Its sales fell to €27.8 million (-4.8%). EBIT dropped -€0.9 million, a higher negative result than in 2006 (-€0.3 million). As previously described, the operations of this BU underwent important changes in Q4 in preparation for its merger with the Agglomerates BU in January 2008. The forecast benefits of creating the new Amorim Cork Composites BU have already been amply described in this report.

The Insulation Cork BU continued to register a good performance. In Q4, it succeeded in halting the deceleration in sales growth it experienced in Q3. As a result, total sales for the year rose to €8.8 million, up 7.7% on the previous year and roughly equal with sales for the first three-quarters of that year. Given the intensive use the BU made of its industrial plants, its machinery depreciation regime was accelerated, resulting in total EBIT of €1.2 million, slightly below the amount registered in 2006. EBITDA, which does not reflect this change in the depreciation regime, rose 15%.

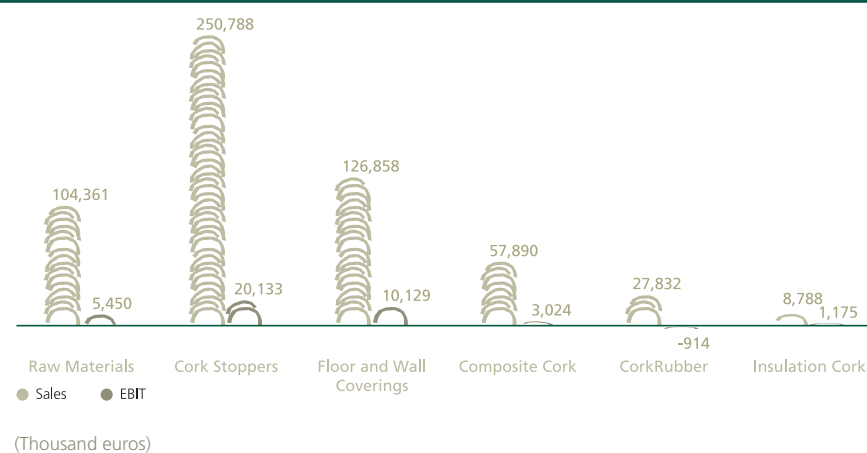
Totalled consolidated sales rose to €453.8 million, up 2.5% on the previous year. Sales growth would have been double this amount, about 5%, if the decision to make a substantial reduction in sales of cork (as a raw material) to Customers in the Portuguese market is discounted. The depreciation of currencies in which the Group invoices its exports is also to have reduced consolidated by approximately €8.9 million. If this effect is discounted, the above mentioned sales growth of 5% would have reached about 7%.

Income from the Group's absolute gross margin grew by about €2 million and was negatively affected by a -€3.6 million variation in production. In percentage terms, this had a positive effect and is one of the reasons for the slight increase registered (48.7% against 48.5%).

Due to rigorous control, a slight reduction of 0.5% was achieved in operating costs. The reduction in Staff Costs, which fell by about €3.8 million, was of particular note. This improvement was due to a reduction in the total number of Employees and to a lower amount of compensation payments made in 2007 compared with the previous year.

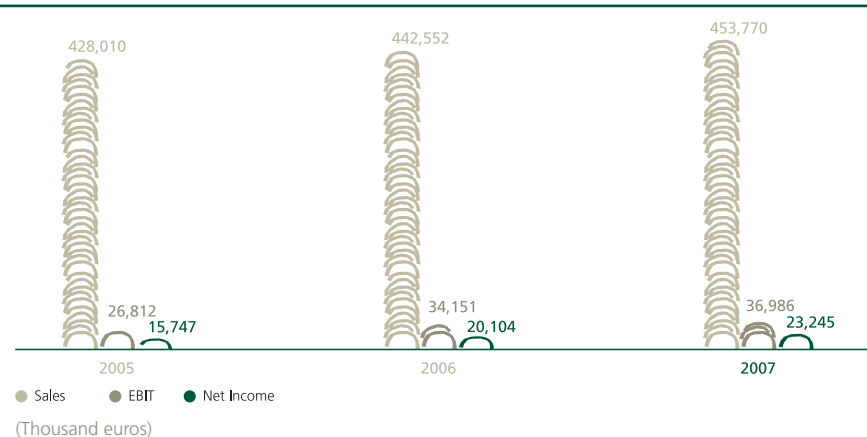
As a result of the positive evolution of the Gross Margin and operating costs, EBIT rose to €37 million, up 8.3% on 2006. EBITDA totalled €58.1 million (+3.9%). The Group registered Badwill gains from previous acquisitions in 2007, as it did in 2006.

## Sales & EBIT



As in 2006, the Group's activities were also strongly affected in 2007 by higher interest rates. In 2007, interest rates increased by an average of 0.9% (+1% in 2006). This accounts for almost all the €2.3 million increase in interest rates costs in 2007, which totalled €11.3 million.

## Sales, EBIT and Consolidated Net Income



In 2007, the amount of tax paid by the Group was positively affected by the recognition of fiscal benefits agreed to in relation to investments made in previous years, as well as

to the effect of liquidating subsidiaries, especially those linked to the BUs that were restructured.

Allowing for estimated taxes on income of €1.5 million and after Minority Interests of €1.2 million, net profit for the year totalled €23,245 million, up 15.6% on 2006.

## Consolidated Figures

Thousand euros

	4Q07	4Q06	Variation	12M07	12M06	Variation
Sales	100,912	106,999	-5.69%	453,770	442,552	+2.53%
Gross Margin – Value	50,395	53,412	-5.65%	219,376	217,424	+0.90%
Percentage <sup>1</sup>	0.50	0.47	+0.025 p.p.	0.49	0.48	+0.003 p.p.
Operating Costs <sup>2</sup>	41,728	42,331	-1.42%	182,390	183,273	-0.48%
EBITDA	13,479	15,557	-13.36%	58,125	55,948	+3.89%
EBIT	8,666	11,081	-21.79%	36,986	34,151	+8.30%
Net Income	8,509	7,261	+17.19%	23,245	20,104	+15.62%
Earnings per share <sup>3</sup>	0.065	0.0557	+17.11%	0.178	0.1541	+15.63%
EBITDA/Net Interest (x)	4.63	6.04	-1.41 X	5.15	6.19	-1.04 X
Equity/Net Assets <sup>4</sup>	–	–	–	41.17%	41.09%	+0.08 p.p.
Net Bank Debt	–	–	–	231,781	225,331	+2.86%

1) Related to Production; 2) Includes financial costs and revenues other than interest, and extraordinary items; 3) Net Income/Average outstanding shares (euros/share);

4) Total Equity/Total Assets (December 31<sup>st</sup>)

## 8. Consolidated Balance Sheet

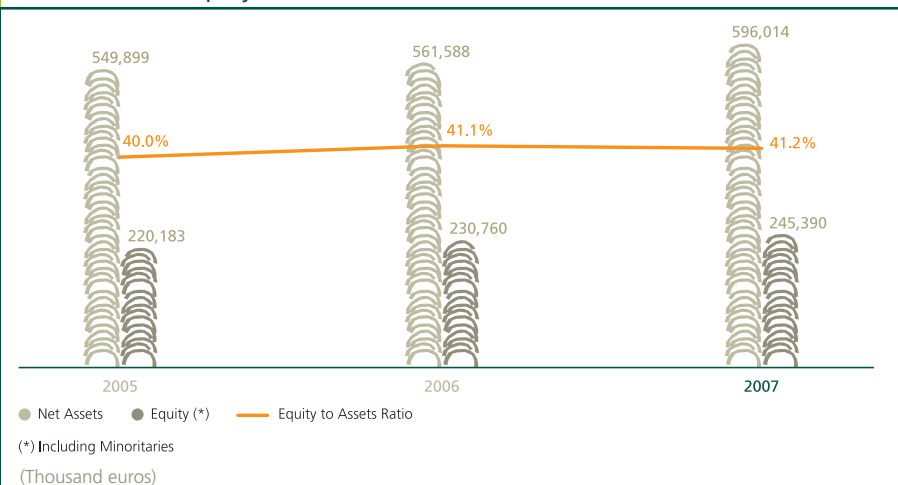
Total Assets reached €596 million at the end of 2007, an increase of €34 million on the previous year. The main reason for this increase was the consolidation of the companies belonging to the Oller Group. This occurred on December 31, 2007 and, in terms of CORTICEIRA AMORIM's consolidated accounts, affected only the Balance Sheet. From January 2008, all the activities of the Oller Group will contribute to the consolidated accounts. The acquisition of this group increased consolidated Assets by about €25 million. The additional increase of €9 million was mainly the result of increased raw material stocks.

Net remunerated debt, excluding the change caused by the acquisition of the Oller Group, increased only slightly, by about €2 million. Including the new companies, the total amount registered was €232 million. Debt structure remained essentially unchanged from the previous year with medium-and long-term debt accounting for about 70% of the total and short-term debt for the remaining 30%.

Equity totalled €245 million, an increase of about €15 million on the previous year. The main reasons for this were the level of income achieved (€23.2 million) and the amount paid out in dividends during the year (€7.2 million).

In spite of the impact of the addition of the Oller Group to consolidated Assets, the Ratio of Equity to Total Assets remained unchanged from the previous year at 41.17%.

### Net Assets and Equity



## 9. Organisational renewal

### A new organisation for new challenges

As part of the annual strategic revision of its business, CORTICEIRA AMORIM decided at the end of 2007 to alter the structure of its corporate governance model in order to achieve a more integrated vision of its activities in both strategic and operational terms, given that both aspects of its business face identical or complementary challenges.

From 2008, the activities of CORTICEIRA AMORIM and all its subsidiary companies will be organised on the basis of two different levels of integration:

- **the first, or strategic level**, brings together activities developed in accordance with the respective critical areas of analysis/intervention. Under this new approach to integration, the business will be organized on the basis of two macro areas: **Amorim Natural Cork** and **Amorim Cork Composites**;
- **the second, or base level**, brings together the business variables specific to the Group's business and/or product lines. This level will include the Company's different operating and performance units: **Raw Materials (Cork)**, **Cork Stoppers**, **Cork Composites** (resulting from the merger of the former Agglomerates and CorkRubber BUs), **Floor and Wall Coverings** and **Insulation Cork**.

Intervention at the level of each of these macro areas for strategic business management is defined in terms of the interrelationship between the fundamental parameters for each business, as follows:

- **Amorim Natural Cork** is responsible for running the Raw Materials (cork) and Cork Stopper BUs, businesses whose strategic missions are clearly linked in that know-how and provisioning policies relating to cork (quality, provisioned quantities, prices) are the most important factors;
- **Amorim Cork Composites** is responsible for running all the technical applications for cork agglomerate products and solutions that is for the Cork Composite, Floor and Wall Coverings and Insulation Cork BUs. The transversal focus of the BUs in this macro area, which can be generically defined as maximising the use of cork that is not used for manufacturing cork stoppers, means all the operations involved in this area face the permanent challenge of developing technical applications for cork composites, sometimes combined with other materials, increasing the value added of products and solutions made using or wholly from cork and extending their applicability to new segments.

Special mention should also be made of the creation of **Amorim Cork Research**, a support structure responsible for the transversal response of the whole CORTICEIRA AMORIM Group to the challenge of innovation, that is, researching new applications for cork (taking into account its special properties) and for the components of cork, as well as processes that add to the quality of cork. In business terms, the activities of this area will be decisive for achieving two important global goals: the development of innovative products and/or solutions and the registration of the respective patents (new techniques, technologies and processes). In organisational terms, this area is intended to assume the role of an advanced innovation centre, carrying out the Research and Development and Intellectual Property Activities resulting from that mission.

By means of this change, CORTICEIRA AMORIM, as a Group of companies and industrial units with related businesses – focused on the transformation and promotion of cork – will be able to guarantee more efficient integrated management of its value chain and the potential synergies of the group, sharing these benefits with every area of business in a long-term perspective that will ensure that the company achieves the correct balance between strategic control and operating autonomy/initiative.

## 10. Outlook

### 10.1. Economic outlook

#### 10.1.1. Global overview

The year 2008 should see the global economy turning away from the path it has followed since 2000 – instead of an eye-catching rate of growth around 5.0% of GDP, as before, it should see economic slowdown, financial markets instability and worsening credit market conditions. The correction in the Housing market, that has started in 2006, in some of the developed economies, namely in the US, in the United Kingdom, in the

Netherlands and in Spain, should still be felt during 2008. Several labour markets should also show signs of weakness. Risk aversion, uncertainty and volatility should dominate the first few months of 2008. Forecasts – recently and unexpectedly revised lower – show a growth rate around 4.1% of GDP but assume the existence of several risks, all of which pointing downwards. The United States of America could be in recession during the first half of the year, while the Euro Zone should see a gentle slowdown. Japan should also feel the strain and decelerate. Emerging Asia, mainly, but also Brazil, Russia and the Gulf Cooperation Council's Economies should perform strongly – although less than in 2007 – and in that way taking the lead of world economic growth. Inflation should trend upwards, at least during the first half of year. The expected effects of high energy and food prices, and the consequences thereof, should be felt everywhere and be, at all time, in world wide central bankers minds.

### 10.1.2. Euro Area

The Euro Area should grow 1.6% in 2008 according to estimates, thus at a lower level than potential output. The serious and persistent consequences of the financial distress that has started in the 3rd quarter of 2007, should negatively impact the favourable economic outlook that was forecasted even in very recent analyses. The Euro Zone will see its activity affected not only by external factors – namely the cool down in the US and the continuous gains seen in the euro – with results visible at Net Export level – zero growth estimated – but also by domestic issues, especially less vigorous Private Consumption and Fixed Capital formation as credit conditions tighten and confidence indicators decline. Private Consumption should grow 1.5%, also reflecting lower job creation prospects, Housing market correction and the cumulative impact of interest rate increases. Investment should adjust markedly down, estimates showing a rate lower than 1.0% after 4.6% in the previous year. Public Deficit will stabilize around 0.9% of GDP. Inflation will trend upwards during the first few months of the year – ECB's own view – slowing to near 2.0% levels towards the end of year. The full year figure should be 2.1%. Against recent prognoses, Unemployment should mirror worsening economic conditions – a stable Employment Rate, around 7.1% in 2008, is to be expected now whereas previous forecasts talked of a decline to 6.7%. The ECB, faced with opposite diverging paths for growth and inflation and in a context of high uncertainty, will eventually cut interest rates only marginally from the current level (Refi Rate stands at 4.0%).

### 10.1.3. United States of America

The US economy should stagnate in the first half of the year, with a distinct possibility of seeing contraction during part of the period. As we move near the end of 2008, though, it should give way to economic recovery. According to US authorities there are several risks pending and the possibility of ending up in recession is not to



#### Cork

*Harvested every nine years without ever harming the tree.*

“The cork industry  
is truly unique  
for its eco-efficiency.”  
*World Wildlife Fund (WWF)*

be discarded. Still, estimates point to growth around 1.5% after registering 2.2% in 2007. Tightening of credit standards and more difficult access to credit markets, leading to more restrictive loan policies by US financial institutions, will restrain economic activity. A deep fall in house prices is a possibility and, as it happened in 2007, will further strengthen the effects of wealth destruction. This development together with the deceleration of salaries should prevent Private Consumption, the back-bone of the US economy, increasing more than 1.3%. Similarly, fixed investment should be limited by the economic environment – contraction in Residential Construction is discounted – and by restrictions in the credit market, estimates pointing to a rate of change between 2.0% and 3.0%. Domestic Demand contribution to GDP growth should be half of that seen in the year before – something between 1.0% and 2.0%. On the bright side, Exports benefiting from the fall in the USD should partially counter the poor performance coming from Domestic Demand and see an increase slightly above 0.5%. Monetary policy should progressively become more expansionary with successive rate cuts – January clearly led the way forward with a total of 125 bps cut. Economic growth recovery will top the list of priorities of the FED. Credit market meltdown will not doubt limit the positive effects coming from the timely policy action already taken by the FED thus demanding deeper cuts. Unemployment should trend upwards due to the cool down in the Labour Market, estimates pointing to a rate of 5.5% by year end. Regardless of the economic downturn, Inflation should be around 3.2%. Aggressive interest rate cuts by the FED risk raising inflationary pressures by the end of 2008. November brings presidential elections. Considering the above mentioned outlook and the expansionary measures already approved – a tax relief package around USD 170m bln – the Public Deficit should widen to around 1.6% of GDP, thus countering the declining trajectory seen before. The Trade Balance and the Current Account should see lower than 5.0% deficits, an improvement in US structural imbalances.

#### 10.1.4. Portugal

Portugal should grow in 2008 at a rate similar to the one it saw in 2007, around 2.0%. Nevertheless, the risks facing the economy are clearly negative judging from world economic perspectives and by the correction in credit markets. Net External Demand should provide a lower contribution to economic growth – less dynamism in exports, the exception being Angola, should only be counterbalanced by a lower increase at imports level. The Euro Zone, the destiny of 70% of Portuguese Exports should see its growth rate revised downwards thus limiting the Portuguese performance. The highest positive contribution should come from Private Fixed investment with Residential Real State showing stability. 2008 will be the first year of effective implementation of QREN, Quadro de Referência Estratégico Nacional (National Strategic Framework) and so it should counter the less favourable cyclical factors. An additional support factor to consider is the expected rise in Public Investment. Fixed Investment is set to register a 2.5% growth rate. After the increase seen last year, Unemployment should stabilize around 8.0%. This development, together with a tighter monetary policy and credit markets should limit Private Consumption to an



increase only marginally higher than 1.0%. Inflation is expected to reach a level near 2.4%, the output gap and the gains in the euro countering the pressures coming from estimated higher energy prices. Policies looking to ensure the Public Deficit keeps lowering should be maintained – public expenditures should be zero – guaranteeing Portugal complies with objectives agreed with Brussels. The Public Deficit should decrease to 2.5% of GDP. The Basic Balance should see a small improvement, showing an estimated deficit around 7.3% of GDP by comparison to 8.2% last year. It mainly reflects a reduction in the Balance of Goods and Services gap that counterbalances the expected worsening in the Income Balance due to higher interest rates. The surplus in the Capital Account is expected to grow as a result of the incoming funds related to QREN.

## 10.2. Operating activities

### 10.2.1. Raw Materials

The outlook for the evolution of operating activities in 2008 is positive.

The forecast of a smaller harvest in 2008, that is, of a reduction in the amount of cork extracted in 2008 compared with previous years, which could place pressure on raw material prices, has been fully taken into account. In anticipation of this, stock levels sufficient to cover part of estimated raw material consumption in 2009 were assured in 2007. This fact, together with a drop in the price of *delgados* (thinner strips of cork), which are used in the manufacture of the disks used in Twin Top® stoppers, indicates an improvement in the quality/price ratio of raw material purchases to be made in 2008.

As a result of increased demand for natural cork stoppers, it is expected that demand for better quality cork will continue. However, a reverse trend in regard to Twin Top® stoppers could lead to a deceleration in production by the Ponte de Sôr industrial unit. In spite of this, the reduction in the price of raw materials, increased production efficiency in the manufacture of discs for Champagne stoppers and the industrial rationalisation processes that have been implemented in recent years point to an improvement in future results in terms of operating activities.

### 10.2.2. Cork Stoppers

It is expected that 2008 will be another year of growing demand in terms of the quality and performance of cork stoppers, particularly in regard to sensory qualities. As a result, this BU will maintain as priorities the development of existing technology and the search for more efficient solutions in terms of performance and cost.

Other priorities will include operating efficiency and a reduction in the amount of capital invested with a view to ensuring the competitiveness of its products in markets where quality and low cost are the main sales advantages.



Natural, renewable and recyclable  
*Its lightness and chemical inertness make cork an ideal closure for wines. It resists moisture, and ages without deterioration.*

The BU's main strategic goals for 2008 include:

- improving control over processes (rationalisation and technological evolution) and the technical development of its products, guaranteeing the functionality of their sealing properties;
- maintaining its commitment to improving the sensory characteristics of its products;
- achieving a balanced mix between volume and value, focusing on products that have greater growth potential, greater value added and that are perceived by Customers and Consumers to be of greater value;
- improving supply chain management to ensure better service levels and reduce the amount of capital invested.

### 10.2.3. Floor and Wall Coverings

The outlook for 2008 is positive with sales growth expected to continue, particularly in regard to cork flooring, despite the global climate of economic deceleration.

The conclusion in 2008 of initiatives included in the investment plan now in progress will result in improvements in the BU's existing technology, leading to increased production capacity and efficiency gains.

As a result of R&D processes currently underway, it is estimated that the preparation and launch of new product collections will be concluded in 2008 in readiness for placing them on the market in January 2009.

### 10.2.4. Composite Cork

After deep reflection on the activities developed and the outlook for evolution of the **CorkRubber** and **Composite Cork** BUs, it was decided at the end of 2007 to reorganize these BUs and integrate their activities into a single BU.

The new BU will add potential to the future development of activities previously developed on a separate basis. This will result in important gains in terms of implementing the Group's growth strategy for this area and in taking full advantages of comparative and competitive advantages. The aim is to combine efforts and initiatives, consolidate experience and know-how and enhance complementary skills.

The outlook is particularly positive for sales of agglomerates, the BU's main product group, in 2008, while only slight variations, compared with 2007, are expected in sales of its other products. Only minor sales growth is forecast for cork products that incorporate rubber or recycled rubber.

Despite the tendency for depreciation of the US dollar, which has a negative impact on the value of the BU's sales, and expected price increases for some raw materials, the BU's relative gross margin is forecast to improve as the result of expected operating efficiency gains.

As a result of the considerations detailed above and despite the fact that the economic climate in the BU's main markets is not wholly favourable, the outlook for 2008 is globally positive.

#### 10.2.5. Insulation Cork

The unique characteristics of the products and solutions produced by this BU in terms of their superior performance and their natural and ecological qualities, as well as innovations resulting in new applications geared towards special projects that are technically more demanding and of greater prestige, will contribute to the greater visibility and use of its products.

Investments designed to increase productivity, diversify markets, broaden the range of traditional uses for its products and to market new products based on innovative applications are expected to have a positive impact on the business activities of this BU.

#### 10.3. Results

The income growth achieved in 2007 was of a level that will make it difficult to achieve the normal annual goal of overtaking the amount of profit registered in the previous year. Growth is the permanent goal of every company. In organic terms, performance in 2008 should benefit from the gains resulting from the merger of the Agglomerates and CorkRubber BUs. As opportunely announced on November 20, 2007, this merger is expected to leverage the different businesses involved by taking advantage of commercial synergies, optimising resources and improving operating efficiency. However, the net value of the gains expected from this merger cannot be forecast with precise accuracy.

