

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

## **CONSOLIDATED ACCOUNTS**

**First half 2014 (1H14)**

**(Limited review)**

**Second quarter 2014 (2Q14)**

CORTICEIRA AMORIM; S.G.P.S., S.A.  
Sociedade Aberta

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Dear Shareholders,

In accordance with the law, the Directors of CORTICEIRA AMORIM, SGPS, SA, a Public Company, present their:

## CONSOLIDATED MANAGEMENT REPORT

### 1. SUMMARY OF THE ACTIVITY

During the second quarter of 2014 (2Q14) economic confidence was maintained, even if it was at a low level. Emergent economies registered a better performance than the much more modest register of Europe, and better than the moderate register of the United States.

For some quarters in a row, CORTICEIRA AMORIM profited from this positive trend. Higher sales were based in the Cork Stoppers Business Unit (BU). Wine markets showed a continuous growth in the last few years, mainly driven by the US market. To be noted that other segments than wine continued to perform in a very dynamic way. Sparkling wines, namely, and even spirits have also contributed to this BU's performance.

As for the remaining BU's, sales to final customers have been more modest. The goal has been to focus on improving operations. This has been the alternative way to increase their contribution to the consolidated result of CORTICEIRA AMORIM.

As it happened in the first quarter, CORTICEIRA AMORIM activity and results were hit by the weakness of its main export currencies:

|                    | Average<br>exchange rate<br>1H14 | Average<br>exchange rate<br>1H13 |       |
|--------------------|----------------------------------|----------------------------------|-------|
| USD                | 1.3705                           | 1.3134                           | -4.1% |
| CLP (Chile)        | 756                              | 628                              | -17%  |
| ZAR (South Africa) | 14.68                            | 12.12                            | -17%  |
| AUD (Australia)    | 1.5                              | 1.3                              | -13%  |

2

The impact of the said devaluations reached -5.2 M€ in sales (1Q14: -2.5 M€), corresponding to a 1.9% negative impact in total sales.

Sales rose to 289 M€, up 2.6% on the 281.7 M€ reported for the first half of 2013. With the exception of the Floor & Wall Coverings BU, all Business Units enjoyed an increase in their product sales. And even this BU has not reached a positive register due to a credit risk limitation policy.

As stated in the next point, it has to be noted that a 2.7 M€ cost has been booked related with the production transfer of Corroios to Mozelos. This expense was considered to be a non-recurrent cost.

This increase in sales, a steady gross margin percentage and the curbing of operating costs paved the conditions for a growth of 9.1% in EBITDA, which rose to 43.6 M€ (1H13: 40.0 M€). As referred, in this EBITDA value is not included the Corroios effect.

Net profit for the first half reached 18.419 M€, an 11.3% increase from 2013 first half figures. Second quarter registered a 12.437 M€ profit, a positive comparison to the same quarter of 2013 (11.251 M€).

As of April, 23, a 12 cents per share dividend distribution, totalling 15.072 M€, was registered.

Amorim Cork Ventures, Lda was set-up as of last June. This company scope is to be an incubator for innovative cork business.

## 2. INDUSTRIAL REORGANIZATION

Very important decisions regarding CORTICEIRA AMORIM industrial reorganization were accomplished or decided during first half of 2014.

Drauvil, Spanish operating site belonging to the Composite cork BU, was shut down at the end of the first quarter. Grinding capacity was moved to Cork Stoppers Equipar Coruche industrial site.

During second half Corroios production facilities will be transferred to Mozelos industrial site. These sites belong to Composite cork BU.

The reduction in the number of industrial sites, with the integration in major facilities, will enable an important increase in operating performance, allowing for a quick recovery of the costs associated with these transfers. High levels of competitiveness are key to the survival of the business associated with the activity of those units.

## 3. BUSINESS UNITS (BU)

### RAW-MATERIALS BU

Augusta Cork became part of the BU during the first half. This subsidiary, that was part of the Cork Stoppers BU up to the end of 2013, has its production facilities for preparation of cork and disk production at San Vicente de Alcântara (Spain).

The report of this BU includes the effect of this integration.

Throughout the second quarter, this BU maintained the same fast pace of activity as in the first three months of the year. Sales reached 69.3 M€ (+22%). However, sales of raw cork (untreated) to other BU's accounted for 3.2 M€ (1H13: 1.2 M€) of these sales. If this effect, and the effect of the entry of Augusta Cork, Cork, is not accounted for, sales reached, all the same, an 11% increase.

Sales increase to other BU's was the result of a reduction in the level of stocks of this BU, together with the some increase in the downstream BU's.

Percentual gross margin suffered from the said increase of low margin raw cork sales. If it was not for this, it should be close to same period 2013.

Increase in worked products sales was not enough to compensate the entry of Augusta Cork. This entry hit the EBITDA of the BU, which grew a mere 1.8%, reaching 9.8 M€.

At the date of this report, cork campaign is still going on. Up to now, the campaign has occurred as it was expected. Objectives established for the BU has been almost totally reached.

### CORK STOPPERS BU

Cork Stoppers BU enjoyed increased sales in the second quarter (2Q), maintaining the rhythm of the first three months of the year. An increase of almost 9 M€ in BU sales (+5%) saw sales figures soar to 183.2 M€. Also as in the 1Q, sales were negatively affected by the continued devaluation of its main export currencies, namely the USD and Chilean peso (CLP). The effect is estimated to be around 4.2 M€.

A better sales mix allowed for a higher overall average price, practically offsetting the exchange rate effect. Thus, the rise in sales is explained basically by the volume effect (+68 million cork stoppers).

In spite of a certain downturn in Acquamark® stoppers, all product families registered a noteworthy growth. Neutrocork®, Twintop®, Champagne, Capsulated and Natural cork stoppers all logged increases of 2% to 20% in sales.

Twintop® and capsulated performed particularly well. The former, due to the reversal of its sales decline of the last quarters, proving to be a high quality and competitive solution. The latter, due to the entry in new markets and segments. Finally, there is to be noted the beginning of the commercialization during the second quarter of the new Helix cork stopper. Launched during the 2013 Vinexpo, and after a trial of several months with important wine companies, the new cork stopper initiated its commercialization phase during the second quarter. Its launch in the Portuguese market was achieved during the month of July.

By markets, the note goes to the two main European markets, and, once more, to the US market. Chile is also to be noted. The US highlight is justified not only by its growth (it has been for quite a few years its second market by importance), but also by the fact that it is a market that absorbs practically all types of cork stoppers.

Percentual gross margin is consistent with the register of the last periods. As for that, its increase in absolute terms (3.5 M€) is due to its sales increase.

With operating costs relatively flat, EBITDA reached 24.7 M€, a high increase from 1H13 (+15%).

All production sites went through many cost cutting measures, improving continuously its production process. Kaizen procedures were applied in all production sites, as well as in non-operating areas.