The integration of the Oller Group into CORTICEIRA AMORIM is also expected to produce positive results. In addition to including the income from this Group in its normal operations – reduced, of course, by the financial cost involved in the acquisition – additional gains are expected from the industrial integration of the Oller Group, which will be implemented during 2008. Gains are also likely as a result of the relationship between the price and quality of non-virgin cork, which is expected to be more favourable than in 2007.

Among adverse conditions expected in 2008, continuing high interest rates will be of particular importance. No concrete reduction in these rates is likely over the short term,



#### New Cork Composites BU

*Resulting from the integration of the CorkRubber and Composite Cork BUs. An important step in solidification of the Organization's strategy because it levers business development, promotes commercial synergies; and improves operating efficiency.*

“We are convinced there is an increasing number of people who, on popping a bottle of champagne, are keen to toast a way of life that is traditional, environmentally friendly and economically viable.”

WWF  
[www.panda.org](http://www.panda.org)

that is, during 2008. It is also assumed that the US dollar and other currencies in which the Group invoices its exports will remain at exchange rates similar to those that have proved so unfavourable to CORTICEIRA AMORIM's business activities and particularly to its earnings over the past two years. It should also be noted, as a final negative point, that the tax benefits registered in 2007 are not expected to be repeated in 2008.

In summary, it can be said that, in spite of expected growth in business activity and even of an improvement in operating income, the financial and tax environment in which the Group operates will make it difficult to equal the level of net income achieved in 2007.

## 11. Business risks and uncertainties

During the Company's long history, which already encompasses three centuries, it has successfully coped with profound, sometimes radical transformations in society and come through two World Wars. Throughout this history, CORTICEIRA AMORIM has correctly and in a timely fashion identified the risks and uncertainties associated with its business and faced them with confidence as opportunities and challenges.

CORTICEIRA AMORIM, which has 137 years of accumulated know-how of the cork sector, recognises that over the long term its performance can be influenced by the following factors, which it permanently monitors and evaluates:

- **depreciation of the US dollar** – a factor that erodes business margins. Over the short term, the effects of dollar depreciation have been offset by an active policy of substituting invoicing currencies – in 2007 consolidated sales in US dollars accounted for 18% of sales to non-Group Customers – and by adopting a consistent policy of hedging exchange rate risk (either through natural hedging or appropriate financial instruments); over the long term CORTICEIRA AMORIM is committed to developing new products/solutions with greater added value with a view to establishing a product mix capable of overcoming these limitations. As a result, the Company has adopted an organisational model geared to moving up the value chain and neutralising this risk;
- **climate change** – a factor that could potentially reduce the availability of raw materials in that it could destabilise the ecosystem on which the cork oak depends as a result of severe droughts, which would threaten the propagation and growth of the tree. More importantly, the capacity of the cork oak and of cork, both as a raw material and in the form of cork products, to retain carbon helps to mitigate the emission of the greenhouse gases that cause climate change.

The cork oak is the basis of an ecological system that is unique in the world, contributing to the survival of many species of indigenous fauna and to the



#### Natural Cork Stoppers

*Its higher technical credentials are recognised and clearly reinforced by its environmental contribution and its ecological characteristics.*

protection of the environment. The tree is only to be found in seven countries in the Western Mediterranean Basin – Portugal, Spain, France, Italy, Morocco, Algeria and Tunisia – where it acts as a barrier against the advance of desertification as it can survive in dry climates with little rainfall, helping to fix soil and organic material, reducing erosion and increasing water retention.

CORTICEIRA AMORIM products are also important absorbers of carbon, which they retain until the end of their useful life. Each cork stopper, for example, is responsible for the fixation of 8.8 grams of CO<sub>2</sub>.

The industrial processing of cork harvested from cork oaks is the best way to guarantee the preservation and development of the *montado* (a sustainable agricultural system based around cork oak forests) and ensuring their economic viability. *Montados* have today become a centre of attention. Specific legislation to protect them has been approved and several non-governmental organisations who seek to protect forests have devised programmes aimed at the improvement and certification of forest managements practices.

This means that, rather than forecasting a reduction in the amount of raw material available, it is expected that the facts described (the fixation of CO<sub>2</sub> and the increased use of cork for thermal insulation with the development of eco-construction) above will provide an opportunity for highlighting the unique advantages of cork products.

- **the development of alternative closures** – the possibility of cork stoppers being replaced by artificial closures such as those made from plastic and aluminium, the common materials of post-war society, has been mooted for many years, but has not, however, materialised.

Synthetic closures, as well as other alternative forms of wine packaging, have been available on the market for several decades. Plastic closures were used in the early 1990s, mainly by countries like Australia for their growing production of low-cost wines for rapid consumption.

In spite of cost attractions, the actual use of these closures is falling, essentially because of two factors: one of a technical nature and the other related to image. The first relates to the failure to devise manufacturing processes capable of reproducing the clear advantage cork has of achieving a balance between the effort required to extract the stopper and the optimum level of oxygen permeability that it provides for wine development. This crucial technical impasse, together with the depreciative association by consumers of plastic closures with low-grade wine has led the market to search rapidly for new artificial closures that imitate cork, which has maintained its position as the closure of choice and the benchmark for quality, performance and image.

In this context, other closure options have appeared on the market led by the aluminium screw-cap. Like plastic closures, the screw-cap is associated with

lowgrade wine and lower levels of profitability for producers and distributors, having reached its pinnacle in countries that, like the United Kingdom, have seen it emerge as a closure for the very cheap wines that became widely available in the 1970s.

Efforts to use screw-caps as an alternative to plastic closures have been conditioned by two important factors:

- the obvious technical complexities of using an anaerobic closure such as the screw-cap – particularly the phenomenon of reduction – have raised significant barriers to its use and a general adoption of screw-caps, which some had forecast would occur in the 1990s, is far from becoming a global threat to natural cork, the recognised technical advantages of which have been strengthened by its ecological and environmentally-friendly characteristics;
- the rapid process by which modern societies have become aware of the environmental and ecological costs involved in the use of products, created decades ago, that have negative environmental impact that needs to be mediated and controlled and the tendency to avoid using them. As the result, the replacement of a natural product – cork – by a product manufactured by an industrial process that consumes more energy than any other comparable process has met with the natural resistance of Consumers.

The debate on wine closures is currently focused on two main aspects, both of them highly positive for cork: questions of sustainability, which are clearly of concern to public opinion, and technical and media recognition that the reduction problems associated with screw-caps are undeniable and more frequent than was previously thought likely.

## 12. Financial risk management

CORTICEIRA AMORIM's activities are exposed to a number of financial risks: market risk (including exchange rate and interest rate risk), credit risk, liquidity risk and capital risk. In accordance with line e) of number 5 of article 508-C of the Portuguese Companies Act, full details of the Company's financial risk management goals and policies, including its policies for hedging each of the main categories of transaction for which it uses hedge accounting and its exposure to price, credit, liquidity and cash-flow risks, are given in the note on "Financial Risk Management" included in the Notes to the Consolidated Accounts.

## 13. Proposed appropriation of profit

Bearing in mind that in 2007 the company registered a Net Loss of €1,987,222.40 (one million, nine hundred and eighty seven thousand, two hundred and twenty two euros and

forty cents) and had distributable reserves of €46,677,307.07 (forty six million, six hundred and seventy seven thousand, three hundred and seven euros and seven cents), the Board of Directors proposes:

1. that Shareholders approve that the above mentioned Net Loss of €1,987,222.40 (one million, nine hundred and eighty seven thousand, two hundred and twenty two euros and fourty cents) be recorded as Retained Earnings;
2. that the amount of €7,980,000.00 (seven million, nine hundred and eighty thousand euros) be distributed as dividends from the Company's Unrestricted Reserves, corresponding to a dividend of €0.06 (six cents) a share;
3. that the amount of €38,697,307.07 (thirty eight million, six hundred and ninety seven thousand, three hundred and seven euros and seven cents) be transferred from the Company's Unrestricted Reserves to Retained Earnings.

## 14. Treasury stock

In several stock market sessions, CORTICEIRA AMORIM acquired a total of 19,477 of its own shares, corresponding to 0.0146% of its share capital, at an average price of €1.958 per share. The total value of these transactions was €38,131.62.

No treasury stock was sold.

On December 31, 2007, CORTICEIRA AMORIM's treasury stock totalled 2,567,834 shares, representing 1.9307% of the Company's share capital.

These transactions, carried out as described above, were deemed appropriate in terms of market opportunity, the availability of financial resources within the Company and the negligible impact they would have on the normal price formation of the shares and the Company's free float.

## 15. Significant events

After December 31, 2007 and up to the date of the present report, no significant events occurred that could materially affect the financial position or the future income of CORTICEIRA AMORIM or the group of subsidiary companies included in the consolidated Group.

## 16. Statement of Responsibility

In accordance with line c) of number 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors state that, to the best of their knowledge, the



annual accounts and other documents included in the statement of accounts were drawn up in accordance with the applicable accounting standards, giving a true and accurate account of assets and debts, of the financial situation and profits/losses of CORTICEIRA AMORIM, S.G.P.S., S.A. and the companies that are consolidated by the Group. They also state that the management report faithfully expresses the business evolution, performance and position of CORTICEIRA AMORIM, S.G.P.S., S.A. and the companies that are consolidated by the Group and that the report includes a special chapter describing the main risks and uncertainties of the Company's businesses.

## 17. Final words

The Board of Directors would like to take this opportunity to express its gratitude to:

- the Group's Shareholders and Investors for their unfailing trust;
- the Credit Institutions with which the group works for their invaluable cooperation; and
- the Audit Board and the Statutory Auditor for the rigour and quality of their work.

To all our Employees, whose willingness and commitment have contributed so much to the development and growth of the companies belonging to the CORTICEIRA AMORIM Group, we express our sincere appreciation.

Mozelos, February 25, 2008

The Board of Directors of CORTICEIRA AMORIM, S.G.P.S., S.A.

*António Rios de Amorim, Chairman of the Board of Directors*

*José Américo Amorim Coelho, Vice-Chairman of the Board of Directors*

*Joaquim Ferreira de Amorim, Member of the Board of Directors*

*Nuno Filipe Vilela Barroca de Oliveira, Member of the Board of Directors*


*Luísa Alexandra Ramos Amorim, Member of the Board of Directors*

*José da Silva Carvalho Neto, Member of the Board of Directors*



### FSC Certification

*The economical value added by industrial transformation of the cork remains the most relevant guarantee of the preservation and development of cork oak forests.*

“...cork is much more than an excellent cork stopper: it's a  product with centuries of history, with its origin in an economic sustainable forest, with a CO<sub>2</sub> excellent balance and that may be recycled.”



*NABU*  
German Association for Environment,  
referred by APCOR



SECTION III

## Corporate governance – structure and practices

Introduction

Chapter 0 Declaration of Compliance

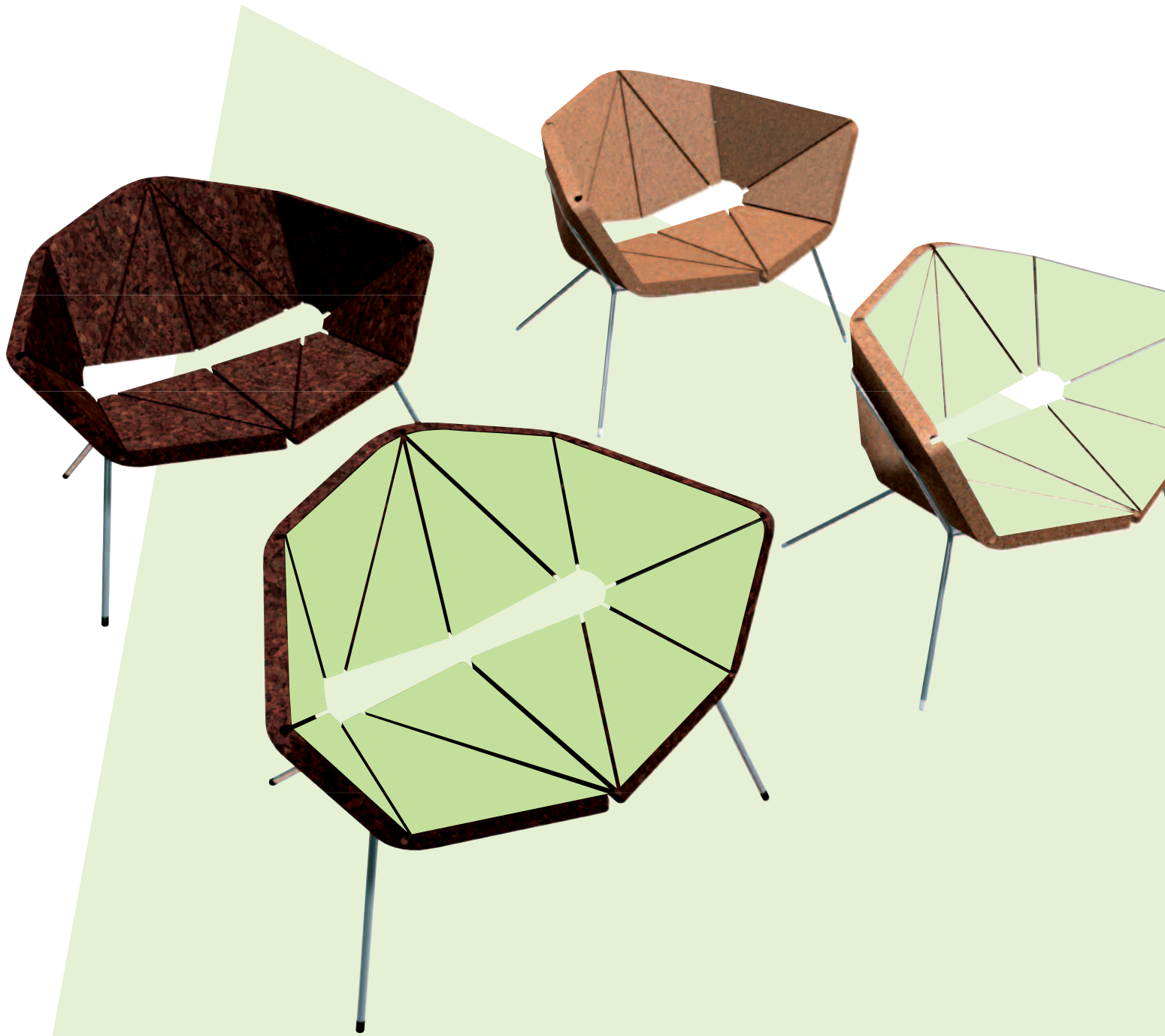
Chapter I Information Disclosure

Chapter II Shareholder Representation and Voting Rights

Chapter III Corporate Regulations

Chapter IV The Board of Directors

Chapter V Other Information





### SECTION III

## Corporate governance – structure and practices

### Introduction

In 1999, the Board of Portugal's Security Markets Commission (CMVM) approved an initial package of recommendations on the governance of listed companies with the aim of improving mechanisms for protecting security market investors. It has subsequently encouraged far-ranging reflection on the subject as part of a prolonged process of public consultation involving all parties associated with the markets.

This led to a reformulation of the first package of recommendations. Some recommendations have been changed to obligations and the content of annual reports relating to corporate governance structures and practices has been standardised.

CORTICEIRA AMORIM welcomed the initial recommendations, as well as the changes to the regulatory framework that followed from the subsequent debate, as an opportune and pertinent initiative that will benefit all individuals and groups with an interest in the Company's activities. The Group's position in relation to corporate governance has been critically analysed in the light of the recommendations and the context in which the Company operates and due consideration has been given to the real advantages of implementing them in full.

The main aim of the changes has been to strengthen the Company's internal audit system and to increase transparency.

As a result of the alterations to the Portuguese Companies Act (Código das Sociedades Comerciais) introduced by Decree-Law no. 76-A/2006 of March 29 and a process of internal reflection on the need to modernise some of CORTICEIRA AMORIM's corporate governance policies to ensure the adoption of up-to-date practices that encourage Shareholder participation in the life of the Company, a number of alterations to the Company's Statutes and to the structure of its corporate governance bodies were introduced at the beginning of 2007:

VINCO

*Design Cork Project,  
a partnership between  
CORTICEIRA AMORIM  
and SUSDESIGN.*

*Author: Toni Grilo*

## I. Auditing structure

After a comprehensive study of existing corporate governance models developed for companies such as CORTICEIRA AMORIM, it was opted for a model based on a clear separation between the Board of Directors and two audit bodies – a Supervisory Board and a Statutory Auditor. This approach is generally known as the “strengthened Latin model”.

## II. Amendments relating to Shareholder participation and/or representation and the exercise of voting rights

- the period during which Shareholders wishing to attend a General Meeting of Shareholders will be prevented from using their shares was reduced from 20 to 5 days prior to the meeting;
- a request by a Shareholder for an issue be placed on the agenda need only be officially authenticated if the Chairman of the General Meeting doubts the authenticity of the signature(s) on the request(s);
- a Shareholder may be represented by any third party (mandatory provision);
- electronic and postal votes are valid for all business transacted at General Meetings provided adequate security and reliability is ensured;
- postal voting was regulated;
- information relating to General Meetings may be emailed to Shareholders.

## III. General Meeting resolutions

### Shareholders General Meeting – March 31, 2007

Taking into account the amendments to the Portuguese Companies Act (Código das Sociedades Comerciais) referred to above, in particular the introduction to Section 374-A of a mandatory provision requiring any members of the Committee Chairing the General Meeting of Shareholders to be replaced when any incompatibility and/or lack of independence is registered, it was decided that the Committee Chairing a General Meeting would be made up of a Chairman and a Secretary. Joaquim Taveira da Fonseca and Tiago Borges de Pinho were elected respectively Chairman and Secretary and immediately assumed their posts.

### Shareholders General Meeting – May 28, 2007

The meeting approved changes to the governing bodies and to key aspects of the way they function. It determined that:

- the Company’s governing bodies are the General Meeting of Shareholders, the Board of Directors, the Supervisory Board and the Statutory Auditor;



- the term of office of the Committee Chairing the General Meeting, the Board of Directors, the Supervisory Board and the Statutory Auditor will be three calendar years. When voting on the Board of Director's report, the financial statements and the proposal for the appropriation of profit, the Annual General Meeting may decide to remove any director from office, except the director elected according to the special rules set out in Section 392 of the Portuguese Companies Act;
- the members of the Committee Chairing the General Meeting, the Supervisory Board and the Statutory Auditor may be paid a fixed remuneration for a determined period.

The meeting approved changes aimed at facilitating and encouraging Shareholder participation in the Company's activities:

- Shareholders participation in a General Meeting, whether in person or by proxy, is conditional on their shares being blocked for a minimum of five working days prior to the meeting;
- votes may be sent electronically or by post and must reach the Company no fewer than five working days prior to the General Meeting. Before a General Meeting is convened, the Chairman of the Meeting must ensure that adequate technical facilities are in place to ensure the security and reliability of electronic voting;
- electronic and postal votes will be disregarded if they relate to a proposal put forward at a date later than the actual date of voting. The electronic or postal votes of Shareholders who subsequently attend the General Meeting in person will be void;
- information relating to a General Meeting may be emailed at a Shareholder's request up to fifteen days before the meeting;
- a Shareholder can choose to be represented at a General Meeting by another Shareholder or a non-shareholding third party.

The Meeting approved a number of alterations aimed at facilitating Meetings of the Board of Directors through the use of teleconferencing:

- the Board of Directors can meet at any time and place according to the best interests of the Company;
- a Director will be deemed to be present at a Board Meeting if he or she participates by means of teleconferencing facilities that ensure an appropriate level of simultaneous real-time voice (or voice and image) transmission and reception; the reliability and security of the system must be approved by a majority of Board Members before the meeting begins;

- a Director may be represented at Board Meeting by any other Director provided he or she has notified the Chairman of the Board to that effect in writing;
- Directors may vote by post on decisions being made by the Board of Directors; the Chairman of the Board of Directors has the casting vote on Board decisions;
- if a Director fails to attend four Board Meetings in a calendar year and his or her justification is not accepted by the Board of Directors, the Director will be removed from office and replaced by another person under the terms of the applicable legislation.

The Meeting approved the composition and *modus operandi* of the Governing Bodies responsible for internal auditing and supervision:

- internal auditing and supervision of the Company will be carried out by a Statutory Auditor and a Supervisory Board;
- the Supervisory Board will consist of three regular members and one or several alternate members. The Chairman of the Supervisory Board has a casting vote in board decisions;
- a member will be deemed to be present at a Meeting of the Supervisory Board if he or she participates by means of teleconferencing facilities that ensure an appropriate level of simultaneous real-time voice (or voice and image) transmission and reception; the reliability and security of the system must be approved by a majority of Board Members before the meeting begins;
- the Statutory Auditor will be made up of one regular member and one alternate member. Both must be either chartered accountants or auditing companies.

The General Meeting elected the following members to the new Governing Bodies:

- **Supervisory Board:** Durval Ferreira Marques (Chairman of the Supervisory Board); Joaquim Alberto Hierro Lopes (Member); Gustavo José de Noronha da Costa Fernandes (Member); and Alberto Manuel Duarte de Oliveira Pinto (Alternate Member);
- **Statutory Auditor:** PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (Regular Member) represented either by José Pereira Alves or António Joaquim Brochado Correia and Hermínio António Paulos Afonso (Alternate Member).

CMVM Regulation no. 1/2007 (published in November 2007 and due to take effect on January 1, 2009) together with the CMVM's Recommendations on the Governance of Listed Companies, which take the form of a non-binding code of recommended good practices, led CORTICEIRA AMORIM to reflect further on its Corporate Governance

The General Meeting of May 28, 2007 approved alterations to the Company Statutes aimed at adopting a corporate governance system generally known as the “strengthened Latin model”.



Structure and Policies with a view to improving internal standards and practices in the light of this new legislative framework in order to ensure efficiency and protect the interests of the Company's Stakeholders.

This report refers to the situation on December 31, 2007 and has been drawn up in compliance with the provisions of article 245-A of the Portuguese Securities Code and paragraph 1 of article 1 of CMVM Regulation no. 7/2001, which incorporates the alterations introduced by CMVM Regulations nos. 11/2003, 10/2005 and 3/2006.

The information required by articles 447 and 448 of the Portuguese Companies Act (Código das Sociedades Comerciais) is also included in the report.

## CHAPTER 0 – DECLARATION OF COMPLIANCE

Analysis shows CORTICEIRA AMORIM achieved a **high degree of compliance with the CMVM's Recommendations** on Corporate Governance, as indicated by the following notes:

### “I – Disclosure of Information

1. Companies should maintain permanent contact with the market to uphold the principle of equality among shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company will create an Investor Assistance Unit.”

#### RECOMMENDATION FULLY ADOPTED.

CORTICEIRA AMORIM has set up an Investor Relations Department, described in paragraph 8 of Chapter 1, which guarantees full compliance with this recommendation.