Growth in staff costs was due not only to the costs related to the reduction of employees, but, mainly, to the increase in the cork stoppers production. Due to the changes in the stoppers market availability, consequence of a higher degree of quality requirements, it was necessary to increase production. This led to high staff costs. This increase was compensated by a lower acquisition cost of cork stoppers and by the said operating costs efficiency measures.

Trefinos integration starts to bring important impacts, bringing that subsidiary close to historical profitability ratios inside this BU.

#### **FLOOR & WALL COVERINGS BU**

Second quarter was hit by a drop in the cork product sales. This was, in a big extension, the result of a restrict credit policy imposed in some markets. It is expected that during the second half this limitation is overcome, bringing growth to its potential market capabilities.

Sales totalled 62.3 M€, a 2.5% drop from comparable 2013 semester. Cork product sales decreased by 5%, while wood product sales, after several continuous drops, increased some 9%.

Main markets showed declining sales, partially offset by positive registers in China and North Europe. New product sales also showed favourable trends.

As all the other BU's, this has also applied for reorganization measures, targeting higher operating efficiencies. A better EBITDA, reaching 7.7 M€ (+2%), was the result of the said measures, which more than compensated the activity reduction.

#### **COMPOSITES CORK BU**

Drauvil production site was shutdown during the period. Grinding industrial reorganization led to concentrate production. This was done through the transfer of production lines from San Vicente de Alcântara (Spain) to Coruche Equipar production site. This site is now included in the Cork Stoppers BU.

Drauvil activity until March is not included in this Composite cork report.

Sales amounted to 42.4 M€, a substantial drop from 1H13 (47.5 M€). This drop is due to the exclusion of Drauvil activity, and also to the fact that in 1H14 goods sales are substantially lower than in 1H13 (-5.9 M€).

As for market sales, finished products rose to 40.7 M€, meaning a 2.3% increase. Once again, this BU was hit by a weaker USD. The estimation of this devaluation in total sales is 0.7 M€.

Industry segment keeps its high performance (+9%), due to higher sales in products like vibration control, friction and footwear. This was partially offset by a drop in two other major segments (Construction and Sealing).

All minor segments registered a positive trend, namely Flooring, and mostly Amorim Sports Floors. Transportation was another segment to be noted, driven by growth brought by partnerships at the train transportation segment (Siemens and others).

EBITDA showed a positive variance, reaching 4.0 M€. This compares favourably with 2.7 M€ recorded in 1H13. Exchange rate hit results by some 0.7 M€.

## INSULATION CORK BU

During the last few quarters, Insulation Cork BU has managed to keep the growth recovery of its sales. Sales totalled 5.2 M€, a 25% increase from 2013 comparable. When excluded non manufactured product sales, sales were, nevertheless, 11% higher, an increase equal to the one registered during 1Q14.

Expanded cork agglomerate, the most important BU product, kept on showing increases, both in volume and price. This was especially true in markets like Asia and Middle East. In Europe, positive note to Benelux and also to Portugal. Italy and France, European main markets, continued to show some lack of growth.

EBITDA went along with activity increase, reaching a value close to 1 million euros, more 50% than 1H13.

## 4. CONSOLIDATED PROFIT AND LOSS ACCOUNT

As mentioned in the summary of activity, sales rose by 2.6%, a slowdown compared to the 3.8% recorded in 1T14. Greatly contributing to this slowdown was the performance of the Cork & Floor Coverings Business Unit. The containment in certain markets impacted the activity of the second quarter, being the main cause for that slowdown.

At the level of the exchange rate effect on sales, the second quarter almost replied the unfavourable effect of the first (2Q: 2.7 M€ vs 1Q: 2.5 M€).

An analysis of sales by BU is included in the previous points.

Gross margin increased its absolute value in line with increased sales, reaching 146.6 M€, an increase of about 4 M€. Note that, in this indicator, the exchange effect had its unfavourable influence. The effect, in terms of results, was unfavourable in 4.1 M€ (1Q: -2 M€).

Operating costs, excluding depreciation, almost matched the same value of last year (1H14: 103.0 M€ vs 1H13: 102.9 M€).

Note the effort to contain the level of two of the most important items of these costs. Thus, supplies and services even had a reduction in absolute terms (1H14: 49,260 K€ vs 1H13: 50,218 K€). Despite the increase in production and sales, it was possible to maintain and even bring down some of its most important components. For the first time in many quarters, the value of energy costs lowered; the same for transport and rents. The measures that have been implemented seem to have effect on cost factors perceived as difficult to control.

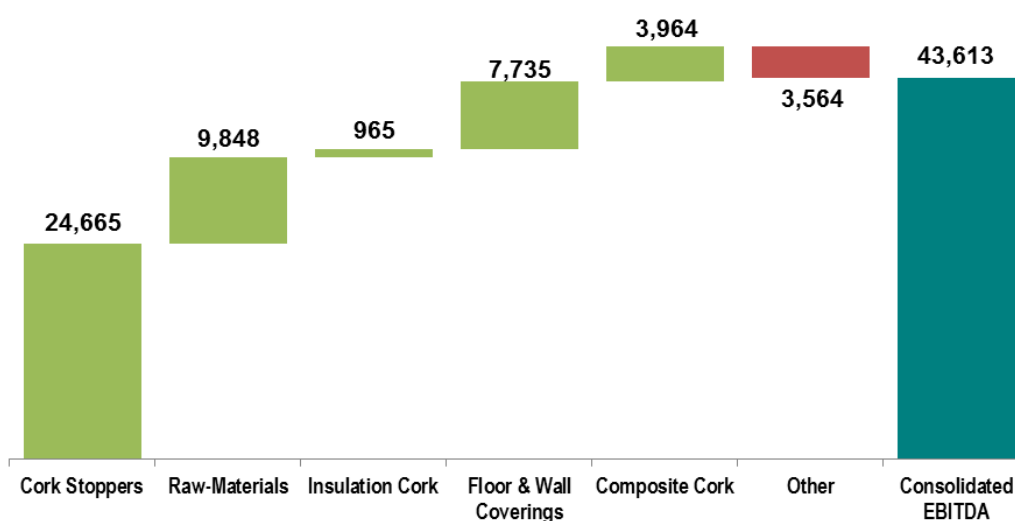
In terms of staff costs, the increase was about 600 K€ (+1.1%). As mentioned in the analysis of the Cork stoppers activity, the mix of corks showed an important growth of stoppers of own production, instead of corks bought. This led to an increase in the number of temporary workers. The increase in this caption amounted to 862 K€, which more than justifies the absolute variation of this spending (1H14: 54,235 K€ vs 1H13: 53,630 K€).

Note that the expenses related with the transfer of production from Corroios to Mozelos are not included here. In terms of personnel, it was granted to all workers to occupy the same job in Mozelos unit, the respective travel expenses being borne by the company, according to the law. Given that it is expected that the level of acceptance of the proposal is low, an estimation of the indemnities to be paid to workers was done. The value of this estimate was 1,511 K€.