### “II – The Exercise of Voting and Representation Rights by Shareholders

2. The active exercise of voting rights, whether directly, by post or proxy, should not be restricted. The following examples are considered to restrict the active exercise of voting rights:
  - a) the imposition of a period of more than five working days between the deposit or blocking of shares and permission to participate in a general meeting of shareholders;
  - b) any statutory restriction on postal voting;
  - c) any requirement that postal votes be received more than five days in advance;
  - d) the non-availability of voting slips for shareholders wishing to submit postal votes.”

#### RECOMMENDATION FULLY ADOPTED.

The alteration of CORTICEIRA AMORIM's Statutes, approved by the General Meeting of May 28, 2007, removed all remaining restrictions on postal votes, authorising them for all matters admissible of analysis and approval by the General Meeting of Shareholders.

Postal vote must be received at least five working days before the General Meeting, the same period stipulated in the CMVM's recommendations. The same alterations to the statutes also stipulate that electronic and postal votes will be disregarded if they relate to a proposal put forward at a date later than the actual date of electronic or postal voting and that the electronic or postal votes of Shareholders who subsequently attend a General Meeting in person will be considered void.

In compliance with the CMVM's Recommendations, postal voting forms are available on the Company's website ([www.corticeiraamorim.com](http://www.corticeiraamorim.com)).

For Shareholders to participate in a General Meeting, their shares must be blocked for a minimum of five days before the meeting.

### “III – Corporate Rules

3. Companies should establish an internal control system for the efficient detection of risks related to their activities both to safeguard their assets and to enhance the transparency of their corporate governance practices.”

#### **RECOMMENDATION FULLY ADOPTED.**

CORTICEIRA AMORIM uses a manual of internal control procedures, drawn up in collaboration with PricewaterhouseCoopers, that clearly sets out responsibilities and procedures for preventing and minimising risk.

The Company has also set up internal units to reduce risk and improve the quality and integrity of information supplied to the market. These are described in Chapter 1, paragraph 3.

- “4. Measures adopted to prevent the success of takeover bids should respect the interests of the company and its shareholders. Measures considered contrary to those interests include defensive clauses intended to cause an automatic erosion of company assets in the event of a transfer of control and changes to the composition of the board that are detrimental to the free transfer of shares and the free assessment by shareholders of the performance of members of the company's governing bodies.”

#### **RECOMMENDATION FULLY ADOPTED.**

To the best of CORTICEIRA AMORIM's knowledge, there are no limits on the exercise of voting rights, nor any restrictions on the transfer of shares, special Shareholders' rights or partnership agreements.

### “IV – The board of directors

5. The board should be composed of a plurality of members who provide effective guidance in relation to the management of the company and its executives.

The alteration of CORTICEIRA AMORIM's Statutes, approved by the General Meeting of May 28, 2007, removed all remaining restrictions on postal votes, authorising them for all matters admissible of analysis and approval by the General Meeting of Shareholders.

5-A. The board of directors should include a sufficient number of non-executive directors to provide for the continuous monitoring and assessment of the management of the company by the executive members of the board. Members of other governing bodies may exercise additional roles and, in special circumstances, substitute board members if they exercise equivalent supervisory powers.”

**RECOMMENDATION FULLY ADOPTED.**

The Board of Directors, the body responsible for guiding the management of the Company, is made up of seven members, four of them non-executive and three executive, in compliance with the CMVM's recommendations, which propose that at least a third of Board members are non-executive. (The CMVM recommendation relating to the sending and publication of annual financial statements as stipulated by article 245 of the Portuguese Security Markets Code and article 8 of CMVM Regulation no. 4/2004).

The General Meeting of May 28, 2007 approved alterations to the Company Statutes aimed at adopting a corporate governance system generally known as the “strengthened Latin model”. As a result, the Company appointed a Supervisory Board and a Statutory Auditor composed of independent members who exercise the supervisory powers attributed to them by law.

“6. The non-executive board members must include an adequate number of independents. When there is only one non-executive director, he or she must be independent. Independent members of other corporate bodies may exercise additional roles and, in special circumstances, substitute board members if they exercise equivalent supervisory powers.”

**RECOMMENDATION NOT ADOPTED.**

Following the implementation of a double system of supervision – a Supervisory Board and a Statutory Auditor whose members are all independent – the Company considers the interests covered by this recommendation to be fully and appropriately protected. However, the Board of Directors does not include a independent non-executive member as required by the current concept of independence and therefore does not comply with the CMVM's recommendation that “boards of directors should have a minimum of 25% of independent non-executive members” (the CMVM recommendation relating to the sending and publication of annual financial statements as stipulated by article 245 of the Portuguese Security Markets Code and article 8 of CMVM Regulation no. 4/2004).

“7. The board of directors should create internal audit committees with the power to supervise corporate structures and corporate governance.”

**RECOMMENDATION FULLY ADOPTED.**

The Company has created a Corporate Governance Structure and Practices Committee, which promotes the initiatives required to revise and improve internal corporate

governance standards and procedures to ensure they are effective in defending the different interests involved and to analyse new structural models, including those resulting from the recent reformulation of the Portuguese Companies Act, in regard to their suitability for CORTICEIRA AMORIM.

“8. The remuneration of members of the board of directors should be structured in order to ensure that the interests of board members are in line with those of the company and should be published annually on an individual basis.”

**RECOMMENDATION PARTIALLY ADOPTED.**

CORTICEIRA AMORIM publishes the remuneration of Board Members, identifying separately the overall remuneration received by the executive members and by the non-executive members of the board. The Company considers this level of detail adequate to safeguard the interests identified by the CMVM and to ensure the required level of transparency. For this reason, the individual remuneration of Board members is not disclosed.

“8-A. A statement on the remuneration policy for the company’s corporate bodies should be submitted for the appraisal of shareholders at the annual general meeting.”

**RECOMMENDATION NOT ADOPTED.**

The Remuneration Committee will not comply with the CMVM Recommendation by submitting a statement of the Company’s remuneration policy for members of its Governing Bodies at the next General Meeting scheduled for March 28, 2008.

“9. Members of the remuneration committee or its equivalent should be independent in relation to members of the board of directors.”

**RECOMMENDATION FULLY ADOPTED.**

The members of the Remuneration Committee meet the criteria of independence in relation to members of the Board of Directors as defined by the CMVM recommendation.

“10. Plans for the allotment of shares, and/or options to purchase shares or to purchase shares based on variations in share prices from members of the company’s governing bodies or employees should be submitted to the general meeting for approval. The submission should include all the information required to ensure the plan can be properly assessed. It should also be accompanied by the procedural rules for the plan, or, if these have not yet been drafted, by the general terms and conditions to be followed.”

**RECOMMENDATION FULLY ADOPTED.**

Although this specific situation has not yet arisen at CORTICEIRA AMORIM, it is Company policy to provide all the necessary information for a proper and well-founded

CORTICEIRA AMORIM remains in permanent contact with the Market, respecting the principle of Shareholder equality and preventing asymmetries in Investor access to information.

appreciation of the proposals presented for discussion and deliberation at the General Meeting of Shareholders.

“10-A. The company should adopt a policy for reporting alleged irregularities in the company that stipulates how these irregular practices should be reported internally, the persons to whom they should be reported and how they are to be dealt with, including the confidential handling of information if that is the wish of the person making the report. The broad outlines of this policy should be included in the corporate governance report.”

#### RECOMMENDATION PARTIALLY ADOPTED.

Employees and other individuals or bodies are required to report irregularities to CORTICEIRA AMORIM's Supervisory Board, which, according to its operating regulations, will deal with them appropriately.

However, CORTICEIRA AMORIM recognises that the attribution of that responsibility to the Supervisory Board – which, being composed entirely of independent members ensures the impartial analysis and treatment of irregularities reported to the Company – does not fully comply with the communication policy recommended by the CMVM. Given the importance of the interests the recommendation seeks to safeguard, the Corporate Governance Structure and Practices Committee is deliberating on the most appropriate means for reporting such irregularities in order to ensure the protection of data and Employees. It is also considering global supervisory measures for overseeing the Company's reporting policy.

#### “V – Institutional Investors

11. Institutional investors should take into account their responsibility to contribute to the diligent, efficient and critical use of the rights conferred on them by the securities they hold or whose management they have been entrusted with, particularly in regard to information and voting rights.”

RECOMMENDATION NOT APPLICABLE TO CORTICEIRA AMORIM.

## CHAPTER I – INFORMATION DISCLOSURE

### 1. The responsibilities of company bodies and departments in the business decision-making process.

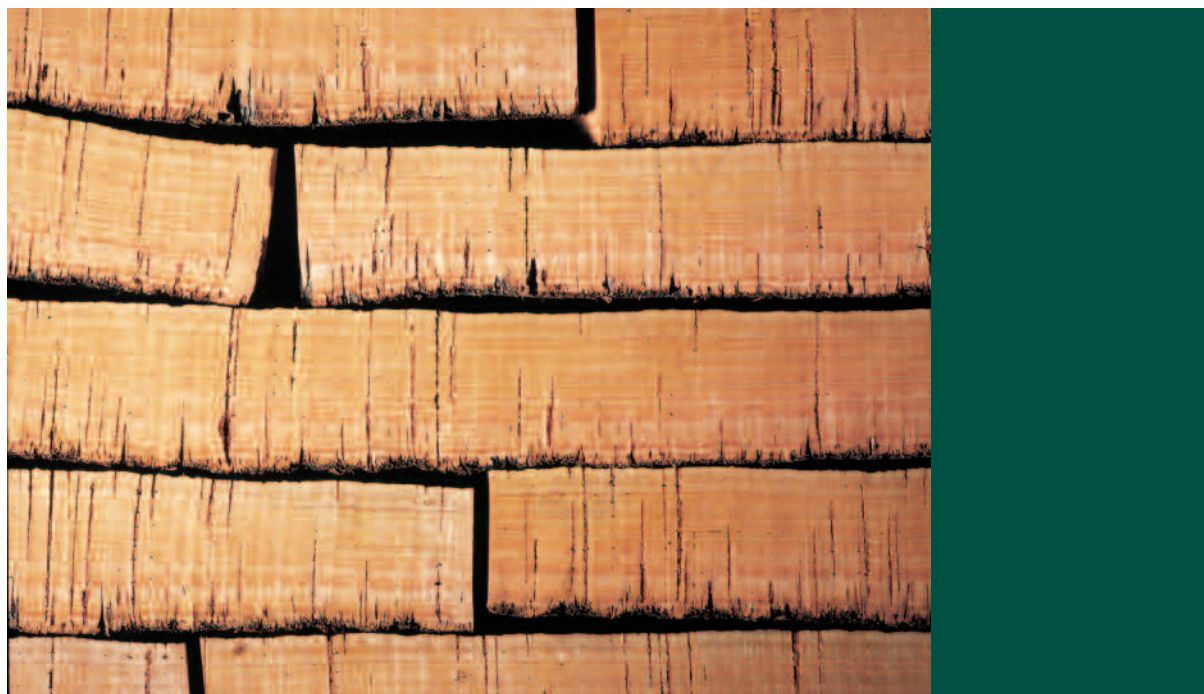
As the body responsible for making strategic decisions, CORTICEIRA AMORIM's Board of Directors is charged with the global management of the Company.

Board meetings are attended by an adviser in addition to board members. The position of adviser to the Board of Directors was created in 2001 and, since that date, has been filled by Américo Ferreira de Amorim.

The Board of Directors is composed of four non-executive members and three executive members. In addition to the decision-making role referred to above, it monitors the most important aspects of the Company's activities, including significant matters that have been decided on or analysed by the Executive Board.

## Board of Directors

Board of Directors			Adviser to the Board of Directors
	ANTÓNIO RIOS DE AMORIM	CHAIRMAN	AMÉRICO FERREIRA DE AMORIM
EXECUTIVE DIRECTORS	JOSÉ FERNANDO MAIA DE ARAÚJO E SILVA	MEMBER	
	NUNO FILIPE VILELA BARROCA DE OLIVEIRA	MEMBER	
	JOSÉ AMÉRICO AMORIM COELHO	VICE-CHAIRMAN	
NON-EXECUTIVE DIRECTORS	JOAQUIM FERREIRA DE AMORIM	MEMBER	
	LUÍSA ALEXANDRA RAMOS AMORIM	MEMBER	
	JOSÉ DA SILVA CARVALHO NETO	MEMBER	



CORTICEIRA AMORIM's operations are structured in six Business Units (BUs).

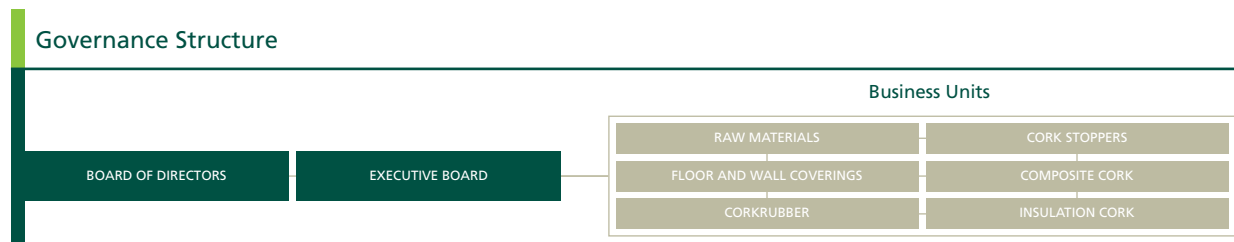
Using a management model based on the concept of a Strategic-Operational Holding Company, the BUs are co-ordinated by the Executive Board, which has wide-ranging management powers, excepting those powers which, for legal or statutory reasons, are reserved for the Board of Directors.

The Executive Board has three members. On December 31, 2007, they were:

- António Rios de Amorim (Chairman);
- José Fernando Maia de Araújo e Silva;
- Jorge Viriato de Freitas Barros Diniz Santos.

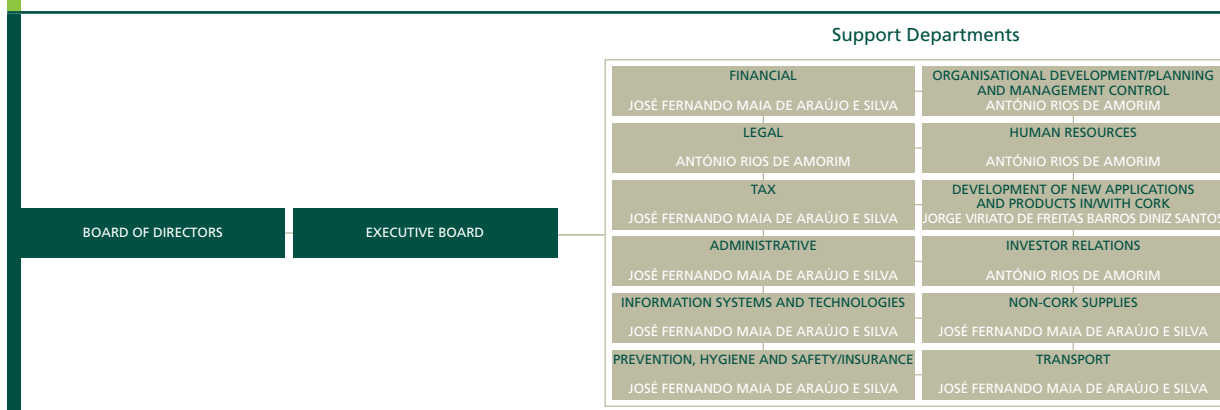
The strategic alignment of the whole Organisation is leveraged by the use of the balanced scorecard methodology, both globally in CORTICEIRA AMORIM and individually in the BUs. Under this system, approval of strategic objectives and priority initiatives falls to the Board of Directors in terms of both CORTICEIRA AMORIM as a whole and the individual BUs.

Each BU has a Board of Directors made up of non-executive and executive members, including a Managing Director. These boards are responsible for decisions on all matters deemed to be of importance. The Company's overall management structure is show in the following diagram:



The Support Departments are responsible for monitoring and co-ordinating the activities of the BUs and their respective operational areas. Nuno Filipe Vilela Barroca de Oliveira coordinates two areas – Internal Auditing and Control of Capital Employed. The remaining areas are coordinated by members of the Executive Board as shown in the following diagram:

## Co-ordination of the Support Departments



## 2. Specific Committees

CORTICEIRA AMORIM has set up a Corporate Governance Structure and Practices Committee to promote the revision and improvement of internal corporate governance standards and procedures to ensure they are effective in defending the different interests involved.

## 3. Risk management

In terms of the Board of Directors and the Executive Board, the main aim is to establish an integrated overview of critical factors in terms of profitability and/or associated risks with a view to sustained value creation for the Company and its Shareholders.

Because of the specific characteristics of CORTICEIRA AMORIM, two critical factors have been identified at the operational level: market and business risks and raw material (cork) risk. Operational management is the responsibility of the BUs.

### Market and business risks:

In the first instance, market and business risk is managed by the five BUs – Cork Stoppers, Floor and Wall Coverings, Composite Cork, CorkRubber and Insulation Cork – which intervene in the markets that deal in CORTICEIRA AMORIM's end products.

In their strategic planning, these BUs, supported by the balanced scorecard methodology, have identified key factors for value creation, using a multi-faceted approach that encompasses finance; markets and Customers; and processes and infrastructures.

Using this approach, strategic objectives and intermediate goals are defined, together with the actions required to achieve them.





The balanced scorecard methodology strengthens the alignment between strategic goals and operational planning, enabling priority actions for reducing risk and sustaining value creation to be implemented over shorter periods. Processes for systematically monitoring these actions are implemented by the BUs and are subject to periodic auditing and monthly evaluation by each BU's Board of Directors.

#### Raw material (cork) risk:

Because of the critical importance of the raw material factor, which affects all the Company's BUs, the management of purchasing, storing and preparing raw materials (cork), the single variable common to all of CORTICEIRA AMORIM's operations, has been concentrated into a single autonomous BU since 2002. This has enabled the Company to:

- create a specialised team exclusively dedicated to raw materials;
- make the most of synergies and integrate the processing of all raw materials (cork) processed by other BUs;
- manage raw materials from a multinational perspective;
- strengthen its presence in cork-producing countries;
- keep an historical record of production that is updated in terms of each cork-producing forestry unit;
- strengthen relations with producers, promote forest certification, enhance the technical quality of products and develop research and development partnerships in the forestry area;
- prepare, discuss and enable the Board of Directors to decide on multi-annual provisioning policies;
- ensure the right mix of raw materials to meet market demand for end products;
- ensure the supply stability of cork, a critical variable for CORTICEIRA AMORIM's operations, over the long term.

Under the direction of the Board of Directors, with the support of the Executive Board or an Executive Director, the Company's support departments play an important role in managing critical risk factors, including risk prevention and detection. The Financial, Organisational Development/Planning and Management Control and Internal Auditing Support Departments make the biggest contributions in this area.



The cork oak only exists in seven countries in the Western Mediterranean Basin: Portugal, Spain, France, Italy, Morocco, Algeria and Tunisia.

### The Financial Department:

Because CORTICEIRA AMORIM is one of Portugal's most internationalised companies, it pays special attention to managing exchange rate risk in addition to liquidity and interest rate risks.

Together with its responsibilities for preventing, auditing and managing the above-mentioned risks, the main objective of the Finance Department is to support the definition and implementation of global financial strategies and to co-ordinate the financial management of the group's BUs.

### The Organisational Development/Planning and Management Control and the Internal Auditing Support Departments:

Under the direction of the Executive Board, these two support departments work together to reduce the group's operating risks. Their two main tasks are to assess and review internal control systems with a view to optimising resources and safeguarding assets, and to monitor operations with the aim of providing management with a reasonable degree of certainty that business goals will be met.

## 4. Stock market performance

See CHAPTER 6 of the Management Report: CORTICEIRA AMORIM IN THE STOCK MARKET.

## 5. Dividend policy

Each year CORTICEIRA AMORIM gives due consideration, in the context of its operations, to the proposal for the appropriation of profits to be submitted to the General Meeting.

In regard to 2007, given the level of net profit, which was more than €23 million, and the group's financial stability, the Board of Directors will propose to the General Meeting a gross dividend of €0.60 a share, an increase of 9.1% on the previous year.

### CORTICEIRA AMORIM Dividend performance – 2004-2007

	Unit	2007	2006	2005	2004
Total dividend	€ 1,000	7,980	7,315	6,650	4,655
Payout ratio (%)	%	34.3%	36.4%	42.2%	46.4%
Dividend per share (€)	€	0.060	0.055	0.050	0.035
% of nominal share value	%	6.00%	5.50%	5.00%	3.50%
% of share value on December 31	%	3.06%	2.81%	3.38%	3.06%

## 6. Share and option plans

CORTICEIRA AMORIM has no plans to award shares or options to acquire shares.

## 7. Business and operations between the Company and members of the Board of directors, the supervisory board, stakeholders or directors of companies dominated by or related to the group

There were no significant operations or business deals of this kind.

## 8. Market and Investor relations

CORTICEIRA AMORIM remains in permanent contact with the market, respecting the principle of Shareholder equality and preventing asymmetries in Investor access to information.

The Investor Relations Department is supervised by CORTICEIRA AMORIM's Market Relations Representative and:

- regularly publishes analyses of the Company's operations and financial results, co-ordinating and preparing a twice-yearly public presentation at the group's headquarters (in person or by audio-conference);
- publishes relevant facts;
- publishes information about the Company's main Stakeholders;
- handles inquiries from Investors;
- participates in conferences and meetings with Investors and Analysts.

The Department may be reached at telephone number: +351 22 747 54 00, by fax: +351 22 747 54 07 or through the email address: corticeira.amorim@amorim.com.

CORTICEIRA AMORIM uses the information technology at its disposal for the regular publication of economic and financial information, including analyses of the Group's operations and financial results and its responses to specific questions raised by Investors.

In accordance with CMVM Regulation no. 11/2003, CORTICEIRA AMORIM publishes on its website – [www.corticeiraamorim.com](http://www.corticeiraamorim.com) – an extensive range of information about the Company's structure, operations and business evolution.

Cristina Rios de Amorim Baptista is CORTICEIRA AMORIM's Market Relations Representative.

CORTICEIRA AMORIM publishes on its website [www.corticeiraamorim.com](http://www.corticeiraamorim.com) an extensive range of information about the Company's structure, operations and business evolution.

Investor relations initiatives in 2007 included:

- participation in the ESN Small & Mid Cap Conference (London, May);
- a road show held in Madrid in June, which provided a valuable opportunity to address important institutional investors;
- half-yearly presentations of the Company's operations and financial results using an audio conferencing system that facilitated interaction;
- one-to-one meetings at the invitation of Investment Banks held at their installations;
- meetings with Investors and groups of Analysts who visited the Company's main industrial units.