As a result of the discontinuation of production, the book value of the property of Corroios will not be recovered through use. Thus, we proceeded to an independent assessment of its property. This evaluation resulted in the need to record an impairment of 1,224 K€.

These two values were considered as non-recurring expenses, therefore not affecting the EBITDA.

EBITDA reached 43.6 M€, which represents 15.1% of sales (1H13: 14.2%). Year on year growth was 9.1%. The increased sales and stabilizing operating costs justify the positive evolution of this ratio. Also the improvement seen in Trefinos contributed to this performance.



The current EBIT reached 31.1 M€, an increase of 10% compared to 1H13.

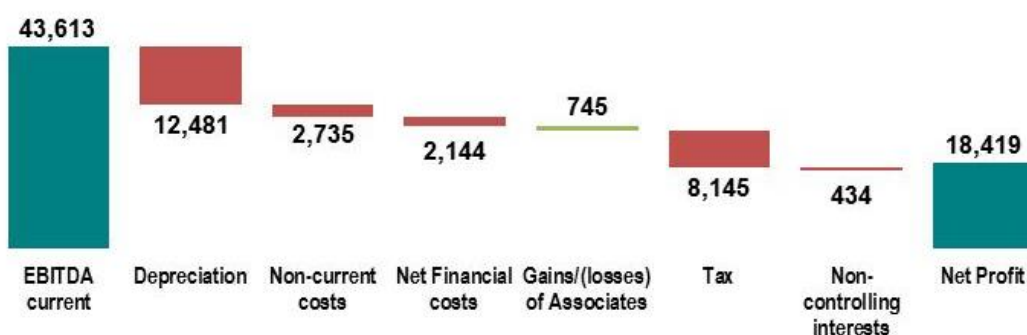
Again the financial result improved. Reaching -2.1 M€, the contribution of the financial function presents a gain against 2013 (1H13: -3.0 M€) or against the first three months of 2014 (2T14: -993 K€ vs 1T14: -1,151 K€). Note that the financial results of 1H13 included a provision of 300 K€ on stamp duty.

Lower indebtedness and the trend of lower interest rates continue to be the reasons behind this improvement.

After registration of an estimated income tax of 8.1 million euros, and non-controlling interests of 0.4 M€, the net profit attributable to shareholders of CORTICEIRA AMORIM reached 18,419 M€. This figure represents an increase of 11.3% compared to that observed in 1H13.

Net income for the second quarter was 12,436 M€, an increase of 10.5% over the second quarter of 2013.

6



## 5. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONSOLIDATED BALANCE SHEET)

The total consolidated balance sheet at the end of the semester was 643 M€, an amount greater than the value registered at the end of 2013 (627 M€) or at the end of the first half of 2013 (629 M€).

The increase was due to the value of current assets. The variation of customers (+25 M€ compared to December) is usual to occur during the first half. When compared to June 2013, the value of inventories is significantly higher (+22 M€). This record is due to the campaign by CORTICEIRA AMORIM during the second half of 2013, an unusual large campaign, still reflecting, in the closing half of 2014, the effects of the acquisition of raw material (cork).

In terms of liabilities, we must note the stability in terms of the non-current heading. In the current heading, changes are in suppliers and other borrowings and creditors. The increasing use of instruments such as confirming has allowed for an extension of maturities.

The interest bearing loans has had a very positive performance, in spite of the fact that during the last two years CORTICEIRA AMORIM has had a generous policy of dividend distribution.

The release of cash has been important and therefore the visible effect of the debt level. The net debt was 115 M€ twelve months ago, and 105 M€ at the end of 2013. At the end of the semester, the debt was 106 M€, despite the distribution of dividends (15 M€) held in late April.

Shareholders' equity amounted to 305 M€ at the end of the semester, having risen from 302 M€ at the end of 2013. Net income for the period (18 M€) and the distribution of dividends (15 M€) explain the variation.

Equity to Assets ratio at the end of June 2014 was 47.4%, a percentage equal to the one recorded exactly a year ago.

## 6. CONSOLIDATED KEY INDICATORS

|                           | 1H14     | 1H13    | Variation  | 2Q14    | 2Q13    | Variation  |
|---------------------------|----------|---------|------------|---------|---------|------------|
| Sales                     | 289,044  | 281,669 | 2.6%       | 150,448 | 148,112 | 1.6%       |
| Gross Margin – Value      | 146,618  | 142,856 | 2.6%       | 76,118  | 76,446  | -0.4%      |
|                           | 1) 50.2% | 51.4%   | -1.15 p.p. | 51.9%   | 54.1%   | -2.24 p.p. |
| Operating Costs - current | 115,486  | 114,555 | 0.81%      | 54,904  | 58,492  | -6.13%     |
| EBITDA - current          | 43,613   | 39,989  | 9.1%       | 27,077  | 23,821  | 13.7%      |
| EBITDA/Sales              | 15.1%    | 14.2%   | + 0.9 p.p. | 18.0%   | 16.1%   | + 1.9 p.p. |
| EBIT - current            | 31,132   | 28,300  | 10.0%      | 21,214  | 17,953  | 18.2%      |
| Non-current costs         | 2) 2,735 | 0       | N/A        | 2,735   | 0       | N/A        |
| Net Income                | 18,419   | 16,546  | 11.32%     | 12,436  | 11,251  | 10.54%     |
| Earnings per share        | 0.147    | 0.132   | 11.32%     | 0.099   | 0.090   | 10.54%     |
| Net Bank Debt             | 106,313  | 115,608 | - 9,295    | -       | -       | -          |
| Net Bank Debt/EBITDA (x)  | 3) 1.30  | 1.49    | -0.19 x    | -       | -       | -          |
| EBITDA/Net Interest (x)   | 4) 27.6  | 20.0    | 7.58 x     | 33.3    | 23.3    | 10.01 x    |
| Equity/Net Assets         | 47.4%    | 47.4%   | +0.1 p.p.  | -       | -       | -          |

1) Related to Production

2) Due to property investment impairment and to industrial restructuring expenses

3) Current EBITDA of the last four quarters

4) Net interest includes interest from loans deducted of interest from deposits (excludes stamp tax and commissions)

7

## 7. CRIAÇÃO DA AMORIM CORK VENTURES, LDA

In June, it was announced the creation of Amorim Cork Ventures, Lda., a business incubator with a mission to encourage entrepreneurship, enhancing research and innovation in the cork industry. The aim is thus to foster the creation / projection of new products and businesses with cork, fundamentally oriented towards external markets, providing entrepreneurs access not just financing, as well as management skills, know-how and networks contacts in different sectors and countries.

Innovation is a cornerstone of the Corticeira Amorim activity, therefore the creation of Amorim Cork Ventures is a natural step in the evolution of the company as a world leader. Corticeira Amorim is uniquely positioned to support entrepreneurs who want to join in its mission to add value to cork. It is also our conviction that this is the right way to secure the growth of cork exports and the development of the entire sector.

In this initial phase, it is estimated to invest around one million euros, including the incubation of new businesses, expected to begin in the last quarter of 2014. The operationalization of the first start-ups is expected to occur in early

2015. From 2015 onwards, Amorim Cork Ventures will expand its geographical scope of operations, supporting initiatives from other countries.

## 8. OUTLOOK FOR THE SECOND HALF OF 2014

No significant changes are expected at the macroeconomic level, although there are downward revisions made by various prestigious organizations.

CORTICEIRA AMORIM should continue to profit from the economic momentum to achieve good performance in the second half of the year.

The recent appreciation of the USD, if continued, can help match, or even exceed, the indicators obtained for the full year 2013.

## 9. BUSINESS RISKS AND UNCERTAINTIES

Being assured cork needs for next year, in the short term only a rapid deterioration of economic activity, or a significant depreciation of the USD, may adversely influence the performance of CORTICEIRA Amorim for the next six months.

## 10. TREASURY STOCK

During the first half of 2014, CORTICEIRA AMORIM did not acquire or sold treasury shares.

As of June 30, 2014, CORTICEIRA AMORIM held 7,399,362 own shares, representing 5.563% of its share capital.

## 11. QUALIFIED OWNERSHIP INTERESTS IN THE SHARE CAPITAL OF THE ISSUER

List of members holding qualified ownership interests as of 30 June 2014:

| Shareholder                               | Shares held<br>(quantity) | Participation<br>(%) | Voting rights *<br>(%) |
|---|---------------------------|----------------------|------------------------|
| Amorim Capital, S.G.P.S., S.A.            | 67,830,000                | 51.000%              | 54.004%                |
| Investmark Holdings, B.V.                 | 24,975,157                | 18.778%              | 19.885%                |
| Amorim International Participations, B.V. | 20,064,387                | 15.086%              | 15.975%                |
| <b>Total of Qualified ownership</b>       | <b>112,869,544</b>        | <b>84.864%</b>       | <b>89.864%</b>         |

(\*) Considering the suspension of the voting rights regarding 7,399,262 of treasury stock held by the company.

As at June 30, 2014, Amorim - Investimentos e Participações, SGPS, SA, held an indirect qualified ownership interest in CORTICEIRA AMORIM of 67,830,000 shares representing a 51% stake in the share capital of the Company. Such indirect qualified ownership interest is held through Amorim Capital - Sociedade Gestora de Participações Sociais, SA. Amorim - Investimentos e Participações, SGPS, SA is wholly owned by Interfamília II, SGPS, SA.

Investmark Holdings BV is wholly owned by Warranties, SGPS, SA which, in turn, is 70% owned by Mr Americo Ferreira de Amorim.

Amorim International Participations BV is wholly owned by Amorim - Sociedade Gestora de Participações Sociais, SA.

As of June 30, 2014, and as of the date of this report, CORTICEIRA AMORIM held a total of 7,399,262 treasury stock.

## 12. TRANSACTIONS BY DIRECTORS & OFFICERS

In accordance with the provisions of Sections 14.6 and 14.7 of Regulation no.5/2008 of the Portuguese Securities Market Commission and as per information provided by persons / corporate bodies covered by this standard, we hereby disclose that during first half 2014, no CORTICEIRA AMORIM shares were traded by any of its directors.



During that period no derivatives of CORTICEIRA AMORIM issued securities were traded by its directors or by any of the companies that control the company, neither by any of the persons related with them.

### 13. SHAREHOLDERS OWNING MORE THAN 10% OF THE SHARE CAPITAL

- i. Amorim Capital - Sociedade Gestora de Participações Sociais, S.A. held 67,830,000 shares, corresponding to 51% of the share capital;
- ii. Investmark Holdings, B.V. held 24,975,157 shares, corresponding to 18.778% of the share capital;
- iii. Amorim International Participations, B.V. held 20,064,387 shares, corresponding to 15.086% of the share capital.

Since June 30, 2014, to the date of this report, no changes in those stakes have been recorded.

### 14. SUBSEQUENT EVENTS

After June 30, 2014 and up to the date hereof, no other relevant events have occurred which might materially affect the financial position and future profit or loss of CORTICEIRA AMORIM and its subsidiaries included in the consolidation taken as a whole.

### 15. STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the requirements of Section 246.1(c) of the Portuguese Securities Market Act, the directors state that, to the best of their knowledge, the financial statements for the half year ended June 30, 2014 and all other accounting documents have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of CORTICEIRA AMORIM, SGPS, SA and the undertakings included in the consolidation taken as a whole. The directors further state that the Directors' Report faithfully describes the development, performance and position of CORTICEIRA AMORIM's business and the undertakings included in the consolidation taken as a whole. The Directors' Report contains a special section describing the main risks and uncertainties that could impact our business in the next six months.

9

Mozelos, 30 July 2014

The Board of Directors of CORTICEIRA AMORIM, SGPS, SA

**António Rios de Amorim**  
*Chairman*

**Nuno Filipe Vilela Barroca de Oliveira**  
*Vice-President*

**Fernando José de Araújo dos Santos Almeida**  
*Member*

**Cristina Rios de Amorim Baptista**  
*Member*

**Luísa Alexandra Ramos Amorim**  
*Member*

**Juan Ginesta Viñas**  
*Member*

# FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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|                                     | Notes | June<br>2014   | December<br>2013 | June<br>2013   |
|-------------------------------------|-------|----------------|------------------|----------------|
| <b>Assets</b>                       |       |                |                  |                |
| Property, plant and equipment       | VIII  | 177,319        | 184,661          | 177,946        |
| Investment property                 | VIII  | 7,226          | 5,249            | 5,758          |
| Goodwill                            | IX    | 5,255          | 5,255            | 5,256          |
| Investments in associates           | V e X | 9,219          | 8,129            | 8,511          |
| Intangible assets                   | VIII  | 618            | 693              | 569            |
| Other financial assets              | X     | 2,888          | 2,373            | 4,938          |
| Deferred tax assets                 | XI    | 7,359          | 6,384            | 6,931          |
| <b>Non-current assets</b>           |       | <b>209,884</b> | <b>212,744</b>   | <b>209,908</b> |
| Inventories                         | XII   | 241,148        | 244,063          | 218,966        |
| Trade receivables                   | XIII  | 147,006        | 121,069          | 149,408        |
| Income tax                          | XIV   | 8,763          | 8,026            | 2,960          |
| Other current assets                | XV    | 27,137         | 33,616           | 38,354         |
| Cash and cash equivalents           | XVI   | 9,388          | 7,788            | 9,650          |
| <b>Current assets</b>               |       | <b>433,442</b> | <b>414,562</b>   | <b>419,337</b> |
| <b>Total Assets</b>                 |       | <b>643,326</b> | <b>627,307</b>   | <b>629,244</b> |
| <b>Equity</b>                       |       |                |                  |                |
| Share capital                       | XVII  | 133,000        | 133,000          | 133,000        |
| Treasury stock                      | XVII  | -7,197         | -7,197           | -7,197         |
| Other reserves                      | XVII  | 147,977        | 132,587          | 141,382        |
| Net Income                          |       | 18,419         | 30,339           | 16,546         |
| Non-Controlling Interest            | XVIII | 12,943         | 13,009           | 14,352         |
| <b>Total Equity</b>                 |       | <b>305,142</b> | <b>301,737</b>   | <b>298,083</b> |
| <b>Liabilities</b>                  |       |                |                  |                |
| Interest-bearing loans              | XIX   | 33,878         | 33,623           | 34,559         |
| Other borrowings and creditors      | XXI   | 11,221         | 10,448           | 12,598         |
| Provisions                          | XXIX  | 24,490         | 25,085           | 21,428         |
| Deferred tax liabilities            | XI    | 7,387          | 7,282            | 6,264          |
| <b>Non-current liabilities</b>      |       | <b>76,975</b>  | <b>76,438</b>    | <b>74,848</b>  |
| Interest-bearing loans              | XIX   | 81,823         | 78,612           | 90,699         |
| Trade payables                      | XX    | 116,684        | 125,203          | 98,460         |
| Other borrowings and creditors      | XXI   | 53,111         | 42,822           | 58,507         |
| Income tax                          | XXII  | 9,591          | 2,495            | 8,648          |
| <b>Current liabilities</b>          |       | <b>261,209</b> | <b>249,132</b>   | <b>256,313</b> |
| <b>Total Liabilities and Equity</b> |       | <b>643,326</b> | <b>627,307</b>   | <b>629,244</b> |