## 9. The Remuneration Committee

CORTICEIRA AMORIM's Remuneration Committee is composed of a Chairman and two Members. On December 31, 2007 these positions were held by:

**Chairman:** *José Manuel Ferreira Rios;*

**Member:** *Álvaro José da Silva;*

**Member:** *Américo Gustavo de Oliveira Ferreira.*

## 10. Annual remuneration of the statutory auditor and other related individual and collective persons supported by the Company and/or by collective persons with a dominant or group relationship with the Company

Service	Amount (thousand €)	%
Statutory auditing	424	71
Other auditing services	20	3
Other services	155	26
Total	599	100

“Other Services” essentially refers to support for the implementation of administrative mechanisms for complying with legal formalities. The independence of these support services is not in question as the leadership of the projects they are engaged in is always assumed by the appropriate department of CORTICEIRA AMORIM.

## CHAPTER II – SHAREHOLDER REPRESENTATION AND VOTING RIGHTS

CORTICEIRA AMORIM encourages Shareholders to participate in the Company's General Meetings and prior to the meeting publishes the information that is legally required under the terms of the Portuguese Companies Act with a view to enabling Shareholders to make informed decisions on the matters on the agenda, whether they are voting in person, by post or through a representative. To facilitate access to this information, and in accordance with CMVM regulations, it is also published on the Internet at [www.corticeiraamorim.com](http://www.corticeiraamorim.com).

The Presiding Committee of the General Meeting ensures that proxy voting documentation is valid and complies with legal requirements and the Company's Statutes.

### 1. Statutory regulations on the exercise of voting rights

CORTICEIRA AMORIM encourages Shareholders to exercise their right to vote in General Meetings of Shareholders, whether by direct vote, postal vote or proxy, explaining the legal procedures necessary for exercising that right.

The Company Statutes allow Shareholders to vote by post or email provide the votes arrive at the Company a minimum of five working days before the General Meeting. Electronic voting is conditional on the Chairman of the General Meeting ensuring before the meeting is held that adequate technical facilities are in place to ensure the security and reliability of the votes cast in this way.



## 2. Postal voting forms

Forms for postal voting are available at CORTICEIRA AMORIM's headquarters (Rua de Meladas, no. 380 – 4536-902 Mozelos, Portugal) and on the Internet ([www.corticeiraamorim.com](http://www.corticeiraamorim.com)).

## 3. Electronic voting

CORTICEIRA AMORIM's Statutes allow electronic voting provided adequate technical facilities are in place to verify the validity of electronic votes and to guarantee the integrity and confidentiality of their contents.

## 4. The notice required for depositing or blocking shares

CORTICEIRA AMORIM's statutes require votes to be blocked for a minimum of five working days before the date of a General Meeting.

## 5. The minimum period between the reception of postal votes and a General Meeting

Postal votes must be received at least five working days before the date of a General Meeting.

Electronic and postal votes will be disregarded if they relate to a proposal put forward at a date later than the actual date of electronic or postal voting. The electronic or postal votes of Shareholders who subsequently attend a General Meeting in person will be void. Information relating to a General Meeting may be emailed to Shareholder's, at their request, up to fifteen days before the meeting.

## 6. The number of shares that correspond to a vote

Each block of 1,000 shares corresponds to one vote.

# CHAPTER III – CORPORATE REGULATIONS

## 1. Specific rules for regulating conflicts of interest between members of the board of Directors and the Company

Although CORTICEIRA AMORIM has no formal codes of conduct or internal rules for regulating conflicts of this kind, it considers the principles of good business practice to be part of the Company's culture and to be respected as a matter of course by the members of the Board of Directors and by the Group's Employees.

## 2. Internal risk control procedures

These are described in CHAPTER I, paragraph 3 of this report.



### 3. Measures that could condition the success of takeover bids

To the best of CORTICEIRA AMORIM's knowledge, no limits can be imposed on voting rights, the transmission of shares, special Shareholder rights and partnership agreements.

## CHAPTER IV – THE BOARD OF DIRECTORS

### 1. Composition and description of the board of Directors

CORTICEIRA AMORIM's Board of Directors comprises a **Chairman**, a **Vice-Chairman** and five other **Members**. On December 31, 2007 the Board was as follows:

#### Executive Members:

**Chairman:** *António Rios de Amorim*  
**Member:** *José Fernando Maia de Araújo e Silva*  
**Member:** *Nuno Filipe Vilela Barroca de Oliveira*

#### Non-executive Members:

**Vice-Chairman:** *José Américo Amorim Coelho*  
**Member:** *Joaquim Ferreira de Amorim*  
**Member:** *José da Silva Carvalho Neto*  
**Member:** *Lúisa Alexandra Ramos Amorim*



## The strategic alignment of the Organisation is leveraged by using the balanced scorecard methodology in CORTICEIRA AMORIM and its BUs.

At the General Meeting of Shareholders held on March 31, 2005, the Company's Governing Bodies, including the Board of Directors, were elected for a mandate of three years. At that time, the Company was in full compliance with the CMVM recommendation on independent members of the Board of Directors, given that José Fernando Maia de Araújo e Silva had been appointed an executive member of the Board of Directors and was independent of any interest group. However, following the alterations introduced by CMVM Regulation no. 10/2005, the Group was no longer in full compliance given that some non-executive board members were included in at least one of the categories for non-independence listed under no. 2 of article 1 of CMVM Regulation no. 11/2003. Following the resignation of Rui Miguel Duarte Alegre from the Board of Directors, the General Meeting of March 31, 2006 elected José da Silva Carvalho Neto to replace him. Mr Carvalho Neto is also a non-executive member and does not fulfil at least one of the criteria for independence set out in the CMVM regulation.

Other information on the Members Board of Directors, as of December 31, 2007:

### **António Rios de Amorim (Chairman):**

He has been Chairman of CORTICEIRA AMORIM's Board of Directors and Executive Board since March 2001. He was Managing Director of Amorim & Irmãos (1996-2001), manager of Sociedade Figueira-Praia (1993-2006), head of operations at Amorim – Empreendimentos Imobiliários, which promoted the Torres de Lisboa and Arrábida Shopping Centre projects (1993-1995), Executive Director of Amorim Hotéis, S.A., where he was responsible for developing the Ibis and Novotel hotel chains in Portugal. He graduated with a Bachelor of Commerce degree from the Faculty of Commerce and Social Sciences of the University of Birmingham (1989), and attended the Executive Program in Business Administration: Managing the Enterprise at Columbia University Graduate School of Business (1992) and Managerial Skills for International Business – INSEAD (2001). He was a member of the European Round Table of Industrialists, being the only Portuguese entrepreneur to have belonged to this prestigious association (1991-1995). He has been President of the Portuguese Cork Association (APCOR) since 2002 and of the Confédération Européenne du Liège since 2003. In February 2006, the President of Portugal awarded him the title of Comenda de Grande-Oficial da Ordem de Mérito Agrícola, Comercial e Industrial, an award for outstanding merit in the field of agriculture, commerce and industry.

First appointment to the Board of Directors: March 29, 1990.

First appointment as Chairman of the Board of Directors: March 31, 2001.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in office until a new board is elected).

Positions held in other companies – António Rios de Amorim (Chairman):

Company	Position
<b>CORTICEIRA AMORIM Group</b>	
Amorim Natural Cork – Florestal, S.A.	Chairman of the Board of Directors
Amorim Florestal España, S.L.	Chairman of the Board of Directors
Amorim & Irmãos IV, S.A.	Chairman of the Board of Directors
Amorim & Irmãos, S.A.	Chairman of the Board of Directors
Amorim & Irmãos, S.G.P.S., S.A.	Chairman of the Board of Directors
Amorim & Irmãos VI, S.A.	Chairman of the Board of Directors
Amorim Florestal – Espanha, S.A.	Member of the Board of Directors
Amorim Industrial Solutions – Indústria de Cortiça e Borracha I, S.A.	Chairman of the Board of Directors
Amorim Isolamentos, S.A.	Chairman of the Board of Directors
Amorim Revestimentos, S.A.	Vice-Chairman of the Board of Directors
Amorim Cork Composites, S.A.	Chairman of the Board of Directors
Korken Schiesser GmbH	Manager
<b>Other Companies</b>	
Afaprom – Sociedade Agro-Florestal, S.A.	Member of the Board of Directors
Amorim, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Capital, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Desenvolvimento, S.G.P.S., S.A.	Member of the Board of Directors
Amorim – Investimentos e Participações, S.G.P.S., S.A.	Member of the Board of Directors
Amorim – Serviços e Gestão, S.A.	Chairman of the Remuneration Committee
Cimorim – Sociedade Agro-Florestal, S.A.	Member of the Board of Directors
Corpóreo – Compra e Venda de Imóveis, S.A.	Member of the Board of Directors
Interfamília II, S.G.P.S., S.A.	Member of the Board of Directors
Luxor, S.G.P.S., S.A.	Vice-Chairman of the Board of Directors
Resiféria – Construções Urbanas, S.A.	Member of the Board of Directors
S21 – Sociedade de Investimento Imobiliário, S.A.	Member of the Board of Directors
<b>Other Institutions</b>	
Associação Portuguesa da Cortiça	Chairman
Confédération Européenne du Liège	Chairman

**José Américo Amorim Coelho (Vice-Chairman):**

He studied at the Faculty of Economics of Porto University (1974-1976). He is Vice-Chairman of the Board of Directors of CORTICEIRA AMORIM and has been a non-executive board member since September 2005. Until then, he had been Vice-Chairman of the Executive Board, responsible for the Composite Cork, Corkrubber and Insulation Cork BUs and jointly responsible for the Raw Materials BU. Over the past 27 years he has been Executive Director of a number of affiliated companies and his leadership of the Composite Cork BU (1982-1992) and the Floor and Wall Coverings BU (1992-2002) was of particular note.

First appointment to the Board of Directors: October 9, 1987.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in office until a new board is elected).

**Positions held in other companies – José Américo de Amorim Coelho (Vice-Chairman):**

Company	Post
<b>Other companies</b>	
Amorim – Entertainment e Gaming International, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Participações Mobiliárias, S.G.P.S., S.A.	Chairman of the Board of Directors
Amorim Turismo, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Turismo – Imobiliária, S.G.P.S., S.A.	Member of the Board of Directors
CHT – Casino Hotel de Tróia, S.A.	Member of the Board of Directors
Foz Património – Sociedade Imobiliária e Turística, S.A.	Member of the Board of Directors
Goldtur – Hotéis e Turismo, S.A.	Member of the Board of Directors
Grano Salis – Investimentos Turísticos, Jogo e Lazer, S.A.	Member of the Board of Directors
Prifalésia – Construção e Gestão de Hotéis, S.A.	Member of the Board of Directors
Return – Investimentos Hoteleiros e Jogo, S.A.	Member of the Board of Directors
Soamco – Investimentos, Lda.	Manager
Sociedade Figueira Praia, S.A.	Member of the Board of Directors
Tróia Península Investimentos, S.G.P.S., S.A.	Member of the Board of Directors
Turyleader, S.G.P.S., S.A.	Member of the Board of Directors

### Joaquim Ferreira de Amorim (Member):

An Entrepreneur and Company Director, he belongs to the third generation of the Amorim Family and has accumulated about 50 years of professional experience in the Group's cork business. He was part of the management team that implemented the vertical integration of the cork business in the 1960s. In the 1980s and 1990s, he devoted his energies to the internationalisation of the business, gaining world leadership of the cork industry for CORTICEIRA AMORIM.

First appointment to the Board of Directors: October 9, 1987.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in Office until a new board is elected).

### Positions held in other companies – Joaquim Ferreira de Amorim (Member):

Company	Position
<b>CORTICEIRA AMORIM Group</b>	
Amorim & Irmãos, S.G.P.S., S.A.	Vice-Chairman of the Board of Directors
Amorim & Irmãos, S.A.	Vice-Chairman of the Board of Directors
S.A.M. Clignet & Cie.	Chairman of the Supervisory Board
<b>Other Companies</b>	
Amorim – Investimentos e Participações, S.G.P.S., S.A.	First Vice-Chairman of the Board of Directors
Amorim Capital, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Desenvolvimento, S.G.P.S., S.A.	Member of the Board of Directors
Amorim – Entertainment e Gaming Internacional, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Turismo, S.G.P.S., S.A.	Vice-Chairman of the Board of Directors
Amorim Turismo – Imobiliária, S.G.P.S., S.A.	Vice-Chairman of the Board of Directors
Ancarin Investimentos Imobiliários e Financeiros, S.A.	Chairman of the Board of Directors
Casa de Mozelos Gestão de Imóveis, S.A.	Chairman of the Board of Directors
CHT – Casino Hotel de Tróia, S.A.	Member of the Board of Directors
Evaesco, S.G.P.S., S.A.	Chairman of the Board of Directors
Florinvest – Sociedade Agrícola, S.A.	Chairman of the Board of Directors
Goldtur – Hotéis e Turismo, S.A.	Vice-Chairman of the Board of Directors
Grano Salis – Investimentos Turísticos, Jogo e Lazer, S.A.	Member of the Board of Directors
Interfamília II, S.G.P.S., S.A.	Member of the Board of Directors
Investife – Investimentos Imobiliários e Financeiros, S.A.	Chairman of the Board of Directors
Investife, S.G.P.S., S.A.	Chairman of the Board of Directors
Norbrasin, Investimentos Imobiliários, S.A.	Chairman of the Board of Directors
Prifalésia – Construção e Gestão de Hotéis, S.A.	Member of the Board of Directors
Resinfe – Investimentos e Promoção Imobiliária, S.A.	Chairman of the Board of Directors
Return – Investimentos Hoteleiros e Jogo, S.A.	Member of the Board of Directors
Sociedade Agrícola Triflor, S.A.	Chairman of the Board of Directors
Sociedade Figueira Praia, S.A.	Member of the Board of Directors
Tróia Península Investimentos, S.G.P.S., S.A.	Member of the Board of Directors
Turyleader, S.G.P.S., S.A.	Member of the Board of Directors

**José Fernando Maia de Araújo e Silva (Member):**

He graduated in economics from the Faculty of Economics of the University of Porto in 1974 and has been an Executive Director of CORTICEIRA AMORIM since 2002. He has been Vice-Chairman of Sonae Indústria (1999-2002) and a member of the Board of Directors of Spred (1998-1999), Sonae Participações Financeiras (1996-1998) and Tafisa (1993-1995). He was responsible for the financial co-ordination and management control of the industrial area of the Sonae Group (1989-1990) and for the financial co-ordination of Sonae Investimentos (1991-1993). He was Director of Soserfin (1987-1988) and Director of the international department of BESCL (1984-1986). He began his professional activity as a lecturer of several subjects at the Faculty of Economics of the University of Porto (1975-1983), where he was also responsible for the International Financial Management postgraduate programme for Financial Analysts (1987-1988). He has been a guest lecturer at the Catholic University of Portugal since 1991, where he is responsible for the International Financial Management area of the management course.

First appointment to the Board of Directors: September 16, 2002.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in Office until a new board is elected).

**Positions held in other companies – José Fernando Maia de Araújo e Silva (Member):**

Company	Position
<b>CORTICEIRA AMORIM Group</b>	
Amorim & Irmãos, S.G.P.S., S.A.	Member of the Board of Directors
Amorim & Irmãos, S.A.	Member of the Board of Directors
Amorim Revestimentos, S.A.	Member of the Board of Directors
Amorim Natural Cork – Florestal, S.A.	Member of the Board of Directors
Amorim Industrial Solutions – Indústria de Cortiça e Borracha I, S.A.	Member of the Board of Directors
Amorim Isolamentos, S.A.	Member of the Board of Directors
Champcork – Rolhas de Champanhe, S.A.	Member of the Board of Directors
Amorim Cork Composites, S.A.	Member of the Board of Directors
Portocork Internacional, S.A.	Member of the Board of Directors

**Nuno Filipe Vilela Barroca de Oliveira (Member):**

He graduated in Company Administration and Management from the Catholic University of Portugal. He was a non-executive Director of CORTICEIRA AMORIM from March 2003 to September 2005, when he moved to an executive post. He has been a non-executive Director of several companies in the Amorim Group (since 2000) and was an Executive Director of Barrancarnes (2000-2005). After a year in the commercial area of More Codfish (Norway), he participated in the Comett programme and worked as an intern at Merrill Lynch (London) before moving to Banco Comercial Português, where for three years he worked in the Analysis and Planning, International and Investment Funds Department.

First appointment to the Board of Directors: March 28, 2003.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in office until a new board is elected).

**Positions held in other companies – Nuno Filipe Vilela Barroca de Oliveira (Member):**

Company	Position
<b>Other Companies</b>	
Amorim – Investimentos e Participações, S.G.P.S., S.A.	Member of the Remuneration Committee
Amorim – Serviços e Gestão, S.A.	Member of the Remuneration Committee
Natureza – Investimentos e Participações, Lda.	Manager

**Luísa Alexandra Ramos Amorim (Member):**

She graduated with a degree (DESE) in Marketing from ISAG. She has been a Director of Amorim – Investimentos e Participações since 2002; an Executive Director of Natureza, S.G.P.S., S.A. since 2002 and was Director of Marketing at J. W. Burmester (2000-2002). She joined the Amorim Group as an Assistant Hotel Manager at Amorim Hotéis e Serviços and at Sociedade Figueira Praia (1996-1997), having worked in different business areas of the Group in Portugal and overseas from 1998 to 2000.

First appointment to the Board of Directors: March 28, 2003.

End of mandate: December 31, 2007 (in accordance with current legislation, she will remain in office until a new board is elected).

**Positions held in other companies – Luísa Alexandra Ramos Amorim (Member):**

Company	Position
<b>Other Companies</b>	
Amorim – Investimentos e Participações, S.G.P.S., S.A.	Member of the Board of Directors
Bucozal – Investimentos Imobiliários e Turísticos, Lda.	Manager
Quinta Nova de Nossa Senhora Carmo – Sociedade Agrícola, Comercial e Turística, Lda.	Manager

**José da Silva Carvalho Neto (Member):**

He graduated in Chemical Engineering from the University of Porto. He has managed several companies in the Amorim Group since January 2004. He began his professional career at Mabor Portugal, which later became part of the Continental Group, where, during a period of more than 30 years, he was: Head of Personnel and Human Resource Management at Mabor Portugal (one year); Head of Production at Mabor Portugal (four years); Managing Director of the Mabor plant in Luanda, Angola (18 months); Commercial Director of Continental and Mabor in Portugal (two years); Director of the Restructuring Project, Managing Director and Chairman of the Continental Group (tyres) in Portugal (eight years) and Chairman of the Continental Group in Mexico.

First appointment to the Board of Directors: March 31, 2006.

End of mandate: December 31, 2007 (in accordance with current legislation, he will remain in office until a new board is elected).

**Positions held in other companies – José da Silva Carvalho Neto (Member):**

Company	Position
<b>Other Companies</b>	
Amorim & Ruas, S.A.	Procurator
Amorim Broking – Investimentos e Participações Financeiras, S.A.	Chairman of the Board of Directors
Amorim Desenvolvimento, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Energia, B.V.	Director
Amorim Investimentos Energéticos, S.G.P.S., S.A.	Member of the Board of Directors
Amorim Negócios Internacionais, S.A.	Member of the Board of Directors
Amorilmgest, Lda.	Manager
Bucozal – Investimentos Imobiliários e Turísticos, Lda.	Manager
Caribbean Seafood – Trading e Marketing, S.A.	Chairman of the Board of Directors
Ciminvest – Sociedade de Investimentos e Participações, S.A.	Member of the Board of Directors
Cores da Paisagem, S.A.	Chairman of the Board of Directors
Época Global, S.G.P.S., S.A.	Chairman of the Board of Directors
Investimentos Ibéricos, S.G.P.S., S.A.	Chairman of the Board of Directors
Imoeuro, S.G.P.S., S.A.	Member of the Board of Directors
Imoluanda, S.A.	Chairman of the Board of Directors
Natureza – Investimentos e Participações, Lda.	Manager
Power, Oil & Gas Investments, B.V.	Director
Quinta Nova de Nossa Senhora do Carmo – Sociedade Agrícola, Comercial e Turística, Lda.	Manager
Recato da Madeira – Investimentos Financeiros e Gestão, S.A.	Chairman of the Board of Directors
Resultactual, S.G.P.S., S.A.	Chairman of the Board of Directors
Tendência Verde, S.A.	Chairman of the Board of Directors
Viscolatex – Indústria e Comércio de Fios Têxteis, Lda.	Manager
World Fun Telecom – Redes de Telefonia, S.A.	Member of the Board of Directors

## 2. Other bodies with management powers

In keeping with the adoption of a management model based on the concept of a Strategic-Operational-Holding Company, the Group's BUs are co-ordinated by CORTICEIRA AMORIM's Executive Board, which has wide-ranging management powers, with the exception of those powers that, for legal or statutory reasons, can be exercised only by the Board of Directors.

The Executive Board has three members. On December 31, 2007, its members were:

- António Rios de Amorim (Chairman);
- José Fernando Maia de Araújo e Silva;
- Jorge Viriato de Freitas Barros Diniz Santos.

The activities of the Executive Board serve to strengthen the Company's internal control systems. It produces regular evaluations and implements initiatives aimed at improving business performance as well as contributing to more effective detection of risks related to the Group's operations, as described in Chapter I, paragraphs 1 and 3 of this Report.

## 3. The role of the Board of Directors

CORTICEIRA AMORIM's Board of Directors has effective control over the activities of the Company, being the body responsible for taking strategic decisions.

There is no specific delimitation of powers between the Chairman of the Board of Directors and the Executive Board, apart from those stipulated by law. The same person is currently Chairman of both the Board of Directors and the Executive Board. This option was made by choice, not imposed by law or statute.

The Executive Board is prohibited from making decisions which cannot be legally delegated by the Board of Directors. These include: co-opting Administrators, convening General Meetings, approving annual reports and financial statements, standing bail for or giving personal or other guarantees on behalf of the Company, changing the Company's headquarters, increasing share capital or implementing the merger, de-merger or transformation of the Company.

The terms of Company's business procedures, decision-making processes, interaction and reporting provide guarantees ensuring that the Board of Directors is kept permanently informed of decisions taken by the Executive Board and other important matters.

No list defining potential conflicts of interests relating to Company Directors who also exercise management roles in other companies or organisations has been drawn up and no limit has been set for the number of management positions a director may hold simultaneously.



CORTICEIRA AMORIM adopts a new management and corporate governance model, aiming for a more integrated approach to businesses which, at both strategic and operational levels, face identical or complementary challenges.

In 2007, the Board of Directors met ten times and the Executive Board held 22 meetings.

#### 4. Remuneration policy

Management remuneration is structured to promote an alignment between the interests of Board Members and the interests of the Company. The main component is fixed. A smaller, variable component is dependent on the results of the Company's operating activities and its economic and financial situation.