(this statement should be read with the attached notes to the consolidated financial statements)

## CONSOLIDATED INCOME STATEMENT BY NATURE - OF FIRST HALF AND SECOND QUARTER

|               |               | thousand euro   |        |               |               |
|---------------|---------------|---|--------|---------------|---------------|
| 2Q14          | 2Q13          |   | Notes  | 1H14          | 1H13          |
| non audited   | non audited   |   |        |               |               |
| 150,448       | 148,112       | Sales   | VII    | 289,044       | 281,669       |
| 70,533        | 64,734        | Costs of goods sold and materials consumed                                |        | 145,313       | 135,227       |
| -3,797        | -6,932        | Change in manufactured inventories  |        | 2,887         | -3,586        |
| 25,074        | 26,382        | Third party supplies and services   | XXIII  | 49,260        | 50,218        |
| 25,697        | 26,947        | Staff costs   | XXIV   | 54,235        | 53,630        |
| -345          | 416           | Impairments of assets   | XXV    | 79            | 652           |
| 2,265         | 2,760         | Other gains   | XXVI   | 3,572         | 4,713         |
| 880           | 1,640         | Other costs   | XXVI   | 3,003         | 3,080         |
| <b>27,077</b> | <b>23,821</b> | <b>Current EBITDA</b>   |        | <b>43,613</b> | <b>39,989</b> |
| 5,863         | 5,867         | Depreciation  | VIII   | 12,481        | 11,688        |
| <b>21,214</b> | <b>17,953</b> | <b>Current EBIT</b>   |        | <b>31,132</b> | <b>28,300</b> |
| -2,735        | 0             | Non-current results   | XXIV   | -2,735        | 0             |
| 1,084         | 2,148         | Financial costs   | XXVII  | 2,235         | 3,842         |
| 4             | 476           | Financial income  | XXVII  | 92            | 861           |
| 527           | 597           | Share of (loss)/profit of associates                                      | X      | 745           | 489           |
| <b>17,925</b> | <b>16,878</b> | <b>Profit before tax</b>  |        | <b>26,998</b> | <b>25,808</b> |
| 5,229         | 5,459         | Income tax  | XI     | 8,145         | 9,030         |
| <b>12,696</b> | <b>11,420</b> | <b>Profit after tax</b>   |        | <b>18,853</b> | <b>16,779</b> |
| 259           | 168           | Non-controlling Interest  | XVIII  | 434           | 233           |
| <b>12,437</b> | <b>11,252</b> | <b>Net Income attributable to the equity holders of Corticeira Amorim</b> |        | <b>18,419</b> | <b>16,546</b> |
| <b>0.099</b>  | <b>0.090</b>  | <b>Earnings per share - Basic e Diluted (euros per share)</b>             | XXXIII | <b>0.147</b>  | <b>0.132</b>  |

*(this statement should be read with the attached notes to the consolidated financial statements)*



## CONSOLIDATED STATEMENT OF CASH FLOW - OF FIRST HALF AND SECOND QUARTER

|                              |                | thousand euro  |                |
|------------------------------|----------------|----------------|----------------|
| 2Q14                         | 2Q13           | 1H14           | 1H13           |
| (non audited)                | (non audited)  |                |                |
| <b>OPERATING ACTIVITIES</b>  |                |                |                |
| 156,147                      | 143,730        | 290,066        | 280,187        |
| -121,394                     | -114,687       | -248,506       | -231,621       |
| -20,177                      | -22,681        | -42,301        | -47,477        |
| 14,576                       | 6,362          | -741           | 1,089          |
| -858                         | -5,868         | -2,613         | -6,041         |
| 5,095                        | 18,142         | 27,915         | 33,320         |
| <b>18,813</b>                | <b>18,636</b>  | <b>24,561</b>  | <b>28,368</b>  |
| <b>INVESTMENT ACTIVITIES</b> |                |                |                |
| Collections due to:          |                |                |                |
| 330                          | 208            | 471            | 297            |
| 10                           | 989            | 78             | 1,119          |
| -51                          | 461            | 44             | 792            |
| -766                         | -5             | 1              | 0              |
| Payments due to:             |                |                |                |
| -6,367                       | -3,106         | -9,381         | -7,628         |
| -412                         | -948           | -911           | -964           |
| -7                           | -118           | -11            | -118           |
| <b>-7,263</b>                | <b>-2,518</b>  | <b>-9,709</b>  | <b>-6,501</b>  |
| <b>FINANCIAL ACTIVITIES</b>  |                |                |                |
| Collections due to:          |                |                |                |
| 2,724                        | 0              | 0              | 0              |
| 1,041                        | 114            | 1,204          | 515            |
| Payments due to:             |                |                |                |
| 0                            | -30,215        | -2,409         | -29,021        |
| -918                         | -1,816         | -2,225         | -3,086         |
| -15,254                      | -12,764        | -15,366        | -12,764        |
| 0                            | -1             | 0              | -29            |
| -131                         | -117           | -247           | -248           |
| <b>-12,538</b>               | <b>-44,797</b> | <b>-19,043</b> | <b>-44,631</b> |
| -988                         | -28,679        | -4,191         | -22,764        |
| 10                           | -372           | -66            | -209           |
| -9,474                       | 25,925         | -6,195         | 19,846         |
| -10,452                      | -3,127         | -10,452        | -3,127         |

*(this statement should be read with the attached notes to the consolidated financial statements)*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

thousand euro

|   | Balance<br>Beginning | Appropri-<br>ation of N-1<br>profit | Divi-<br>dends | Net<br>Profit N | Inc/<br>Dec/<br>Recl | Translation<br>Differences | End<br>Balance |
|---|----------------------|-------------------------------------|----------------|-----------------|----------------------|----------------------------|----------------|
| <b>June 30, 2014</b>                    |                      |                                     |                |                 |                      |                            |                |
| <b>Equity:</b>                          |                      |                                     |                |                 |                      |                            |                |
| Share Capital                           | 133.000              | -                                   | -              | -               | -                    | -                          | 133.000        |
| Treasury Stock - Face Value             | -7.399               | -                                   | -              | -               | -                    | -                          | -7.399         |
| Treasury Stock - Discounts and Premiums | 202                  | -                                   | -              | -               | -                    | -                          | 202            |
| Paid-in Capital                         | 38.893               | -                                   | -              | -               | -                    | -                          | 38.893         |
| Hedge Accounting                        | 10                   | -                                   | -              | -               | 18                   | -                          | 28             |
| Reserves                                |                      |                                     |                |                 |                      |                            |                |
| Legal Reserve                           | 12.243               | -                                   | -              | -               | -                    | -                          | 12.243         |
| Other Reserves                          | 82.886               | 30.339                              | -15.072        | -               | 41                   | 0                          | 98.194         |
| Translation Difference                  | -1.445               | -                                   | -              | -               | -43                  | 108                        | -1.380         |
|   | <b>258.390</b>       | <b>30.339</b>                       | <b>-15.072</b> | <b>0</b>        | <b>16</b>            | <b>108</b>                 | <b>273.781</b> |
| <b>Net Profit for the Year</b>          | 30.339               | -30.339                             | -              | 18.419          | -                    | -                          | 18.419         |
| <b>Minority interests</b>               | 13.009               | -                                   | -213           | 434             | -13                  | -274                       | 12.943         |
| <b>Total Equity</b>                     | <b>301.738</b>       | <b>0</b>                            | <b>-15.285</b> | <b>18.853</b>   | <b>3</b>             | <b>-166</b>                | <b>305.143</b> |
| <b>June 30, 2013</b>                    |                      |                                     |                |                 |                      |                            |                |
| <b>Equity:</b>                          |                      |                                     |                |                 |                      |                            |                |
| Share Capital                           | 133.000              | -                                   | -              | -               | -                    | -                          | 133.000        |
| Treasury Stock - Face Value             | -7.384               | -                                   | -              | -               | -15                  | -                          | -7.399         |
| Treasury Stock - Discounts and Premiums | 216                  | -                                   | -              | -               | -14                  | -                          | 202            |
| Paid-in Capital                         | 38.893               | -                                   | -              | -               | -                    | -                          | 38.893         |
| IFRS Transition Adjustments             | 0                    | -                                   | -              | -               | -                    | -                          | 0              |
| Hedge Accounting                        | 186                  | -                                   | -              | -               | -199                 | -                          | -13            |
| Reserves                                | 0                    |                                     |                |                 |                      |                            |                |
| Legal Reserve                           | 12.243               | -                                   | -              | -               | -                    | -                          | 12.243         |
| Other Reserves                          | 71.762               | 31.055                              | -12.560        | -               | -11                  | -                          | 90.246         |
| Translation Difference                  | 611                  | -                                   | -              | -               | -                    | -598                       | 13             |
|   | <b>249.527</b>       | <b>31.055</b>                       | <b>-12.560</b> | <b>0</b>        | <b>-239</b>          | <b>-598</b>                | <b>267.185</b> |
| <b>Net Profit for the Year</b>          | 31.055               | -31.055                             | -              | 16.546          | -                    | -                          | 16.546         |
| <b>Minority interests</b>               | 14.665               | -                                   | -205           | 233             | -9                   | -332                       | 14.352         |
| <b>Total Equity</b>                     | <b>295.246</b>       | <b>0</b>                            | <b>-12.765</b> | <b>16.779</b>   | <b>-248</b>          | <b>-930</b>                | <b>298.082</b> |

(this statement should be read with the attached notes to the consolidated financial statements)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014

|         |  |    |
|---------|--|----|
| I.      | INTRODUCTION .....   | 16 |
| II.     | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....                 | 16 |
| III.    | FINANCIAL RISK MANAGEMENT .....                                  | 23 |
| IV.     | CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS .....               | 26 |
| V.      | COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS..... | 27 |
| VI.     | EXCHANGE RATES USED IN CONSOLIDATION .....                       | 29 |
| VII.    | SEGMENT REPORT.....  | 29 |
| VIII.   | TANGIBLE, INTANGIBLE AND PROPERTY INVESTMENT ASSETS .....        | 32 |
| IX.     | GOODWILL .....   | 33 |
| X.      | EQUITY COMPANIES AND OTHER FINANCIAL ASSETS .....                | 33 |
| XI.     | INCOME TAX .....   | 34 |
| XII.    | INVENTORIES .....  | 35 |
| XIII.   | TRADE RECEIVABLES .....  | 36 |
| XIV.    | INCOME TAX .....   | 36 |
| XV.     | OTHER ASSETS.....  | 37 |
| XVI.    | CASH AND CASH EQUIVALENTS .....                                  | 37 |
| XVII.   | CAPITAL AND RESERVES .....                                       | 37 |
| XVIII.  | NON-CONTROLLING INTEREST .....                                   | 38 |
| XIX.    | INTEREST BEARING DEBT.....                                       | 39 |
| XX.     | SUPPLIERS.....   | 40 |
| XXI.    | OTHER BORROWINGS AND CREDITORS.....                              | 40 |
| XXII.   | INCOME TAX .....   | 41 |
| XXIII.  | THIRD PARTY SUPPLIES AND SERVICES .....                          | 41 |
| XXIV.   | STAFF COSTS.....   | 41 |
| XXV.    | IMPAIRMENTS OF ASSETS AND NON-CURRENT RESULTS .....              | 42 |
| XXVI.   | OTHER GAINS AND COSTS .....                                      | 42 |
| XXVII.  | FINANCIAL COSTS AND FINANCIAL INCOME.....                        | 43 |
| XXVIII. | RELATED-PARTY TRANSACTIONS .....                                 | 43 |
| XXIX.   | PROVISIONS, GUARANTEES, CONTINGENCIES AND COMMITMENTS.....       | 44 |
| XXX.    | EXCHANGE RATE CONTRACTS.....                                     | 45 |
| XXXI.   | ACTIVITY DURING THE YEAR .....                                   | 45 |
| XXXII.  | OTHER INFORMATION .....  | 45 |

## 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 million euros, and is represented by 133 million shares, which are publicly traded in the Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

Amorim Capital - Sociedade Gestora de Participações Sociais, S.A. held 67,830,000 shares of CORTICEIRA AMORIM as of June 30, 2014 corresponding to 51.00 % of its share capital (December 2013: 67,830,000 shares). Amorim Capital - Sociedade Gestora de Participações Sociais, S.A. is fully owned by Amorim family.