#### 5. Remuneration of the board of directors

Members of the Board of Directors who, under the terms of CHAPTER IV, paragraph 1 of this report, exercise an executive role, earned between them a total €989,193.38 (€512,623.38 in fixed remuneration plus a variable component of €476,570.00) in 2007, for their work as members of CORTICEIRA AMORIM's Board of Directors and as Board Members of associate or subsidiary companies that form part of the consolidated Group.

The non-executive members of the Board of Directors together earned a total €208,690.00 in fixed remuneration only for their work as members of CORTICEIRA AMORIM's Board of Directors and as Board Members of associate or subsidiary companies that form part of the consolidated Group.

As described in Chapter I, paragraph 1: "The strategic alignment of the group is leveraged by using the balanced scorecard methodology in CORTICEIRA AMORIM and its BUs."

In this context, the variable component of the remuneration of executive members of the Board of Directors corresponds to a bonus geared to how well the group performed in relation to the targets, goals, strategic developments and priority initiatives set by the board.

This methodology, which involves financial and non-financial performance indicators, enables the remuneration committee to determine how well the group performed each year in terms of these targets and to determine on this basis the amount of bonus to be paid.

Because targets were met in 2007, the remuneration committee decided to award the executive members of the Board of Directors bonuses that together totalled €476,570.00.

#### 6. Company policy for reporting irregularities

Under the respective regulations, Shareholders, Employees or other individuals or bodies should report irregularities to CORTICEIRA AMORIM's Supervisory Board which will deal with them appropriately.

However, CORTICEIRA AMORIM recognises that the attribution of that responsibility to the supervisory board – which, being composed entirely of independent members ensures an impartial analysis and treatment of irregularities reported to the Company – does not fully comply with the communication policy Recommended by the CMVM.

Given the importance of the interests the recommendation seeks to safeguard, the Corporate Governance Structure and Practices Governance Committee is deliberating on the most appropriate means for reporting such irregularities in order to assure the protection of data and Employees. It is also considering global supervisory measures for overseeing the companies reporting policy.

## CHAPTER V – OTHER INFORMATION

### 1. Information required under article 245 of the Portuguese Securities Code

- a) Capital structure, including non-tradable shares and other categories of shares and the rights and duties attached to them and the percentage of capital that each category represents

CORTICEIRA AMORIM's share capital totals €133 million, comprising 133 million ordinary shares with a nominal value of €1 each and the right to dividends.

All shares issued by the Company are admissible for trading by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

- b) Any restrictions on the transmission of shares, such as the need to obtain approval for their transfer or limitations on share ownership

The Company Statutes do not contain any restrictions of this type and, to the best of the Company's knowledge, no other restrictions on the transfer of shares exist.

- c) Qualified shareholdings

Shareholders owning qualified holdings on December 31, 2007:

## Qualified Shareholdings

Shareholder	Shares Owned (quantity)	Holding (%)
Amorim Capital, S.G.P.S., S.A.	90,162,161	67.791
Luxor – Sociedade Gestora de Participações Sociais, S.A.	3,069,230	2.308
Portus Securities – Sociedade Corretora, Lda.	7,400,000	5.564
<i>Directly</i>	<i>6,400,000</i>	<i>4.812</i>
<i>Trough Shareholder/Director</i>	<i>1,000,000</i>	<i>0.752</i>
Bestinver Gestión, SGIC, S.A. through the following holdings:	6,752,309	5.077
<i>BESTINVER BOLSA, F.I.</i>	<i>4,541,582</i>	<i>3.415</i>
<i>BESTINFOND F.I.</i>	<i>1,267,969</i>	<i>0.953</i>
<i>BESTINVER MIXTO, F.I.</i>	<i>545,929</i>	<i>0.410</i>
<i>SOIXA SICAV, S.A.</i>	<i>163,296</i>	<i>0.123</i>
<i>TEXRENTA INVERSIONES SICAV, S.A.</i>	<i>31,111</i>	<i>0.023</i>
<i>CORFIN INVERSIONES SICAV, S.A.</i>	<i>25,103</i>	<i>0.019</i>
<i>RODAON INVERSIONES, SICAV, S.A.</i>	<i>21,602</i>	<i>0.016</i>
<i>TIBEST CINCO, SICAV, S.A.</i>	<i>18,965</i>	<i>0.014</i>
<i>INVERS. EN BOLSA SIGLO XXI, SICAV, S.A.</i>	<i>17,209</i>	<i>0.013</i>
<i>ATON INVERSIONES SICAV, S.A.</i>	<i>13,384</i>	<i>0.010</i>
<i>TIGRIS INVERSIONES, SICAV, S.A.</i>	<i>11,805</i>	<i>0.009</i>
<i>MERCADAL DE VALORES SICAV, S.A.</i>	<i>11,691</i>	<i>0.009</i>
<i>H202 Inversiones SICAV, S.A.</i>	<i>10,875</i>	<i>0.008</i>
<i>DIVALSA DE INVERSIONES SICAV, S.A.</i>	<i>10,491</i>	<i>0.008</i>
<i>PASGOM INVERSIONES, SICAV, S.A.</i>	<i>9,645</i>	<i>0.007</i>
<i>ENTRECAR INVERSIONES, SICAV, S.A.</i>	<i>8,971</i>	<i>0.007</i>
<i>ACCS., CUPS. Y OBS. SEGOVIANAS, SICAV, S.A.</i>	<i>7,224</i>	<i>0.005</i>
<i>Cartera Millennium SICAV, S.A.</i>	<i>6,592</i>	<i>0.005</i>
<i>CAMPO DE ORO, SICAV, S.A.</i>	<i>5,576</i>	<i>0.004</i>
<i>LINKER INVERSIONES, SICAV, S.A.</i>	<i>5,359</i>	<i>0.004</i>
<i>HELDALIN INVERSIONES SICAV, S.A.</i>	<i>4,133</i>	<i>0.003</i>
<i>ZAMARRON SICAV, S.A.</i>	<i>4,068</i>	<i>0.003</i>
<i>Opec Inversiones, SICAV, S.A.</i>	<i>3,720</i>	<i>0.003</i>
<i>TAWARZAR 2-S2 SICAV, S.A.</i>	<i>3,440</i>	<i>0.003</i>
<i>IBERFARMA SICAV, S.A.</i>	<i>2,569</i>	<i>0.002</i>
Total of Qualified Shareholdings	107,383,700	80.740

On December 31, 2007, Amorim – Investimentos e Participações, S.G.P.S., S.A. owned an indirect qualified shareholding in CORTICEIRA AMORIM of 90,162,161 shares, corresponding to 67.791% of the Company's share capital. This indirect holding is owned through Amorim Capital – Sociedade Gestora de Participações Sociais, S.A.

Amorim – Investimentos e Participações, S.G.P.S., S.A. is 100% owned by Interfamília II, S.G.P.S., S.A.

On December 31, 2007, CORTICEIRA AMORIM owned 2,567,834 of its own shares registered as treasury stock.

#### d) Shareholders with special rights

There are no Company shares or Shareholders with special rights.

#### e) Voting limitations pertaining to employee share-owning schemes, considering that employees may not be able to exercise direct voting rights

No voting limitations of this kind are envisaged by CORTICEIRA AMORIM.

#### f) Voting right restrictions depending on the number or percentage of shares owned, time limits on voting rights and systems highlighting ownership rights

These are set out in Chapter II of this report.

#### g) Partnership agreements known to the Company that may lead to restrictions on voting rights or the transmission of shares

To the best of the Company's knowledge, there are no partnership agreements that might lead to restrictions of this kind.

#### h) The appointment and replacement of members of the board of directors and the alteration of Company Statutes

Rules regarding the **appointment and replacement of members of the Board of Directors** are in accordance with Portuguese law, with the specific following criteria, which are contained in the Company by-laws:

**Shareholders** elect the Board by choosing between competing lists of candidates, which specify the office for which each individual is a candidate. Voting is carried out in two stages:

**First stage:** the election of an individual board member from candidates proposed in lists put forward by groups of Shareholders who own between 10%



Higher positive environmental impact  
*Each cork stopper (considering an average weight of 4.8 g) is responsible for fixing 8.8 g of CO<sub>2</sub>.*

and 20% of the share capital. Each list must propose at least two candidates for each office to be filled. No Shareholder may back more than one list. If more than one list is put forward for this first stage election, Shareholders will first vote for a list and then vote for the candidates contained in the winning list. Lists of candidates may be proposed at the general meeting at any time before discussion begins on the item on the agenda regarding the election of the Board of Directors;

**Second stage:** the General Meeting elects the other members of the Board of Directors. All Shareholders attending the meeting may take part in the discussion and vote regardless of whether they have backed or voted for any of the lists in the first stage. The General Meeting cannot elect the remaining Board members until one of the candidates proposed in the lists in the first stage has been elected, unless no list was put forward.

The **mandate** of the members of the Board of Directors lasts for three calendar years. At the end of each mandate, the Shareholders obligatorily elect a new Board of Directors. There is no limit on the number of times members of the Board of Directors can be re-elected.

When voting on the management report, the annual statement of accounts and the proposed appropriation of profit, the Annual Shareholders Meeting may decide to dismiss members of the Board of Directors without incurring any requirement for the payment of damages or compensation to Board members dismissed in this way, regardless of whether just cause for their dismissal has been established or not. However, this mechanism cannot be used to dismiss the member of the Board of Directors elected according to the special First Stage voting rules described above if Shareholders representing at least 20% of the Company's share capital vote against such a dismissal decision, regardless of whether just cause has been put forward as justification for that decision.

Rules regarding the **alteration of Company by-laws** are in accordance with Portuguese law with the following specific provisions contained in the Company by-laws:

The Company is managed by a Board of Directors made up of a Chairman, a vice-Chairman and from one to nine other members. This rule may be altered only by Shareholders representing a minimum of two-thirds of the Company's share capital.

i) The power of the board of Directors in regard to capital increases

The **powers of the Board of Directors** are in accordance with Portuguese Law with the addition of the following specific provisions included in the Company Statutes:

The Board of Directors is, in general, responsible for the direction, management, administration and representation of the Company and, in particular, has the power to:

During the Company's long history – which already encompasses three centuries, it has successfully coped with profound, sometimes radical transformations in society – CORTICEIRA AMORIM has correctly and timely identified the risks and uncertainties associated with its business and faced them with confidence as opportunities and challenges.

- transfer the Company headquarters to any other location permitted by law, as well as create, in any part of Portugal or overseas, delegations, agencies, branches, subsidiaries, branch offices, offices or other local forms of representation;
- acquire, transfer and pay shares and government bonds belonging to the Company and any rights pertaining to them, as well carry out any operations in regard to those securities that is deemed appropriate;
- acquire, transfer, exchange and lease property, by means of any agreement or contracts, as well as charge them, including the use of real guarantees;
- exercise and promote the rights of the Company in other companies in which it owns a holding;
- acquire, sell, exchange, lease and mortgage real estate assets;
- negotiate financial borrowing and/or lending operations with credit institutions according to the terms, conditions and vehicles it deems appropriate;
- use bank accounts, deposit and withdraw monies, issue, accept, sign and endorse cheques, letters, promissory notes, invoices and other negotiable instruments;
- acknowledge, desist or acquiesce in any legal action, as well as act as an arbiter.

The Board of Directors determines its own operating regulations and may delegate to any of its constituent elements the execution of its decisions, the current management of the Company, and the power to decide on certain administrative matters. These powers may be delegated to an executive board, whose terms of reference are defined by the Board of Directors. The Board of Directors may name a Consultative Board to give its opinion, at the request of the Board of Directors, on the Company's plans and strategy, proposals to alter the Company statutes, increase capital, issue bonds, merge, de-merge, transform or wind up the Company. The Board of Directors determines the composition, length of office and operating regulations of the Consultative Board.

The Board of Directors has the power to appoint a Company Secretary and a Substitute and to call a General Meeting.

The **powers of the Board of Directors in regard to capital increases** are in accordance with Portuguese Law with the addition of specific provisions contained in the Company statutes. These establish that the Board of Directors may decide to increase the Company's share capital, once or several times, in accordance with the methods envisaged in Portuguese law, up to the amount of €250 million. The Board of Directors is also required to establish the terms and conditions of capital increases, as well as the method and the length of the subscription and implementation period.

- j) Significant agreements to which the Company is a party and which come into effect, alter or terminate following a change of control of the Company resulting from a

takeover bid, except those that, by their nature, would seriously damage the Company if they were disclosed (this exception does not apply when the Company is specifically obliged by other legal requirements to disclose such information)

The Company has no agreements of this kind.

l) Agreements between the Company and its board Members or Employees providing for compensation if they resign or are made redundant without just cause or if their employment ceases because of a takeover bid

The Company has no agreements with board Members or Employees for providing compensation except where compensation payments are required by law.

m) Internal control and risk management systems

These are described in paragraph 3 of Chapter 1.

## 2. Information required under articles 447 and 448 of the Portuguese Companies Act

### 2.1. CORTICEIRA AMORIM, S.G.P.S., S.A. shares owned or traded by members of the Company's Governing Bodies





In compliance with article 447 of the Portuguese Companies Act, it is hereby stated that:

- I) José Américo Amorim Coelho owns 20,339 shares in the Company and did not trade any shares during 2007;
- II) the other members of the Governing Bodies do not own and have not traded any shares or other securities corresponding to the share capital of CORTICEIRA AMORIM.

## 2.2. Shareholders who own more than ten percent of the Company's share capital

In compliance with article 448 of the Portuguese Companies Act, it is hereby stated that Amorim Capital – Sociedade Gestora de Participações Sociais, S.A. owned on December 31, 2007, 90,162,161 shares in CORTICEIRA AMORIM, S.G.P.S., S.A., corresponding to 67.791% of its total share capital.

Mozelos, February 28, 2008

The Board of Directors – CORTICEIRA AMORIM, S.G.P.S., S.A.

*António Rios de Amorim, Chairman of the Board of Directors*

*José Américo Amorim Coelho, Vice-Chairman of the Board of Directors*

*Joaquim Ferreira de Amorim, Member of the Board of Directors*

*Nuno Filipe Vilela Barroca de Oliveira, Member of the Board of Directors*

*Luísa Alexandra Ramos Amorim, Member of the Board of Directors*

*José da Silva Carvalho Neto, Member of the Board of Directors*

“CORTICEIRA AMORIM  
is the first cork company  
in the world to obtain FSC  
certification, which recognises  
effective contributions  
to social, economical  
and environmental advances   
in forest areas.”



SECTION IV

# Consolidated Financial Statements





## SECTION IV

## Financial Report

A CORK SOLED SANDAL

*Portugal is the leading world cork exporter and is a pioneer in designing everyday implements using this material.*

## Consolidated Balance sheet

Thousand euros

	Notes	2007	2006	2005
<b>Assets</b>				
Property, Plant and Equipment	viii	176,130	175,719	170,387
Investment Property	viii	9,709	2,519	2,282
Goodwill	ix	13,304	13,253	13,618
Investments in Associates	v	2,906	2,717	296
Intangible Assets	viii	632	1	31
Other Financial Assets		2,265	2,053	937
Deferred Tax Assets	x	9,225	9,719	12,787
Other non-Current Assets		0	305	596
<b>Non-Current Assets</b>		<b>214,171</b>	<b>206,285</b>	<b>200,934</b>
Inventories	xi	227,415	212,139	205,346
Trade Receivables	xii	114,132	104,761	100,230
Current Tax Assets	xii	20,981	21,311	23,550
Other Current Assets	xiv	12,922	13,094	11,173
Cash and Cash equivalents		6,393	3,997	8,666
<b>Current Assets</b>		<b>381,843</b>	<b>355,302</b>	<b>348,965</b>
<b>Total Assets</b>		<b>596,014</b>	<b>561,588</b>	<b>549,899</b>
<b>Equity</b>				
Share Capital	xv	133,000	133,000	133,000
Own Shares	xv	-2,463	-2,425	-2,402
Other Reserves	xv	82,036	69,433	62,085
Net Income		23,245	20,104	15,747
Minority Interest		9,573	10,648	11,753
<b>Total Equity</b>		<b>245,390</b>	<b>230,760</b>	<b>220,183</b>
<b>Liabilities</b>				
Interest-Bearing Loans	xvi	162,994	153,115	122,324
Other Borrowings and Creditors	xvii	6,521	3,172	5,734
Provisions	xxiv	5,202	4,386	4,836
Deferred Tax Liabilities	x	4,827	4,009	4,532
<b>Non-Current Liabilities</b>		<b>179,544</b>	<b>164,682</b>	<b>137,426</b>
Interest-Bearing Loans	xvi	75,180	76,213	105,024
Trade Payables		49,155	43,965	41,418
Other Borrowings and Creditors	xvii	36,344	36,520	36,373
Tax Liabilities		10,402	9,449	9,474
<b>Current Liabilities</b>		<b>171,081</b>	<b>166,147</b>	<b>192,290</b>
<b>Total Liabilities and Equity</b>		<b>596,014</b>	<b>561,588</b>	<b>549,899</b>

## Earnings Statement by nature of the year

Thousand euros

	NOTES	12M07	12M06
Sales	VII	453,770	442,552
Costs of goods sold and materials consumed		230,806	231,307
Change in manufactured inventories		-3,588	6,179
Gross Margin		219,376 48.7%	217,424 48.5%
Third Party Supplies and Services	XVIII	75,637	73,783
Staff Posts	XIX	87,806	91,627
Depreciation	VIII	21,139	21,798
Impairments of Assets		441	620
Other gains (+) and cost (-)	XX	2,633	4,555
EBIT		36,986	34,151
Net Interest	XXI	-11,289	-9,039
Share of (loss)/profit of associates	V	269	264
Profit before tax		25,966	25,376
Profit after tax	X	1,487	3,979
Income Tax		24,479	21,397
Minority interest		1,234	1,293
Net Income (attributable to the Equity Holders of CORTICEIRA AMORIM)		23,245	20,104
Earnings per share - Basic e Diluted (euros per share)	XXVIII	0,178	0,154

## Fourth quarter

Thousand euros

	4Q2007	4Q2006
Sales	100,912	106,999
Costs of goods sold and materials consumed	51,211	59,983
Change in manufactured inventories	695	6,396
Gross Margin	50,395 49.6%	53,412 47.1%
Third Party Supplies and Services	19,386	19,509
Staff Costs	22,192	22,617
Depreciation	4,813	4,477
Impairments of Assets	-837	-104
Other gains (+) and costs (-)	3,826	4,167
EBIT	8,666	11,080
Net Interest	-2,913	-2,574
Share of (loss)/profit of associates	-255	205
Profit before Tax	5,498	8,712
Income Tax	-3,133	1,162
Profit after Tax	8,631	7,550
Minority interest	122	289
Net Income attributable to the Equity Holders of CORTICEIRA AMORIM	8,509	7,261
Earnings per share - Basic e Diluted (euros per share)	0,065	0,056

## Earnings Statement by function

Thousand euros

	12M2007	12M2006
Sales	453,770	442,552
Cost of Sales	312,841	302,452
Gross Margin	140,929	140,100
Marketing and Sales Costs	38,413	38,112
Distribution	24,090	23,978
Support Areas	41,440	43,859
Operating Results (EBIT)	36,986	34,151
Net Interest	-11,289	-9,039
Gains (losses) in associates	269	264
Profit before tax	25,966	25,376
Income tax	1,487	3,979
Profit after tax	24,479	21,397
Minority interest	1,234	1,293
Net Income (attributable to the Equity Holders of CORTICEIRA AMORIM)	23,245	20,104
Net Profit per share – Basic and Diluted - (euros per share)	0,178	0,154



## Consolidated Cash-Flow Statement

Thousand euros

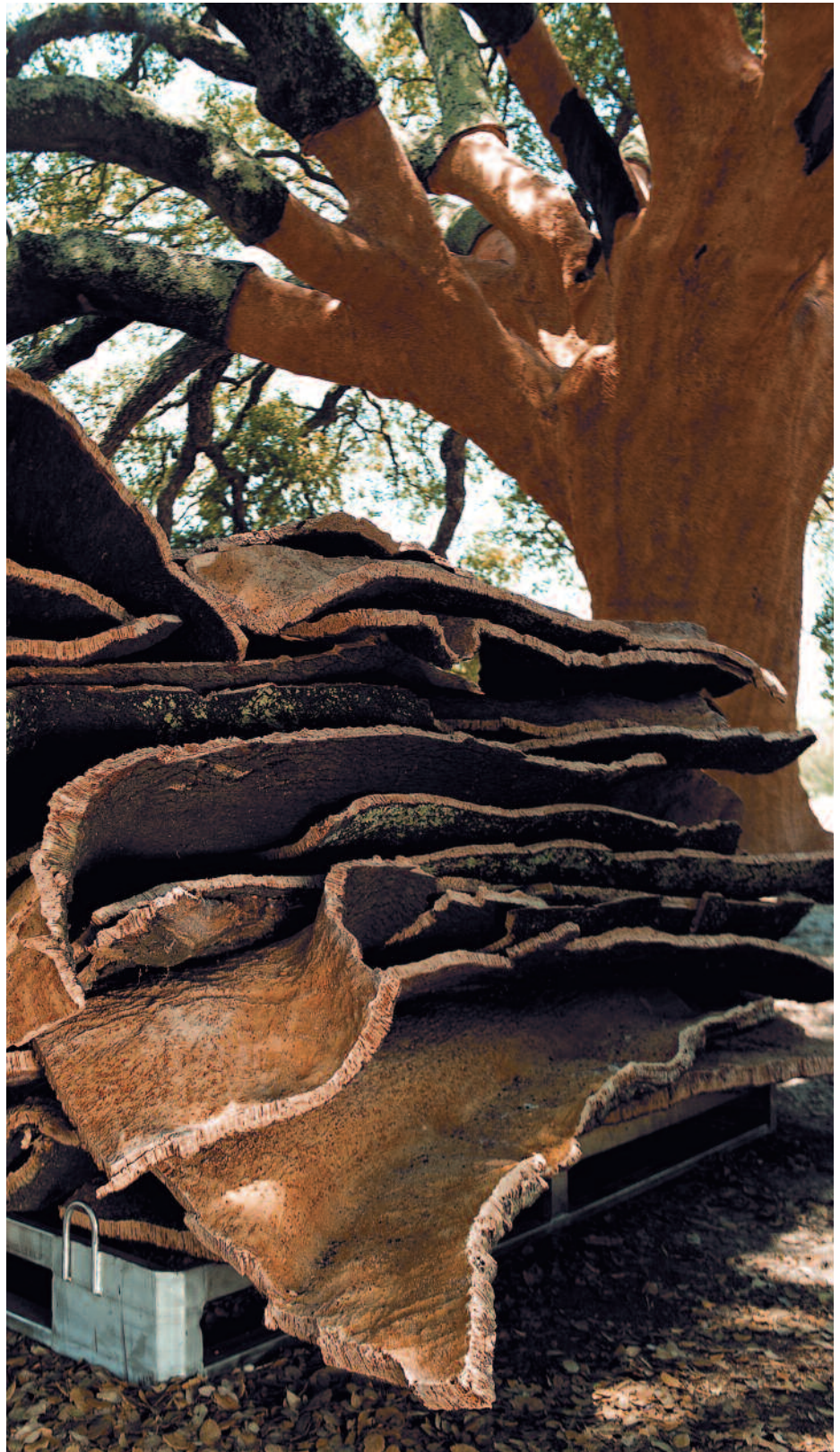
	2007	2006
<b>Operating Activities</b>		
Collections from Customers	510,591	461,914
Payments to Suppliers	-434,588	-363,034
Payments to Employees	-86,627	-92,201
Operational cash-flow	-10,624	6,679
Payments/collections – income tax	-2,796	-1,958
Other collections/payments related with operational activities	52,507	33,820
Cash-Flow Before Extraordinary Items	39,088	38,541
<b>Investment Activities</b>		
Collections due to:		
Tangible Assets	1,296	5,231
Investment property	51	65
Interests and similar gains	296	285
Investment subsidies	780	284
Dividends	1	0
Payments due to:		
Tangible Assets	-23,983	-25,413
Financial investments	-3,729	-5,211
Intangible Assets	-425	0
Cash-Flow from Investments	-25,714	-24,759
<b>Financial Activities</b>		
Collections due to:		
Loans	9,472	0
Others	150	135
Payments due to:		
Loans	0	-1,664
Interests and similar expenses	-10,207	-8,787
Dividends	-9,038	-6,968
Acquisition of treasury stock	-7	-24
Others	-1,169	-798
Cash-Flow from Financing	-10,799	-18,106
Change in cash	2,575	-4,324
Exchange rate effect	-179	-344
Perimeter effect	0	0
Cash at beginning	3,998	8,666
Cash at end	6,393	3,998