These financial statements were approved in the Board Meeting of July 30, 2014.

Except when mentioned, all monetary values are stated in thousand euros (Thousand euros = K euros = K€ = € 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 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 June 30, 2014, namely IAS 34.



## 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 consolidated financial position in the “Non-controlling interest” 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.

Profit or loss is allocated to the shareholders of the mother company and to the non-controlling interest in proportion of their correspondent parts of capital, even in the case that non-controlling interest become negative.

IFRS 3 is applied to all business combinations past January 1, 2010, according to Regulamento no. 495/2009, of June 3, as adopted by the European Commission. When acquiring subsidiaries the purchasing method will be followed. According to the revised IFRS, the acquisition cost will be measured by the given fair value assets, by the assumed liabilities and equity interest issued. Transactions costs will be charged as incurred and the services received. The exceptions are the costs related with debt or capital issued. These must be registered according to IAS 32 and IAS 39. Identifiable purchased assets and assumed liabilities will be initially measured at fair value. The acquirer shall recognized goodwill as of the acquisition date measured as the excess of (i) over (ii) below:

- (i) the aggregate of:
  - the consideration transferred measured in accordance with this IFRS;
  - the amount of any Non-controllable interest in the acquiree; and
  - In a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree.
- (ii) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

In the case that (ii) exceeds (i), a difference must be registered as a gain.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

### ▪ Non-controlling interest

Non-controlling Interest are recorded at fair value or in the proportion of the percentage held in the net asset of the acquire, as long as it is effectively owned by the entity. The others components of the non-controlling interest are registered at fair value, except if other criteria is mandatory.

Transactions with Non-controlling interests are treated as transactions with Group Equity holders.

In any acquisition from non-controlling interests, the difference between the consideration paid and the accounting value of the share acquired is recognised in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss.

#### ▪ 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.

#### ▪ Exchange rate effect

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.

In non-euro subsidiaries, all 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.

Exchange differences are registered in an equity account "Translation differences" which is part of the line "Other reserves".

Whenever and a non-euro subsidiary is sold or liquidated, accumulated translation differences recorded in equity is registered as a gain or a loss in the consolidated income statement by nature.

#### 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 is ready for its projected use.

Tangible fixed assets are subsequently measured at acquisition cost, deducted from cumulative depreciations and impairments.

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

|                  | <b><u>Number of years</u></b> |
|------------------|-------------------------------|
| 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 moment in which the asset is ready to use. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 significative 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.

#### d. Intangible assets

Research expenditures are recognised in the income statement as incurred.

Development expenditure is recognised as intangible asset when the technical feasibility being developed can be demonstrated and the Group has the intention and capacity to complete their development and start trading or using them and that future economic benefits will occur.

Amortisation of the intangible assets is calculated by the straight-line method, and recorded as the asset qualifies for its required purpose:

|                     | <u>Number of years</u> |
|---------------------|------------------------|
| Industrial Property | 10 to 20               |
| Software            | 3 to 6                 |

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date.

19

#### e. Investment property

Investment property includes land and buildings not used in production.

Investment property are initially registered at acquisition cost plus acquisition or production attributable costs, and when pertinent financial costs during construction or installation. Subsequently are measured at acquisition cost less cumulative depreciations and impairment.

Periods and methods of depreciation are as follows in d) note for tangible fixed asset.

Properties are derecognized when sold. When used in production are reclassified as tangible fixed asset. When land and buildings are no mores used for production, they will be reclassified from tangible fixed asset to investment property.

#### f. Goodwill

Goodwill arises from acquisition of subsidiaries and represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired at the date of acquisition. If positive, it will be included as an asset in the "goodwill" account. If negative, it will be registered as a gain for the period.

In Business combinations after January 1, 2010, Goodwill will be calculated as referred in b).

For impairment tests purposes, goodwill is allocated to the cash-generating unit or group of cash-generating units that are expected to benefit from the upcoming synergies.

Goodwill will be tested annually for impairment, or whenever an evidence of such occurs; impairment losses will be charged to the income statement and, consequently, its carrying amount adjusted.

#### g. Non-financial assets impairment

Assets with indefinite useful lives are not amortised but are annually tested for impairment purposes.

Assets under depreciation are tested for impairment purposes whenever an event or change of circumstances indicates that its value cannot be recovered. Impairment losses are recognized as the difference between its carrying amount and its recoverable amount. Recoverable corresponds to the higher of its fair value less sales expenses and its value for use. Non-financial assets, except goodwill, that generated impairment losses are valued at each reporting date regarding reversals of said losses.

#### h. Other financial assets

Relates, mainly, to financial applications corresponding to equity instruments measured at cost.

#### i. 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. Production cost includes used raw material costs, direct labour, other direct costs and other general fixed production costs (using normal capacity utilisation).

Where the net realisable value is lower than production cost, inventory impairment is registered. 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.

#### j. 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 the debtor for similar periods.

#### k. Financial assets impairment

At each reporting date, the impairment of financial assets at amortised cost is evaluated.

Financial asset impairment occurs if after initial register, unfavourable cash flows from that asset can be reasonably estimated.

Impairment losses are recognized as the difference between its carrying amounts and expected future cash flows (excluding future losses that yet have not occurred), discounted at the initial effective interest rate of the asset. The calculated amount is deducted to the carrying amount and loss recognised in the earnings statement.

#### l. 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. In the Consolidated Statement of Cash Flow, this caption includes Bank overdrafts.

#### m. Suppliers, other borrowings and creditors

Debts to suppliers and other borrowings and creditors are initially registered at fair value. Subsequently are measured at amortised cost using effective interest rate method. They are classified as current liabilities, except if CORTICEIRA AMORIM has full discretion to defer settlement for at least another 12 months from the reporting date

#### n. Interest bearing loans

This line 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 ready for use or suspended.

#### o. Income taxes – current and deferred

Income tax includes current income tax and deferred income tax. Except for companies included in groups of fiscal consolidation, current income tax is calculated separately for each subsidiary, on the basis of its net result for the period adjusted according to tax legislation. Management periodically addresses the effect of different interpretations of tax law.

Deferred taxes are calculated using the liability method, reflecting the temporary differences between the carrying amount of consolidated assets and liabilities and their correspondent value for tax purposes.

Deferred tax assets and liabilities are calculated and annually registered using actual tax rates or known tax rates to be in vigour at the time of the expected reversal of the temporary differences.

Deferred tax assets are recognized to the extent that it is probable sufficient future taxable income will be available utilisation. At the end of each year an analysis of the deferred tax assets is made. Those that are not likely to be used in the future will be derecognised.

Deferred taxes are registered as an expense or a gain of the year, except if they derive from values that are booked directly in equity. In this case, deferred tax is also registered in the same line.