## Changes in Equity – Consolidated Statement

Thousand euros

	Balance Beginning	New Cies	Approp. of N-1 profit	Dividends	Net Profit N	Increases	Decreases	Translation Differences	End Balance
December 31, 2007									
Equity:									
Share Capital	133,000	-	-	-	-	-	-	-	133,000
Treasury Stock – Face Value	-2,548	-	-	-	-	-	-19	-	-2,568
Treasury Stock – Discounts and Premiums	123	-	-	-	-	-	-19	-	105
Paid-in Capital	38,893	-	-	-	-	-	-	-	38,893
IFRS Transition Adjustments	-12,866	-	-	-	-	434	-	120	-12,312
Hedge Accounting	-177	-	-	-	-	68	-110	-	-219
Reserves	0								
Legal Reserve	7,445	-	-	-	-	-	-	-	7,445
Other Reserves	37,120	-	20,104	-7,175	-	-140	-	-	49,909
Translation Difference	-982	-	-	-	-	-	-	-699	-1,681
	200,008	0	20,104	-7,175	0	362	-148	-579	212,572
Net Profit for the Year	20,104	-	-20,104	-	23,245	-	-	-	23,245
Minority Interests	10,648			-1,980	1,234	2,542	-2,820	-51	9,573
Total Equity	230,760	0	0	-9,155	24,479	2,904	-2,968	-630	245,390
December 31, 2006									
Equity:									
Share Capital	133,000	-	-	-	-	-	-	-	133,000
Treasury Stock – Face Value	-2,535	-	-	-	-	-12	-	-	-2,548
Treasury Stock – Discounts and Premiums	134	-	-	-	-	-11	-	-	123
Paid-in Capital	38,893	-	-	-	-	-	-	-	38,893
IFRS Transition Adjustments	-13,020	33	-	-	-	-	-	121	-12,866
Hedge Accounting	18	3	-	-	-	103	-301	-	-177
Reserves									
Legal Reserve	7,445	-	-	-	-	-	-	-	7,445
Other Reserves	28,051	-	15,747	-6,523	-	-	-155	-	37,120
Translation Difference	698	-	-	-	-	-	-	-1,680	-982
	192,684	36	15,747	-6,523	0	80	-456	-1,559	200,008
Net Profit for the Year	15,747	-	-15,747	-	20,104	-	-	-	20,104
Minority Interests	11,752	-1,149	-	-433	1,293	84	-	-899	10,648
Total Equity	220,183	-1,113	0	-6,956	21,397	164	-456	-2,458	230,760

The cork oak is the basis of an ecosystem that is unique in the world, contributing to the survival of many native species of fauna and preservation of the environment.



Preferring natural cork items  
contributes to the preservation  
of cork oak forests – a great  
gift for future generations.





SECTION V

## Notes to the Consolidated Financial Statements as of December 31, 2007

- I. Introduction
- II. Summary of significant Accounting Policies
- III. Financial Risk Management
- IV. Critical accounting estimates and judgements
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- IX. Goodwill
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- XV. Capital and reserves
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- XXI. Net Interest
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## SECTION V

# Notes to the Consolidated Financial Statements

## I. Introduction

At the beginning of 1991, CORTICEIRA AMORIM, S.A. was transformed into CORTICEIRA AMORIM, S.G.P.S., S.A., the Holding Company for the cork business sector of the Amorim Group. In this report, CORTICEIRA AMORIM will be the designation of CORTICEIRA AMORIM, S.G.P.S., S.A., and in some cases the designation of CORTICEIRA AMORIM, S.G.P.S. together with all of its subsidiaries.

CORTICEIRA AMORIM, directly or indirectly, holds no interest in land properties used to grow and explore cork tree. Cork tree is the source of cork, the main raw material used by CORTICEIRA AMORIM production units. Cork acquisition is made in an open market, with multiple agents, both in the demand side as in the supply side.

CORTICEIRA AMORIM is mainly engaged in the acquisition and transformation of cork into a numerous set of cork and cork related products, which are distributed worldwide through its network of sales company.

CORTICEIRA AMORIM is a Portuguese company with a registered head office in Mozelos, Santa Maria da Feira. Its share capital amounts to 133 millions euros, and is represented by 133 millions shares, which are publicly traded in the Euronext Lisboa – Sociedade Gestora de Mercados Regulamentados, S.A.

These financial statements were approved in the Board Meeting of February 25, 2008.

Except when mentioned, all monetary values are stated in thousand euros (Thousand euros = K euros = K€).

Some figures of the following Notes may present very small differences not only when compared with the total sum of the parts, but also when compared



*"MEMCORK"  
– CORK PEN DRIVE  
Design Cork project,  
a partnership between  
CORTICEIRA AMORIM  
and SUSDESIGN.  
Author: Anabela Vieira*

with figures published in other parts of this Report. These differences are due to rounding aspects of the automatic treatment of the data collected.

## II. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### a. Basis of presentation

Consolidated statements were prepared based on a going concern basis and using the records as stated in the companies books, which adopted Portuguese general accepted accounting principles. Accounting adjustments and reclassifications were made in order to comply with Accounting Policies followed by the IFRS, as adopted by the European Union (IAS – International Accounting Standards and the IFRS – International Financial Reporting Standards) and legal for use as of January 1, 2007. The transition date from the local GAAP was January 1, 2004.

### b. Consolidation

#### • Group Companies

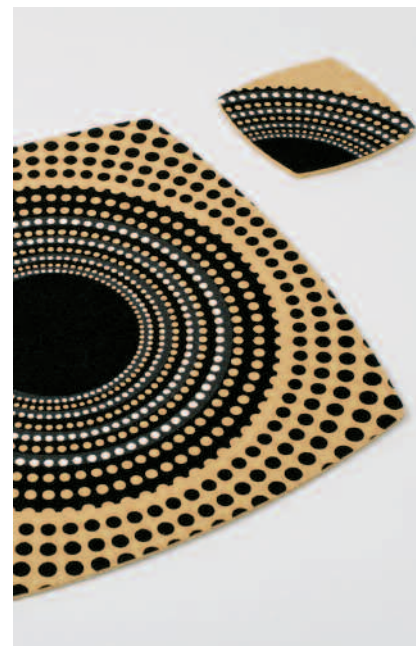
Group Companies, often designated as subsidiaries, are entities over which CORTICEIRA AMORIM has a shareholding of more than one-half of its voting rights, or has the power to govern its management, namely its financial and operating policies.

Group Companies are consolidated “line by line”, being the position of third-party interests in the Shareholding of those companies stated in the Balance Sheet in the “Minority Interests” account. Date of first consolidation or de-consolidation is, in general, the beginning or the end of the quarter when the conditions for that purpose are fulfilled.

Losses for the period that are attributable to minority interests will be debited to the minority interest account until its balance equals to zero, being all subsequent losses fully attributed to CORTICEIRA AMORIM. In subsequent reversal of losses, all profits will be attributed to CORTICEIRA AMORIM up to the full recovery of prior losses appropriated. Afterwards the usual appropriation of results between CORTICEIRA AMORIM and third-party interests will be reassumed.

In the rare case where the minority part has the obligation to share its portion for the losses after its balance sheet account is cancelled, a receivable will be recorded in the Consolidated Balance Sheet.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination



#### Composite Cork

*Retro Home: a successful combination of design and usefulness in everyday implements.*



are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group Companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

- **Equity Companies**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in Associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in Associates includes Goodwill. Future impairments of Goodwill will be adjusted against the carrying amount of investments. The Group's share of its Associates post-acquisition profits or losses is recognised in the income statement, in the "Gain/(losses) in Associates" account, and its share of post-acquisition movements in reserves is recognised in reserves. The carrying amount is also adjusted by dividends received. When the Group's share of losses in an Associate equals or exceeds its interest in the Associate, the group does not recognise further losses, unless it has incurred obligation on behalf of the Associate, in this case the Liabilities will be recorded in a "Provisions" account.

## Foreign currency translation

Consolidated financial statements are presented in thousands of euros. Euro is the legal currency of CORTICEIRA AMORIM, S.G.P.S., S.A., and is the currency in which two thirds of its business is made and so Euro is considered to be its functional and presentation currency.

Assets and liabilities denominated in foreign currency are translated to euros using year-end exchange rates. Net exchange differences arising from the different rates used in transactions and the rate used in its settlements is recorded in the income statement.

Assets and liabilities from non-euro subsidiaries are translated at the balance sheet date exchange rate, being its costs and gains from the income statement translated at the average exchange rate for the period/year.

### c. Tangible Fixed Assets

Tangible Fixed Assets are originally their respective historical cost (including attributable expenses) or production cost, including, whenever applicable, interest costs incurred

throughout the respective construction or start-up period, which are capitalised until the asset begins operating.

As part of the allocation of the fair value to the identifiable assets and liabilities in an acquisition process (IFRS 3), land and buildings of the subsidiaries as of January 1, 1991, were revalued by independent experts. Same procedure was followed for companies acquired later than that date.

Under IFRS 1, 16, and as of January 1, 2004, some of the relevant industrial equipment, fully, or in the near-term, depreciated, and of which is expected a medium or long term use, was subject to a revaluation process.

Depreciation is calculated on the straight-line basis, over the following years, which represent a reasonable estimate of the useful lives:

	Number of years
Buildings	20 to 50
Plant machinery	6 to 10
Motor vehicles	4 to 7
Office equipment	4 to 8

Depreciation is charged since the beginning of the financial year in which the Asset is brought into use, except for big investment projects where depreciation begins with the start-up of production. The Asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Current maintenance on repair expenses are charged to the actual income statement in which they occurred. Cost of operations that can extend the useful expected life of an Asset, or from which are expected higher and significant future benefits, are capitalized.

An Asset's carrying amount is written down to its recoverable amount and charged to the income statement if the Asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses and disposals are included in the income statement. When revalued Assets are sold, the amounts included in the Revaluation Reserve are transferred to Reserves.

#### **d. Investment property**

Includes land and buildings not used in production.



#### Research & Development

*Cork stopper quality is maximized by using state of the art production technologies, some of which were the result of CORTICEIRA AMORIM's R&D.*

#### e. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. If positive, will be included as an asset in the “Goodwill” account, if it refers to a subsidiary; if it refers to an Associate it will be included in the amount of the cost of acquisition. If negative, it will be registered as a gain for the period.

Goodwill will be tested annually for impairment; impairment losses will be charged to the income statement and, consequently, its carrying amount adjusted.

#### f. Inventories

Inventories are valued at the lower of acquisition cost or production cost and net realisable value. Acquisition cost includes direct and indirect expenses incurred in order to have those inventories at its present condition and place. Where the net realisable value is lower than production cost, an adjustment is made to reduce inventories to this lower value. This adjustment will be reversed or reduced whenever the impairment situation no longer takes place.

Year-end quantities are determined based on the accounting records, which are confirmed by the physical inventory taking. Raw materials, consumables and by-products are valued at weighted average cost, and finished goods and work-in-progress at the average production cost which includes direct costs and indirect costs incurred in production.

#### g. Trade and other receivables

Trade and other receivables are registered initially at cost, adjusted for any subsequent impairment losses which will be charged to the income statement.

Medium and long-term receivables will be measured at amortised cost using the effective interest rate of CORTICEIRA AMORIM for similar periods.

#### h. Cash and Cash equivalents

Cash includes cash in hand, deposits held at call in banks, time deposits and other no-risk short-term investments with original maturities of three months or less. Bank overdrafts are recorded within the “Interest bearing loans” line in the current liabilities on the balance sheet.

### **i. Interest bearing loans**

Includes interest bearing loans amounts. Any costs attributable to the lender, will be deducted to the loan amount and charged, during its life, using the effective interest rate.

Interests are usually charged to the income statement as they occur. Interests arising from loans related with capital expenditure for periods longer than 12 months will be capitalised and charged to the specific asset under construction. Capitalisation will cease when the project is complete or suspended.

### **j. Income taxes – current and deferred**

Except for companies included in groups of Fiscal Consolidation, income tax is calculated separately for each subsidiary, on the basis of its net result for the period adjusted according to tax legislation.

In the Consolidated Financial Statements differences between the tax due for the current period and prior periods and the tax already paid or to be paid by each of the group companies are registered whenever it is likely that, on an individual company basis, a deferred tax will have to be paid or to be recovered in the foreseeable future (liability method).

### **k. Employee benefits**

CORTICEIRA AMORIM Portuguese Employees benefit, generally, from defined contribution plan that is complementary to the National Welfare Plan. Employees from foreign subsidiaries (about 25% of total CORTICEIRA AMORIM) or are covered exclusively by local national welfare plans or benefit from complementary plans, being it defined contribution plans or defined benefit plans.

As for the defined contribution plans, contributions are recognised as employee benefit expense when they are due. The Liability recognised in the Balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation, less the fair value of plan assets, as calculated annually by pension fund experts.

CORTICEIRA AMORIM recognises a liability and an expense for bonuses attributable to a large number of directors. These benefits are based on estimations that take in account the accomplishment of both individual goals and a pre-established CORTICEIRA AMORIM level of profits.

### **l. Provisions**

Provisions are recognised when CORTICEIRA AMORIM has a present legal or constructive obligation as a result of past events, when it is more likely than not an outflow



#### Insulation Cork

*Cork insulates better, is more durable and environmental-friendly.*

of resources will be required to settle the obligation and when a reliable estimation is possible.

Provisions are not recognised for future operating losses. Restructuring provisions are recognised with a formal detail plan and when third parties affected are informed.

#### m. Revenue recognition

Revenue comprises the value of the consideration received or receivable for the sale of goods and finished products. Revenue is shown, Net of Value-Added Tax, returns, rebates, and discounts, including cash discounts. Revenue is also adjusted by any prior period's sales corrections.

Services rendered are immaterial and, generally, are refunds of costs related with finish product sales.

Sales revenue is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer and its amount can be reliably measured. Revenue receivable after one year will be discounted to its fair value.

#### n. Government grants

Grants received are related generally with Fixed Assets expenditure. No-repayable grants are present in the balance sheet as deferred income, and recognised as income on a systematic basis over the useful life of the related asset. Repayable interest bearing grants are presented as interests bearing Debt; if no-interest bearing, they are presented as Other borrowings. Medium and long-term no-interest bearing repayable grants are presented with its net present value, using an interest discount rate similar to CORTICEIRA AMORIM interest bearing debt for same period.

#### o. Leasing

When a contract indicates that the significant risks and rewards of the ownership of the asset are transferred to CORTICEIRA AMORIM, leasing contracts will be considered as financial leases.

All other leasing contracts are treated as operating leases. Payments made under operating leases are charged to the income statement.

#### p. Derivative financial instruments

CORTICEIRA AMORIM uses derivatives financial instruments as forward and spot exchange rate contracts, options and swaps; these are intended to hedge its business financial risks and are not used for speculative purposes. CORTICEIRA AMORIM accounts for these instruments as hedge accounting, following all its standards. Dealing

is carried out by a central treasury department (Dealing Room) on behalf of the subsidiaries, under policies approved by the Board of Directors. Derivatives are initially recorded at cost and subsequently re-measured at their fair value. The method of recognising is as follows:

- **Fair Value Hedge**

Changes in the air value of derivatives that qualify as Fair Value Hedges and that are expected to be highly effective, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

- **Cash Flow Hedge**

Changes in the fair value of derivatives that qualify as Cash Flow Edges and that are expected to be highly effective, are recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

- **Net Investment Hedge**

For the moment, CORTICEIRA AMORIM is not considering any foreign exchange hedge over its net investments in foreign units (subsidiaries).

CORTICEIRA AMORIM has fully identified the nature of its activities' risk exposure and documents entirely and formally each hedge; uses its information system to guarantee that each edge is supported by a description of: risk policy, purpose and strategy, classification, description of risk, identity of the instrument and of the risk item, description of initial measurement and future efficiency, identification of the possible derivative portion which will be excluded from the efficiency test.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or the forecasted transaction no longer remains highly provable or simply is abandoned, or the decision to consider the transaction as a hedge, the Company will de-recognised the instrument.

### III. Financial risk management

CORTICEIRA AMORIM activities expose it to a variety of financial risks: market risks (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk.



#### Cork Stoppers

*Growing investment in R&D and the best production technologies guarantee high and consistent standard quality cork stoppers.*

## Market risk

### a. Exchange rate risk

CORTICEIRA AMORIM operates in various international markets, being, consequently, exposed to exchange rates variations in the local currencies in which conducts its business. Around 30% of its total sales are denominated in currencies other than its reporting currency (euro), being half of it USD. The remaining sales are concentrated in south african rand, chilean peso, british pound, australian dollar and danish krone. About 90% of the goods and services acquired are euro based. Most of the remaining value is denominated in USD.

Exchange rate risk derives not only from the effects of the exchange rates variations in non-euro assets and liabilities euro counter value, but also from the effects in the book orders (future transactions) and from net investments in operating units located in non-euro areas.

Exchange rate risk management policy established by CORTICEIRA AMORIM Board points out to a total hedging of the assets deriving from sales in the most important currencies and from USD acquisitions. As for book orders up to 90 days, each Business Unit responsible will decide according to exchange rate evolution. Book orders, considered relevant, due after 90 days, will be presented by the Business Unit responsible to the Board.

As of December 31, 2007, exchange rates different from the actual as of that date, would have no material effect in financial assets or liabilities values, due to the said hedging policy. As for book orders any effect would be registered in Equity. As for non-euro net investments in subsidiaries/associate, any exchange rate effect would be registered in Equity, because CORTICEIRA AMORIM does not hedge this type of assets. As these investments are not considered relevant, the register of the effects of exchange rates variations was, during the prior years within a narrow range (2007: -K€1681, 2006: -K€982, 2005: +K€698).

### b. Interest rate risk

Up to now, CORTICEIRA AMORIM has not considered hedging interest rate risk, meaning all interest bearing debt is linked to variable interest rate. Most of the risk derives from the medium and long-term portion of that debt. As for December 31, 2007, medium and long-term debt was 70% of total interest bearing debt (2006: 66.7%). As of December 31, 2007, for each 0.1% variation in euro based debt, a total effect of -K€220 in CORTICEIRA AMORIM profits would be registered.

## Credit risk

Credit risk is due, mainly, to receivables from Customers related to trade sales. Credit risk is monitored by the operating companies Financial Departments, taking in consideration its history of trade relations, financial situation as well as other types of information that CORTICEIRA AMORIM business network has available related with each trading partner. Credit limits are analysed and revised, if necessary, on a regular basis. Due to the high number of Customers, spread through all continents, the most important of them weighting less than 2.5% of total sales, credit risk is naturally diminished.

## Liquidity risk

Liquidity is defined as the capacity to settle assumed responsibilities. Liquidity risk hedging is accomplished through the availability of a certain number of credit lines, which are not used. With these lines, CORTICEIRA AMORIM can settle positions in a very short period, allowing for the necessary flexibility in conducting its business. Liquidity reserve is composed mainly, by non-used credit line facilities. Based in estimated cash flows, liquidity reserve performance will be as follows:

Thousands euros

	2008
Opening balance	123
Operating cash in	520
Operating cash out	-460
Investments	-35
Interest and dividends	-19
Loans payment	-75
New credits lines	75
Closing balance	129

## Capital risk

CORTICEIRA AMORIM key objective is to assure business continuity, delivering a proper return to its Shareholders and the correspondent benefits to its remaining Stakeholders. A careful management of the capital employed in the business, using the proper combination of capital in order to reduce its costs, obtains the fulfilment of this objective. In order to achieve the proper combination of capital employed, the Board can obtain from the General Shareholders Meeting the approval of the necessary measures, namely adjusting the dividend pay-out ratio, the treasury stock, raising capital through new shares issue, sale of assets or other type of measures.



The key indicator for the said combination is the Equity/Assets ratio. CORTICEIRA AMORIM considers that a 40% ratio is a clear sign of a perfect combination, and a range between 35%-45%, depending on actual economic conditions and of the cork sector in particular, is the objective to be accomplished. The said Ratio register was:

	2007	2006
December 31, Equity	245,390	230,760
December 31, Assets	596,014	561,588
Ratio	41.2%	41.1%

Even with the impact of the consolidation of the newly acquired Oller Group, around M€25 in total consolidated Assets, Equity/Assets Ratio kept the same level of 2006.

### Financial assets and liabilities fair value

Derivatives used by CORTICEIRA AMORIM have no public quotation because they are not traded in an open market. A proprietary model of CORTICEIRA AMORIM, developed by Reuters, calculates its fair value. Trade and other receivables, adjusted by any necessary impairment, trade and other payables, investment grants and medium and long-term liabilities were discounted using an interest rate similar to the average interest rate that CORTICEIRA AMORIM registered at year-end (5%).

## IV. Critical accounting estimates and judgements

When evaluating equity and net income, CORTICEIRA AMORIM makes estimates and assumptions concerning events only effective in the future. In most cases, estimates were confirmed by future events. In such cases where it doesn't, variations will be registered when they'll be materialized.

As for 2007, the estimate that could bring more difference in the future is the estimate of the income tax. In fact, beyond the usual complexity when estimating income Tax of a large number of subsidiaries and associates in different tax regulations, 2007 was particularly complex. It was necessary to analyse deeply the effects related with the restructuring occurred during the year. From these analyses, it was decided to use prudence, and so only 50% of the tax effect of those operations was registered. When that effect will be definitely known, if totally accepted for Tax Reasons, the impact in Net Result will be around M€5,1.

As for assets, Goodwill amounts to K€13,304 (2006: K€13,253). This value is supported by impairment tests made at year-end. The judgment used in these tests are key factors in order to decide or not if there is any impairment. Discount rate use in these tests was around 7%, depending on the Business Unit specific situation. Still to be noted K€9,225 registered in Deferred Tax Assets (2006: K€9,719). There will be no impairment if the business plans used in the tests will be accomplished in the future.



Portugal has 32% of world cork oak forests and transforms around 70% of world cork production.

## V. Companies included in the consolidated financial statements

Company		Head Office	Country	2007
<b>Raw Materials</b>				
Amorim Florestal Espanha, S.A.		San Roque – Cádiz	Spain	100%
Amorim Natural Cork – Florestal, S.A.	(h)	Vale de Cortiças – Abrantes	Portugal	100%
Amorim Florestal Catalunya, S.L.		Cassa de la Selva – Girona	Spain	100%
Amorim & Irmãos VII, S.R.L.		Tempio Pausania	Italy	100%
Amorim & Irmãos, S.A. (Matérias-Primas)	(a)	Ponte de Sor	Portugal	100%
Amorim & Irmãos – IV, S.A.		Alcántara	Spain	100%
Cork Consulting		Tabarka	Tunisia	100%
Cork International, S.A.R.L.		Tabarka	Tunisia	100%
Comatral – C. de Marocaine de Transf. du Liège, S.A.		Skhirat	Morocco	100%
Société Fabrique Liège de Tabarka, S.A.		Tabarka	Tunisia	100%
SIBL – Société Industrielle Bois Liège		Jijel	Algeria	51%
Société Nouvelle du Liège, S.A. (S.N.L.)		Tabarka	Tunisia	100%
Société Tunisienne d'Industrie Bouchonnière	(i)	Tabarka	Tunisia	45%
Amorim Florestal España, S.L.		San Roque – Cádiz	Spain	100%
<b>Cork Stoppers</b>				
Amorim Australasia	(g)	Adelaide	Australia	100%
Amorim Benelux, B.V. – A&I	(b)	Tholen	Netherlands	100%
Amorim Cork Deutschland GmbH. & Co. KG		Mainzer	Germany	100%
Amorim Cork South Africa		Cape Town	South Africa	100%
Amorim Cognac, S.A.S.	(g)	Cognac	France	100%
Amorim France, S.A.S.		Champfleury	France	100%
Amorim & Irmãos, S.G.P.S., S.A.		Santa Maria de Lamas	Portugal	100%
Amorim & Irmãos, S.A.	(a)	Santa Maria de Lamas	Portugal	100%
Aplifin – Aplicações Financeiras, S.A.		Mozelos – Sta. Maria da Feira	Portugal	100%
Amorim Argentina, S.A.		Tapiales – Provincia de Buenos Aires	Argentina	100%
Champcork – Rolhas de Champanhe, S.A.		Santa Maria de Lamas	Portugal	100%
Chapuis, S.L.	(i)	Girona	Spain	100%
M. Clignet & Cie		Bezannes	France	100%
Carl Ed. Meyer Korken		Delmenhorst	Germany	100%
Industria Corchera, S.A.	(j)	Santiago	Chile	49%
Amorim Cork Australia, Pty Ltd.		Victoria	Australia	100%
Equipar – Indústria de Cortiça, S.A.		Coruche	Portugal	100%
Equipar, Participações Integradas, Lda.		Coruche	Portugal	100%
Equipar – Rolha Natural, S.A.		Coruche	Portugal	100%
Amorim Cork America, Inc.		California	United States	100%
Francisco Oller, S.A.	(i)	Girona	Spain	87%
FP Cork, Inc.		California	United States	100%
Hungarocork, Amorim, Rt.		Budapest	Hungary	100%
Inter Champanhe – Fabricante de Rolhas de Champanhe, S.A.		Montijo	Portugal	100%
Amorim Cork Italia, S.p.A.		Conegliano	Italy	100%
KHB – Kork Handels Beteiligung, GmbH.		Delmenhorst	Germany	100%
Korke Schiesser Ges.m.b.H.		Wien	Austria	69%
Olimpiadas Barcelona 92, S.L.	(i)	Girona	Spain	100%
Portocork France		Bordeaux	France	100%
Portocork Internacional, S.A.		Santa Maria de Lamas	Portugal	100%
Portocork America, Inc.		California	United States	100%
S.A. Oller et Cie	(i)	Girona	Spain	87%
S.C.I. Friedland		Céret	France	100%
Société Nouvelle des Bouchons Trescases	(i)	Perpignan	France	50%
Victor y Amorim, S.L.	(j)	Navarrete – La Rioja	Spain	50%

(next page)

(continuation)

Company	Head Office	Country	2007
<b>Floor and Wall Coverings</b>			
Amorim Benelux, B.V. – A.R. (b)	Tholen	Netherlands	100%
Amorim Cork GmbH.	Delmenhorts	Germany	100%
Amorim Cork Distribution Netherlands, B.V.	Tholen	Netherlands	100%
Amorim Revestimentos, S.A.	Lourosa	Portugal	100%
Amorim Wood Supplies, GmbH.	Bremen	Germany	100%
Corticeira Amorim – France S.A.S. – A.R. (c)	Lavardac	France	100%
Amorim Revestimentos, S.A.	Barcelona	Spain	100%
Amorim Deutschland, GmbH. & Co. KG – A.R. (d)	Delmenhorts	Germany	100%
Dom KorKowy, Sp. Zo. O. (j)	Kraków	Poland	50%
Amorim Flooring North America Inc.	Hanover – Maryland	United States	100%
Amorim Flooring Austria Ges.m.b.H. – A.R. (f)	Viena	Austria	100%
Amorim Flooring Nordic A/S	Greve	Denmark	100%
Amorim Flooring (Switzerland) AG	Zug	Switzerland	100%
<b>Composite Cork</b>			
Amorim Benelux, B.V. – CAI (b)	Tholen	Netherlands	100%
Corticeira Amorim – France S.A.S. – CAI (c)	Lavardac	France	100%
Amorim Cork Composites, S.A. (h)	Mozelos – Sta. Maria da Feira	Portugal	100%
Amorim Deutschland, GmbH. & Co. KG – CAI (d)	Delmenhorts	Germany	100%
Chinamate Development Co. Ltd. (g)	Hong Kong	China	100%
Chinamate (Xi'an) Natural Products Co. Ltd. (g)	Xi'an	China	100%
Drauvil Europea, S.L.	San Vicente de Alcántara	Spain	100%
Amorim Cork Composites Inc. – CAI (h) (e)	Trevor – Wisconsin	United States	100%
Amorim Flooring Austria Ges.m.b.H – CAI (f)	Wien	Austria	100%
<b>Cork Rubber</b>			
Amorim (UK) Ltd.	Horsham – West Sussex	U. K.	100%
Amorim Industrial Solutions – Indústria de Cortiça e Borracha II, S.A. (m)	Mozelos – Sta. Maria da Feira	Portugal	100%
Amorim Industrial Solutions – Indústria de Cortiça e Borracha I, S.A.	Corroios	Portugal	100%
Amorim Cork Composites Inc. – BOR (h) (e)	Trevor – Wisconsin	United States	100%
Samorim (Joint Stock Company Samorim) (i)	Samara	Russia	50%
Amorim Industrial Solutions, S.G.P.S., S.A. (m)	Mozelos – Sta. Maria da Feira	Portugal	100%
<b>Insulating Cork</b>			
Amorim Isolamentos, S.A.	Mozelos – Sta. Maria da Feira	Portugal	80%
<b> Holding – Other</b>			
CORTICEIRA AMORIM, S.G.P.S., S.A.	Mozelos – Sta. Maria da Feira	Portugal	100%
Ginpar, S.A. (Générale d' Investissements et Participation)	Skhirat	Morocco	100%
Labcork – Laboratório Central do Grupo Amorim, Lda.	Mozelos – Sta. Maria da Feira	Portugal	100%
Moraga – Comércio e Serviços, S.A. (m)	Funchal – Madeira	Portugal	100%
Sopac – Sociedade Portuguesa de Aglomerados de Cortiça, Lda.	Montijo	Portugal	100%
Vatrya – Serviços de Consultadoria, Lda.	Funchal – Madeira	Portugal	100%
Postya – Serviços de Consultadoria, Lda. (l)	Funchal – Madeira	Portugal	100%

(a) One single company: Amorim & Irmãos, S.A.

(b) One single company: Amorim Benelux, B.V.

(c) One single company: Corticeira Amorim – France S.A.S.

(d) One single company: Amorim Deutschland, GmbH & Co. KG.

(e) One single company: Amorim Industrial Solutions, Inc.

(f) One single company: Amorim Flooring Austria Ges.m.b.H.

(g) Set-up during 2007.

(h) During 2007 the company changed its name.

(i) Equity Method Consolidation.

(j) CORTICEIRA AMORIM controls the operations of the company – line-by-line consolidation method.

(l) Acquired during 2007.

(m) During 2007 the company was liquidated.

## VI. Exchange rates used in consolidation

Consolidation December 31, 2007		Year End	Average
Argentine Peso	ARS	4.59345	4.27087
Australian Dollar	AUD	1.6757	1.63484
Brazilian Real	BRL	2.5963	2.66126
Canadian Dollar	CAD	1.4449	1.46785
Swiss Franc	CHF	1.6547	1.64272
Chilean Peso	CLP	726.14	714.744
Yuan Renminbi	CNY	10.6545	10.41916
Danish Krone	DKK	7.4583	7.45065
Algerian Dinar	DZD	96.0663	94.5164
Euro	EUR	1.000	1.000
Pound Sterling	GBP	0.73335	0.68434
Hong Kong Dollar	HKD	11.3755	10.6947
Forint	HUF	253.73	251.352
Yen	JPY	164.93	161.253
Moroccan Dirham	MAD	11.3394	11.2046
Norwegian Krone	NOK	7.958	8.01651
Zloty	PLN	3.5935	3.7837
Ruble	RUB	35.9158	35.0138
Swedish Kronor	SEK	9.4415	9.25011
Tunisian Dinar	TND	1.7911	1.75
US Dollar	USD	1.4721	1.37048
Rand	ZAR	10.0298	9.65959

## VII. Segment report

CORTICEIRA AMORIM is organised in the following Business Units (BU):

- Raw Materials;
- Cork Stoppers;
- Floor and Wall Coverings;
- Composite Cork;
- Cork Rubber;
- Insulation Cork.

For purposes of this Report, the Business approach was selected as the primary segment. This is consistent with the formal organization and evaluation of business. The following table shows the main indicators of the said units, and, whenever possible, the reconciliation with the consolidated indicators:

Thousand euros

2007	Raw Materials	Cork Stoppers	Floor & Wall Coverings	Composite Cork	Cork Rubber	Insulation Cork	Holding	Adjust.	Consolid.
Trade Sales	7,969	246,272	124,714	42,483	24,436	7,844	52		453,770
Other BU Sales	96,391	4,516	2,144	15,407	3,396	943	605	-123,402	
Total Sales	104,361	250,788	126,858	57,890	27,832	8,788	656	-123,402	453,770
EBIT	5,450	20,133	10,129	3,024	-914	1,175	-3,154	1,142	36,986
Assets	150,926	258,762	105,036	59,144	24,740	10,218	3,055	-15,867	596,014
Liabilities	28,753	56,520	19,700	10,056	6,283	1,549	2,010	225,754	350,625
Capex	875	9,620	8,392	4,469	1,249	699	81	-	25,386
Year Depreciation	-3,180	-8,266	-4,764	-2,601	-1,645	-622	-62	-	-21,139
Non-cash cost	220	-60	-541	-80	-218	18	6	93	-562
Gains/Losses in associated companies	15	285	-	-	-31	-	0	-	269
2006	Raw Materials	Cork Stoppers	Floor & Wall Coverings	Composite Cork	Cork Rubber	Insulation Cork	Holding	Adjust.	Consolid.
Trade Sales	17,450	232,064	118,029	42,373	25,134	7,491	11		442,552
Other BU Sales	96,820	4,615	3,533	19,021	4,089	672	654	-129,404	
Total Sales	114,270	236,679	121,562	61,394	29,223	8,162	665	-129,404	442,552
EBIT	11,426	11,106	11,226	2,426	-285	1,215	-2,265	-698	34,152
Assets	154,890	232,843	95,429	55,221	28,501	9,472	3,010	-17,779	561,588
Liabilities	23,705	48,957	19,027	13,702	7,427	1,808	24,582	191,618	330,828
Capex	2,414	15,835	4,518	1,026	1,598	480	61	-	25,931
Year Depreciation	-3,742	-8,397	-4,641	-2,837	-1,760	-356	-65	-	-21,797
Non-cash cost	-676	2	349	-72	-909	4	-20	-	-1,321
Gains/Losses in associated companies	8	229	-	-	31	-	-4	-	264

Notes:

Adjustments = eliminations inter-BU and amounts not allocated to BU.

EBIT = Profit before interests, minorities and income tax.

Provisions and Asset impairments were considered the only relevant material cost.

Segments Assets do not include DTA (deferred tax asset) and non-trade Group balances.

Segments liabilities do not include DTL (deferred tax liabilities), bank loans and non-trade Group balances.

As for 2007, Assets and Liabilities resulting from the transactions of financial stakes achieved at year-end as part of the announced restructuring were not taken in consideration.



#### Cork stoppers branding

*After selection, natural cork stoppers may be printed with heat or ink.*

*The branding process using ink respects all FDA and EU requirements for food products.*

The decision to report EBIT figures allows a better comparison of the different BU performances, disregarding the different financial situations of each BU. This is also coherent with the existing Corporate Departments, as the Financial Department is responsible for the bank negotiations, being the tax function the responsibility of the Holding Company.

Cork Stoppers BU main product is the different kinds of existing cork stoppers. The main markets are the bottling countries, from the traditional ones like France, Italy, Germany, Spain and Portugal, to the new markets like USA, Australia, Chile, South Africa and Argentina.

Raw Materials BU is, by far, the most integrated in the production cycle of CORTICEIRA AMORIM, with 90% of its sales to others BU, specially to Cork Stoppers BU. Main products are bark and discs.

The remaining BU produce and sell a vast number of cork products made from cork stoppers waste. Main products are cork floor tiles, cork rubber for the automotive industry and antivibratic systems, black agglomerates for insulation and acoustic purposes, technical agglomerates for civil construction and shoe industry, as well as granulates for agglomerated, technical and Champagne cork stoppers.

Major markets for Flooring and Insulation products are in Europe and for Cork Rubber products in the USA. Major production sites are in Portugal, where most of the invested capital is located. Products are distributed in practically all major markets through a fully owned network of sales companies. About 70% of total consolidated sales are achieved through these companies.

Capex was concentrated in Portugal. Assets in foreign subsidiaries totalize 230 million euros, and are mostly composed by Inventories (79 millions), Customers (64 millions) and Tangible Fixed Assets (38 millions).

#### Sales by markets:

Thousand euros

Markets	2007	2006
European Union	290,079	277,327
<i>From which: Portugal</i>	<i>21,946</i>	<i>32,940</i>
Other European countries	23,093	20,085
United States	69,675	71,089
Other American countries	34,917	29,862
Australasia	25,587	33,659
Africa	10,251	10,320
Others	169	210
Total	453,770	442,552

## VIII. Tangible and Intangible Fixed Assets

Thousand euros

	Land and Buildings	Plant Equipment	Other	Advances and In-progress	Tangible Fixed Assets	Intangible Fixed Assets
Gross Value	216,257	235,828	40,469	7,176	499,729	114
Depreciation and impairments	-122,688	-170,848	-35,807	-	-329,342	-83
Opening balance (Jan. 1, 2006)	93,568	64,981	4,662	7,176	170,387	31
In Companies					0	-
Increase	6,238	11,947	1,640	6,123	25,948	-
Revaluation	3,574	0	0	0	3,574	-
Period Deprec. and Impairments	-6,674	-13,134	-2,048	0	-21,856	-31
Sales And Other Decreases	-689	-2,349	-481	-62	-3,581	-
Transfers and Reclassifications	458	7,607	640	-6,357	2,348	-
Translation Differences	-433	-534	-87	-45	-1,099	-
Gross Value	223,392	240,624	39,118	6,834	509,968	-
Depreciation and Impairments	-127,351	-172,106	-34,792	0	-334,249	-
Closing balance (Dec. 30, 2006)	96,041	68,518	4,326	6,834	175,719	0
Gross Value	223,392	240,624	39,118	6,834	509,968	-
Depreciation and Impairments	-127,351	-172,106	-34,792	0	-334,249	-
Opening balance (Jan. 1, 2007)	96,041	68,518	4,326	6,834	175,719	0
In Companies	9,060	2,166	449	186	11,861	-
Increase	1,225	7,086	1,594	13,871	23,776	784
Period Deprec. and Impairments	-5,681	-13,280	-1,978	0	-20,939	-152
Sales and Other Decreases	-4	-619	-191	-224	-1,038	-
Transfers and Reclassifications	-10,911	5,556	290	-7,486	-12,551	-
Translation Differences	-264	-314	-69	-50	-697	-
Gross Value	213,510	250,323	39,036	13,883	516,752	784
Depreciation and Impairments	-124,045	-181,962	-34,616	0	-340,623	-152
Closing balance (Dec. 31, 2007)	89,465	68,361	4,420	13,883	176,129	632



Natural cork manufacture:  
fully integrated industrial  
process where nothing  
is lost and all is valued.



Accordingly with d) of point II (accounting policies), as of Dec., 31, 2007, the net effect of the said revaluation, amounts to 26,3 million of euros, of which 19,2 refers to land. Applying the same policy, the effect of the Fixed Assets revaluation (as for pgf. 16 of IFRS 1) was 14,4 million euros at transition date. At closing Balance date it was 8,0 million euros.

Revaluation value of 3,574 in Buildings refers to the difference between the fair value and the book value of the building belonging to Equipar Indústria de Cortiça as for January 2006. This register derives from the difference between the cost of the acquisition at this date of the remaining 50% of Equipar, and the fair value of the net assets acquired.

As for 2007, the value registered as Transfers and Reclassifications is due, mainly, to the reclassification of land and buildings not used in production to Investment Property.

In companies value refers to effects of the entry of Oller Group companies in the consolidation perimeter.

## IX. Goodwill

Thousand euros

	Opening	Increases	Translation Differences	Out of Perimeter	Closing
Raw material BU	4,202	0	-5		4,197
Cork Stoppers BU	4,890	110		-164	4,836
Flooring BU	4,160	0			4,160
Composite BU	0	114	-4		111
Goodwill	13,253	224	-8	-164	13,304

The increase is due to the acquisition of the SOBEFI plant by Amorim France (K€110) and to the start-up of the chinese subsidiaries (K€114). The Out of Perimeter value refers to the impact of the merger of Amorim France and Oenorope. The effects of the entry of Oller Group companies in the consolidation perimeter are detailed in note XXII – Financial Stakes Acquisitions, including the Goodwill effect.

## X. Income Tax

The differences between the tax due for the current period and prior periods and the tax already paid or to be paid of said periods is registered as “deferred Tax” in the consolidated income statement, according to note II j), and amounts to K€61 (2006: -K€2,538).

On the Balance Sheet this effect amounts to K€9,225 (31/12/2006: K€9,719) as Deferred tax Asset, and to K€4,826 (31/12/2006: K€4,009) as Deferred Tax Liability.

It is conviction of the Board that, according to its business plan, the amounts registered in Deferred Tax Assets will be recovered as for the tax carry forward losses concerns.

Thousand euros

	2007	2006
Related with Intangible Fixed Assets cancelled	589	901
Related with Inventories/Customers and Debtors impairments	1,180	1,305
Related with Tax Losses	5,219	6,966
Related with Tax Benefits	2,146	361
Other	91	186
Deferred Tax–Assets	9,225	9,719
Related with Fixed Tangible Assets	3,999	2,972
Related with Inventories	702	784
Other	125	253
Deferred Tax–Liabilities	4,826	4,009
Current Income Tax	-1,548	-1,441
Deferred Income Tax	61	-2,538
Income Tax	-1,487	-3,979

Following chart explains the effective income tax rate, from the original income tax rate of most of Portuguese companies:

Income Tax Conciliation	
Income Tax – Legal	26.50%
Effect arising from non-taxed profit, from reduced income-taxes and from tax losses with no Deferred Tax Assets (DTA)	-3.7%
Effect arising from current losses that did not generated DTA (due to impossibility or due to prudence)	3.3%
Effect of companies with income tax higher than 26.5%	0.3%
Effects due to complementary taxation	1.3%
Effect due to costs non accepted as tax costs	2.0%
Effect due to tax benefits	-8.3%
Effect related with the liquidation of companies (50%)	-19.8%
Effect arising from non taxed consolidated results, and non consolidated taxed results	-0.1%
Effect from prior years corrections and reclassifications	3.3%
Other effects	0.8%
Income tax – effective <sup>(1)</sup>	5.7%

(1) Income Tax/PBT



CORTICEIRA AMORIM and a large group of its Portuguese subsidiaries are taxed since January 1, 2001, as a Group Special Regime for Tax Purposes (RETGS), as according to article 63, of the income tax code (CIRC). The option for this special regime is renewable every five years.

According to law, tax declarations for CORTICEIRA AMORIM and its Portuguese subsidiaries are subject of revision and possible correction from tax authorities generally during the next four years.

No material effects in the financial statements as of December 31, 2007, are expected by the Board of CORTICEIRA AMORIM and its subsidiaries from the revisions of tax declarations that will be held by the tax authorities.

In the following chart tax losses, amounts and its time limits for utilisation are presented:

Thousand euros

	2008	2009	2010	2011	2012 and further	Total
RETGS					24,550	24,550
Other portuguese companies			349	2,572	439	3,360
Foreign companies		214	633		19,836	20,683
Non utilised tax losses	0	214	982	2,572	44,825	48,593

As for the foreign companies, the year 2012 and further was considered for those situations that correspond to tax losses to carry forward with no limit of utilization.

In RETGS there are doubts regarding the future utilisation of around 20,5 millions euros.

## XI. Inventories

	Thousand euros	
	2007	2006
Goods	14,681	11,802
Finished and Semi-Finished goods	86,406	89,228
By-products	259	593
Work in Progress	10,887	8,613
Raw Materials	118,399	104,372
Advances	199	1,116
Goods Impairments	-854	-752
Finished and Semi-Finished goods Impairments	-2,342	-2,607
Raw Materials Impairments	-220	-227
Total Inventories	227,415	212,138

As detailed in Note XXII, the Oller Group entry had a 6,5 millions euros effect, being 2.6 millions as Raw Materials, 1.7 millions as Work in Progress and 2.2 millions as Finished Goods.

## XII. Trade receivables

	Thousand euros	
	2007	2006
Gross amount	123,271	113,807
Impairments	-9,139	-9,045
Trade receivables	114,132	104,762

As detailed in Note XXII, the Oller Group entry had a 8.1 millions euros effect as of the end of 2007.

At the end of each period, Trade receivables credit quality is analysed. Due to specific business environment, balances unpaid up to 120 days are not impaired. From 120 to 180

days a 60% impairment register is considered. Over 180 days as well as all doubtful balances are fully impaired. These rules do not overcome specific cases analysis.

Due and past due balances are as follows (millions of euros):

	Million euros	
	2007	2006
Due	78,5	75,4
Past due between 0 and 120 days	26,4	28,2
Past due between 120 and 180 days	1,9	2,0
Doubtful and past due over 180 days	8,6	8,5
Impairment	9,1	9,0

Balances stated in the above chart don't include the in and out effect in the consolidation perimeter.

### XIII. Recoverable taxes

	Thousand euros	
	2007	2006
Value Added Tax	15,866	17,807
Other taxes	5,115	3,504
Recoverable taxes	20,981	21,311

### XIV. Other Assets

	Thousand euros	
	2007	2006
Advances to Suppliers	2,497	3,705
Deferred Assets	4,076	3,920
Hedge Accounting Assets	837	1,266
Other	5,512	4,203
Other Current Assets	12,922	13,094



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## XV. Capital and reserves

### • Share capital

As of December 31, 2007, the share capital is represented by 133,000,000 ordinary registered shares, conferring dividends, with a par value of 1 euro.

The Board of CORTICEIRA AMORIM is authorised to raise the share capital, one or more times, respecting the conditions of the commercial law, up to €250,000,000.

### • Treasury stock

In several trading sessions, CORTICEIRA AMORIM bought 19,477 of its own shares, representing 0.0146% of its total share capital, with an average unit price of €1,958, totalling €38,131,62.

No sales were held.

As of December 31, 2007, CORTICEIRA AMORIM held 2,567,834 of its own shares, representing 1.9307% of its share capital.

During 2006, CORTICEIRA AMORIM bought 12,500 of its own shares, representing 0.009% of its share capital, at an average unit price of €1,881 and a total amount of €23,512,62.

During 2006, no shares were sold.

### • Dividends

In the Shareholders' General Meeting of March 31, 2007, a dividend totalling €7,315,000.00 (seven million, three hundred and fifteen thousand euros), corresponding to a €0,055 (five and half cents of euro) per share was approved. Payment was made at April, 30.

Thousand euros

	2007	2006
Dividends approved – 2007: 0,055 and 2006: 0,050 (euros per share)	7,315	6,650
Portion attributable to Own Shares	-140	-127
Dividends paid	7,175	6,523

## XVI. Interest bearing debt

As of December 31, 2007, interest bearing loans was as follows:

	Thousand euros	
	2007	2006
Bank Loans	63,952	61,378
Overdrafts	9,228	14,835
Commercial Papers	2,000	-
Interest Bearing Loans – Current	75,180	76,213

Loans were denominated in euros, except 11% (2006: 14%), being most of it USD.

	Thousand euros	
	2007	2006
Bank Loans	70,708	68,327
Reimbursable Subsidies	16,285	0
Commercial Papers	76,000	84,788
Interest Bearing Loans – Non-Current	162,993	153,115

As of the end of 2007 and 2006, loans were almost totally denominated in euros.

As detailed in Note XXII, Oller Group entry had an effect of K€4,411 in Interest Bearing Loans – Current and K€498 in Interest Bearing Loans – Non-Current.

As of December 31, 2007, maturity of non-Current Interest Bearing debt was as follows:

	Thousand euros
Between 01/01/2009 and 31/12/2009	41,736
Between 01/01/2010 and 31/12/2010	46,337
Between 01/01/2011 and 31/12/2011	72,882
Between 01/01/2012 and 31/12/2012	163
After 01/01/2013	1,875
Total	162,993





#### Higher value

*CORTICEIRA AMORIM's annual production of natural wine stoppers alone retains over 25 thousand tons of CO<sub>2</sub>.*

As of that date, around 98% of total interest bearing debt was euro based. The remaining was mostly USD and CLP based.

Non-current and current interest bearing debt carries floating interest rates. Average cost, during 2007, for all the credit utilized was 5% (2006: 3.9%).

At the same date, three subsidiaries had a 3.9 million euros loan mortgage guarantee.

Non-utilized loan facilities amounted to 123 million euros as of December 31, 2007.

## XVII. Other loans and creditors

	Thousand euros	
	2007	2006
Non Interest Bearing Grants	1,390	2,445
Other	5,131	727
Other Loans and Creditors – Non Current	6,521	3,172
Non Interest Bearing Grants	2,517	2,279
Deferred Costs	16,985	16,153
Deferred Gains – Grants	9,284	10,541
Hedge Accounting – Deferred Liabilities	141	14
Other	7,417	7,533
Other Loans and Creditors – Current	36,344	36,520

In Deferred Costs the part related with salaries (vacations and vacations paid) at year-end amounted to K€8,426 (end 2006: K€8,393).

In Other Creditors – Non-Current, K€4,802 refers to the fair value of the debt deriving from the Oller Group acquisition. The remaining K€329 refers to loan made by a minority Stakeholder of a CORTICEIRA AMORIM subsidiary.

In Other Creditors – Current, K€3,684 refers to the fair value of the debt deriving from the Oller Group acquisition. As for 2006, 1.8 million euros relates with the acquisition of a building and 1.5 millions euros relates with the acquisition of 50% of Trescases.

Thousand euros

Non-reimbursable subsidies	
Opening Balance	10,540
Transfer to gains	-2,879
Additions	170
Reclassifications/Transfers	1,453
Closing Balance	9,284

Thousand euros

Reimbursable subsidies	
Opening Balance	4,724
Payments	-2,603
Additions	614
Fair Value Correction (zero interest rate)	128
Reclassifications/Transfers	233
New companies effect	811
Closing Balance	3,907

## XVIII. Third party supplies and services

Thousand euros

	2007	2006
Communications	1,742	1,824
Insurance	4,087	4,039
Subcontractors	1,106	990
Power	7,408	7,184
Tools	1,629	1,504
Oil and Gas	1,111	1,086
Rentals	4,441	4,828
Transports	15,569	16,069
Travel	3,904	3,433
Commissions	4,366	4,102
Special Services	7,847	7,637
Advertising	5,965	5,812
Maintenance	5,367	5,297
Others	11,097	9,978
Third Party Supplies and Services	75,637	73,783

## XIX. Staff costs

Thousand euros

	2007	2006
Boards Remuneration	1,087	867
Employees Remuneration	66,261	67,592
Social Security and other	15,650	16,172
Severance Costs	2,696	4,779
Other	2,113	2,217
Staff Costs	87,806	91,627
Average Number of Employees	3,795	3,918
End Number of Employees	3,758	3,847

Boards Remuneration for 2007, includes Fiscal Board. Amounts stated in this chart derives from the companies books, and so refers to amounts expensed during the period.

## XX. Other Operating Gains and Losses

Thousand euros

	2007	2006
Indirect Taxes	-1,516	-1,527
Provisions	-121	-702
Net Exchange Differences	-1,569	807
Gains (Losses) in Disposal of Assets	2,907	-605
Subsidies Operating	427	138
Subsidies Equipment	2,879	1,924
Other	-375	4,520
Other Operating Gains (+) and Losses (-)	2,633	4,555

Gains (Losses) in disposal of assets (2,907) includes K€2,481 related with the Badwill associated with the Oller Group acquisition, as detailed in Note XXII. The amount of 2,879 is due to 2007 register of prior years depreciations associated with an equipment subsidy.

In Other (2006) a value of 3,574 refers to the difference between the fair value and the book value of a building belonging to Equipar Indústria de Cortiça, as referred in point VIII. In Gains (Losses) in disposal of assets (2006) is included a loss of 3,004 related with

the write-off of the Goodwill of to ex-subsiidiaries, as referred in said point VIII. In the same line, also to be noted 2.4 million euros from Fixed Asset Sales, most of it coming from the sale of a building of the ex-subsiidiary Amorim Plus.

## XXI. Net Interest

Thousand euros

	2007	2006
Interest Costs – Bank Loans	7,744	6,355
Interest Costs – Commercial Paper	3,007	2,201
Interest Costs – Delayed Payments	32	1
Stamp Tax – Interest	180	155
Stamp Tax – Capital	102	70
Interest Costs – Other	470	498
	11,535	9,280
Interest Gains – Bank Deposits	-58	-68
Interest Gains – Delayed Payments	-29	-11
Interest Gains – Other	-159	-162
	-246	-241
Net Interest	11,289	9,039

## XXII. Financial Stakes Acquisitions

As announced, during the fourth quarter, CORTICEIRA AMORIM acquired Oller Group, one of the most prestigious and old brands in Champagne cork stoppers. The 87% acquisition was made through Amorim & Irmãos, S.G.P.S., S.A., which bought directly two operating companies (Francisco Oller, S.A. with headquarters in Girona, Spain and S.A. Oller et Cie, with headquarters in Reims, France) and indirectly two other companies which the only asset was a financial stake in the two said operating companies (Chapuis, S.A. and Olimpiadas Barcelona 92, S.A., both with headquarters in Girona).

Acquisition totalled K€13,050, of which 3,915 was paid at the moment. The remaining will be paid as of October 2008 (K€3,915), October 2009 (K€2,610) and October 2010 (K€2,610).

Thousand euros

87% Francisco Oller Acquisition Fair Value (FV)		8,623
Francisco Oller Equity	10,225	
Intangibles/Financials FV adjustments	- 200	
Land and Buildings FV adjustments	6,660	
Adjustments Deferred Tax	- 1,447	
Adjusted Equity	15,238	
Adjusted Equity portion acquired		13,257
<b>Badwill</b>		<b>4,634</b>
87% S.A. Oller acquisition fair value (FV)		3,696
S.A. Oller Equity	1,773	
Adjusted Equity portion acquired		1,543
<b>Goodwill</b>		<b>2,153</b>
<b>Badwill associated with the acquisition of Oller Group</b>		<b>2,481</b>

Badwill was registered as of Other Operating Gains.

As referred the entry of Oller Group in the consolidation perimeter was made as of December 31, 2007. This way its impact was registered only at Consolidated Balance sheet level.

The summary of its impact was as follows:

Thousand euros

Fixed assets	11,861
Inventories	6,482
Customers	8,133
Other Assets	683
<b>Total Assets</b>	<b>27,159</b>
Interest Bearing Debt – Non-Current	498
Deferred Tax Liability	1,447
Interest Bearing Debt Current	4,411
Suppliers	1,966
Other Liabilities	1,626
<b>Total Liabilities</b>	<b>9,948</b>

## XXIII. Related-party transactions

CORTICEIRA AMORIM consolidates indirectly in AMORIM – INVESTIMENTOS E PARTICIPAÇÕES, S.G.P.S., S.A., (AIP) with head-office at Mozelos (Santa Maria da Feira, Portugal), Amorim Group holding company.

As of December 31, 2007, indirect stake of AIP in CORTICEIRA AMORIM was 69.126% of the voting rights.

CORTICEIRA AMORIM related party transactions are, in general, due to the rendering of services through some of AIP subsidiaries (Amorim Serviços e Gestão, S.A., Amorim Viagens e Turismo, Lda., OSI – Sistemas Informáticos e Electrotécnicos, Lda.). Total sales of these subsidiaries to the remaining CORTICEIRA AMORIM companies totalled K€4,236 (2006: K€1,726). The increase was due to changes in hardware e software rentals, which were concentrated in OSI – Sistemas Informáticos e Electrotécnicos, Lda., in opposition to prior years direct relations with external suppliers.

Balances at year-end 2007 and 2006 are those resulting from the usual payment terms (from 30 to 60 days) and so are considered to be immaterial.

Services rendered from related-parties are based on the “cost plus” basis ranging from 2% to 5%.

During 2007 no transactions were made and no balances booked with related parties Amorim Capital, S.G.P.S., S.A., Vertente Financeira, S.G.P.S., S.A., Amorim Investimentos e Participações, S.G.P.S., S.A. and Interfamília II, S.G.P.S., S.A.

Total CORTICEIRA AMORIM key staff short-term remuneration reached K€2,364 during 2007 (2006: K€1,960). No payments were made related with post-employment benefits, other long-term benefits, termination benefits and equity compensation benefits.



## XXIV. Guarantees, contingencies and commitments

During its operating activities CORTICEIRA AMORIM issued in favour of third-parties guarantees amounting to K€196,767 (2006: K€215,100).

Thousand euros

Beneficiary	Amount	Purpose
Government agencies	8,882	Capex grants/subsidies
Value added tax agency	1,398	VAT refund
Tax authority	5,054	Tax lawsuits
Banks	171,542	Loans guarantees
Other	9,891	Miscellaneous guarantees
Total	196,767	

The total amount of K€3,187 recorded as “provisions” is considered to be adequate to face any tax lawsuit effect.

As of December 31, 2007, future expenditure resulting from long-term motor vehicle rentals totals K€1,530 and for computer hardware and software totals K€120.

Commitments related with fixed assets suppliers are no recorded and amount to K€5,798.

## XXV. Exchange rate contracts

As of December 31, 2007, a total of K€7,607 of forward contracts concerning currencies used in CORTICEIRA AMORIM transactions were in place. From that total, the USD represents 62% and ZAR 26%.

At the same date, there were USD option contracts, with a total nominal amount of K€14,826.

## XXVI. Auditor’s fees

PricewaterhouseCoopers auditor's remuneration for the group of subsidiaries and for CORTICEIRA AMORIM was K€424 (2006: K€381).

## XXVII. Activity during the year

CORTICEIRA AMORIM sales are composed by a wide range of products that are sold through all the five continents, over 100 countries. Due to this notorious variety of products and markets, it is not considered that this activity is concentrated in any special period of the year. Traditionally first half, specially the second quarter, has been the best in sales; third and fourth quarter switch as the weakest one.

## XXVIII. Other information

### a) Gross Margin (percentage)

Gross Margin (percentage) as shown in the Earnings Statement by Nature of Expenses calculation used as denominator the value of Production (Sales + Change in manufactured inventories).

### b) Information on Associated companies

Most relevant Associated company is Société Nouvelle des Bouchons Trescases. The following chart summarizes its key indicators:

	Thousand euros	
	2007	2006
Current Assets	11,188	11,880
Current Liabilities	7,199	8,131
Non-Current Assets	1,449	1,279
Equity	5,438	5,028
Sales	27,067	27,484
Operating Profits	998	1,143
Profits before Tax	719	883
Income Tax	261	313
Profit	458	570

c) Net profit per share calculation used the average number of issued shares deducted by the number of average owned shares. The non-existence of potential voting rights justifies the same net profit per share for basic and diluted.

	2007	2006
No. shares issued	133,000,000	133,000,000
Average no. of own shares	2,558,096	2,542,107
Average no. of outstanding shares	130,441,904	130,457,893
Net Profit (thousand euros)	23,245	20,104
Net profit per share (euros)	0,1782	0,1541



d) IFRS standards for future application

IAS 1, IAS 23, IAS 27 and IFRS 3, new issues, mandatory as of 2009, would have no material effect if applied during 2007.

e) Financial assets and liabilities

Financial assets are mainly registered in the Loans and Other Receivables caption. As for financial liabilities they are included in the amortized liabilities caption.



Detail is as follows:

	2007	2006
Customers	114,132	104,761
Recoverable Taxes	20,981	21,311
Cash and cash equivalents	6,393	3,997
Others	10,274	10,226
Total financial assets	151,780	140,295
Interest Bearing Debt	238,174	229,328
Other Loans and Creditors	16,455	12,984
Suppliers	49,155	43,965
Others	10,402	9,449
Total financial liabilities	314,186	295,726

Customers balances are denominated in USD (5%), CLP (6.5%), ARS (2.9%), ZAR (1.1%), AUD (2.7%), being the remaining almost totally euro based. Exchange differences are due, mainly, to non euro based Customers balances.

Mozelos, February 25, 2008

The Board of CORTICEIRA AMORIM, S.G.P.S., S.A.

“Natural cork stopper:  
It’s a product that has elevated  
Portugal into becoming  
 a worldwide leader  
in this sector and therefore  
must be promoted  
by all Portuguese.” 

*José Mourinho*  
The Publican (2006)



SECTION VI  
Legal Opinion





*CORTICEIRA AMORIM, S.G.P.S., S.A.*

**REPORT AND OPINION OF THE SUPERVISORY BOARD**

To the Shareholders,

In accordance with the law and the mandate conferred on us, we herewith submit for your appreciation the report of our supervisory activities and our opinion on the Management Report and the corresponding financial statements presented by the Board of Directors of CORTICEIRA AMORIM, S.G.P.S., S.A. relating to the financial year that ended on December 31, 2007.

During the course of the year, following the election that took place on May 28, 2007, we have followed the evolution of the Company's activities as and when we deemed necessary. We have verified the timeliness and adequacy of the accounting records and we are not aware of any violation of the law or the Company by-laws. We have also considered the Statutory Auditor's Report presented by Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. These verifications were made in relation to both the individual and the consolidated accounts of CORTICEIRA AMORIM, S.G.P.S., S.A., both of which were prepared in accordance with the legislation.

Within the scope of our mandate, we have verified that:

- a) the Balance Sheet, the Statements of Income and other accounting reports and the respective explanatory notes for both the individual and the consolidated accounts were prepared in accordance with the legal requirements;
- b) the adequacy of the accounting principles and valuation methods used, which are duly described in the explanatory notes;
- c) the report of the Board of Directors is sufficiently clear as to the evolution of the business and the position of the Company and highlights the most significant aspects;
- d) the proposed appropriation of profit is properly justified.

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*Reinforced position  
as the closure of choice  
and the benchmark  
for quality, performance  
and image.*

“The Balance Sheet, the Statements of Income and other accounting reports and the respective explanatory notes for both the individual and the consolidated accounts were prepared in accordance with the legal requirements.”

Based on the information supplied by the Board of Directors and the Company's employees and taking into account the conclusions of the Statutory Auditor' Report, we are of the opinion that:

- i) the Company's Management Report should be approved;
- ii) the individual and the consolidated financial statements should be approved;
- iii) the proposed appropriation of profit should be approved.

Santa Maria de Lamas, March 10, 2007.

**THE AUDIT BOARD**

Durval Ferreira Marques

Joaquim Alberto Hierro Lopes

Gustavo José de Noronha da Costa Fernandes

*CORTICEIRA AMORIM, S.G.P.S., S.A.*

**STATEMENT OF RESPONSIBILITY  
RELATING TO THE  
REPORT AND STATEMENT OF THE SUPERVISORY BOARD**

In accordance with line c) of number 1 of article 245 of the Portuguese Securities Code, the members of the Audit Board state that, to the best of their knowledge, the annual accounts and other documents included in the statement of accounts were drawn up in accordance with the applicable accounting standards, giving a true and fair view, in all material respects, of the assets and liabilities, the financial situation and the profits both of CORTICEIRA AMORIM, SGPS, S.A. and of the companies within its consolidation perimeter.

They also state that the management report faithfully expresses the business evolution, performance and position both of CORTICEIRA AMORIM, SGPS, S.A. and of the companies within its consolidation perimeter and that the report includes a special chapter describing the main risks and uncertainties of the Company's businesses.

Santa Maria de Lamas, March 27, 2007.

**THE SUPERVISORY BOARD**

Durval Ferreira Marques - Chairman

Joaquim Alberto Hierro Lopes - Member

Gustavo José de Noronha da Costa Fernandes - Member

“The management report faithfully expresses the business evolution, performance and position both of CORTICEIRA AMORIM, S.G.P.S., S.A. and of the companies within its consolidation perimeter. ”

**Report of Statutory Auditors and Audit Report on  
Consolidated Financial Statements**

**(Free Translation from the original in Portuguese)**

**Introduction**

1 In accordance with the Portuguese Securities Market legislation ("Código dos Valores Mobiliários") we present the statutory report and the audit report on the consolidated financial statements of **Corticeira Amorim, SGPS, SA**, comprising the consolidated balance sheet as at 31 December 2007, (which shows total assets of Euros 596,014 thousand and total shareholder's equity of Euros 245,390 thousand, which includes Minority Interests of Euros 9,573 thousand and a net profit of Euros 23,245 thousand), the consolidated statements of income by nature and by functions, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the corresponding notes to the accounts.

**Responsibilities**

2 It is the responsibility of the Company's Management: (i) to prepare consolidated financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated changes in equity, the consolidated results of their operations and their consolidated cash flows; (ii) to prepare consolidated financial statements applying the International Financial Reporting Standards (IFRS) as adopted in the UE and the principles requested by the Portuguese Security Market legislation; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain adequate systems of internal accounting controls; and (v) to disclose any relevant fact that has influenced the activity of the company and its subsidiaries, its financial position or results.

3 Our responsibility is to verify the consolidated financial information presented on these documents, in particular if it is complete, true, actual, comprehensible, objective and lawful, in accordance with Portuguese Security Market legislation with the objective of expressing an independent and professional opinion on this information based on our audit.



Corticeira Amorim, SGPS, SA

#### Scope

4 We conducted our examination in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiary's financial statements have been examined and for the cases where such an examination was not carried out, verification, on a test basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgments and criteria of Management, used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and of the use of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) evaluating the overall presentation of the consolidated financial statements; and (vi) verification of the completeness, truth, actuality, comprehensiveness, objectivity and lawfulness of the information presented, in accordance with the Portuguese Securities Market legislation.

5 Our audit also included the verification of the consistency of the consolidated Management Report with the information contained in the financial statements

6 We believe that our examination provides a reasonable basis for our opinion.

#### Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of **Corticeira Amorim, SGPS, SA** as at 31 December 2007, the consolidated changes in equity, the consolidated results of their operations and their consolidated cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS) as adopted in the UE and the information there included is complete, true, actual, comprehensible, objective and lawful.

Porto, 10 March 2008

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.  
represented by:

José Pereira Alves, R.O.C.

(2)

“In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of CORTICEIRA AMORIM, S.G.P.S., S.A. as at 31 December 2007.”

## Technical Data

### Title

Annual Report and Accounts 2007 – CORTICEIRA AMORIM, S.G.P.S., S.A.

### Coordination

CORTICEIRA AMORIM, S.G.P.S., S.A.

### Ownership

CORTICEIRA AMORIM, S.G.P.S., S.A.

Public Company

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