#### p. Employee benefits

CORTICEIRA AMORIM Portuguese employees benefit exclusively from 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 contribution plans.

As for the defined contribution plans, contributions are recognised as employee benefit expense when they are due.

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.

#### q. 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 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.

When there is a present obligation, resulting from a past event, but it is not probable that an out flow of resources will be required, or this cannot be estimated reliably, the obligation is treated as a contingent liability. This will be disclosed in the financial statements, unless the probability of a cash outflow is remote.

#### r. 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 finished 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.

#### s. 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". Reimbursable grants with "out of market" interest rates are measured at fair value when they are initially recognised. Difference between nominal and fair value at initial recognition is treated as an income to be recognised. This will be presented in other gains during the useful life span of the said asset. Subsequently, these grants are measured at amortised cost.

#### t. 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.

#### u. 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 in the consolidated statements of financial position and subsequently re-measured at their fair value. The method of recognising is as follows:

##### ▪ Fair value hedge

Changes in the fair 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 hedges 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.

#### v. Equity

Ordinary shares are included in equity.

When CORTICEIRA AMORIM acquires own shares, acquisition value is recognised deducting from equity in the line treasury stock.

### 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.

#### 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), of which around 20% is USD denominated. The remaining sales are concentrated in South African rand, Chilean peso, British pound and Australian dollar. 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 June 30, 2014, 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 -1,380 K€ as of June 30, 2014 (2013: -1,445 K€ and 1H2013: 13 K€). In these values is included the effect of not hedging net investments in subsidiaries/associate.

## b. Interest rate risk

As of June 30, 2014 and 2013, all interest bearing debt is linked to variable interest rate. Most of the risk derives from the noncurrent-term portion of that debt. As for June 30, 2014, noncurrent-term debt was 28% of total interest bearing debt (2013: 39%). During 2010 and 2013 Corticeira Amorim, SGPS, SA signed two interest rate swaps regarding the economic hedging of the interest rate risk. In its books, these were registered as an available-for-sale derivative. As of June 30, 2013, for each 0.1% variation in euro based debt, a total effect of -116 K€ 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.

Normally no guarantees are due from customers. CORTICEIRA AMORIM does not make use of credit insurance.

Credit risk derives also from cash and cash equivalents balances and from financial derivative instruments. CORTICEIRA AMORIM previously analyses the ratings of the financial institutions so that it can minimize the failure of the counterparts.

The maximum credit risk is the one that results from the failure to receive all financial assets (June 2014: 193 million euros and December 2013: 171 million euros).

## Liquidity risk

CORTICEIRA AMORIM financial department regularly analyses future cash flows so that it can deliver enough liquidity for the group to provide operating needs, and also to comply with credit lines payments. Excess of cash is invested in interest bearing short-term deposits. This police offer the necessary flexibility to conduct its business.

Financial liabilities estimated non-discounted cash flows maturities are as follows:

|                                      | thousand euro  |               |               |                   |                |
|--------------------------------------|----------------|---------------|---------------|-------------------|----------------|
|                                      | Up to 1 year   | 1 to 2 years  | 2 to 4 years  | More than 4 years | Total          |
| Interest-bearing loans               | 78,612         | 8,095         | 20,818        | 4,709             | 112,234        |
| Other borrowings and creditors       | 35,940         | 2,938         | 6,694         | 815               | 46,388         |
| Trade payables                       | 125,203        |               |               |                   | 125,203        |
| Income tax liabilities               | 2,495          |               |               |                   | 2,495          |
| <b>Total as of December 31, 2013</b> | <b>242,250</b> | <b>11,033</b> | <b>27,512</b> | <b>5,524</b>      | <b>286,320</b> |
| Interest-bearing loans               | 81,823         | 28,677        | 739           | 4,462             | 115,701        |
| Other borrowings and creditors       | 46,731         | 3,013         | 4,582         | 3,626             | 57,952         |
| Trade payables                       | 116,684        |               |               |                   | 116,684        |
| Income tax liabilities               | 9,591          |               |               |                   | 9,591          |
| <b>Total as of June 30, 2014</b>     | <b>254,829</b> | <b>31,690</b> | <b>5,321</b>  | <b>8,088</b>      | <b>299,928</b> |

Liquidity risk hedging is achieved by the existence of non-used credit line facilities and, eventually bank deposits.



Based in estimated cash flows, 2014 liquidity reserve, composed mainly by non-used credit lines, will be as follows:

|                                | thousand euros |
|--------------------------------|----------------|
|                                | <b>2014</b>    |
| <b>Opening balance</b>         | <b>150</b>     |
| Operating cash in and cash out | 90             |
| Investments                    | -25            |
| Interest and dividends         | -24            |
| Income tax                     | -14            |
| Non-current debt payment       | -25            |
| <b>Saldo final</b>             | <b>152</b>     |

### 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:

|        | Thousands euros |           |           |
|--------|-----------------|-----------|-----------|
|        | June 2014       | Dec. 2013 | Dec. 2012 |
| Equity | 305,142         | 301,737   | 295,246   |
| Assets | 643,326         | 627,307   | 643,767   |
| Ratio  | 47.4%           | 48.1%     | 45.9%     |

### Financial assets and liabilities fair value

As of June 30, 2014 and 2013, and as of December 2013, financial instruments measured at fair value in the financial statements of CORTICEIRA AMORIM were composed solely of derivative financial instruments. Derivatives used by CORTICEIRA AMORIM have no public quotation because they are not traded in an open market (over the counter derivatives).

According to accounting standards assets and liabilities fair value measurement hierarchy is as follows:

- Level 1 – public quotation (non-adjusted) in liquid markets for comparable assets or liabilities;
- Level 2 – different inputs of public quotation observable for the asset or the liability, directly or indirectly;
- Level 3 – inputs for the assets or the liability that are not based in observable market data (non-observable inputs).

As of June 30, 2014, derivative financial instruments recognised in the consolidated statement of financial position are not material, reaching 132 thousand euros as assets (December 2013: 875 thousand euros) and 540 thousand euros as

liabilities (December 2013: 779 thousand euros)), as stated in notes XV and XXI. These were solely composed by over the counter derivative financial instruments.

As stated in notes III b) and XIX, CORTICEIRA AMORIM entered two swaps to hedge interest rate risk. These swaps are recorded as trading derivatives and are evaluated by external financial entities. For one of these swaps, a proprietary model which utilises, on top of other inputs, a proprietary index (level 3). For the other, the evaluation uses observable inputs indirectly in the market (level 2).

CORTICEIRA AMORIM uses forward outright and options to hedge exchange rate risk, as stated in note XXX. Evaluating exchange rate hedge instruments requires the utilisation of observable inputs (level 2). Fair value is calculated using a proprietary model of CORTICEIRA AMORIM, developed by Reuters, using discounted cash flows method for forwards outright. As for options, it is used the Black & Scholes model.

#### **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 1H2014, no estimates and judgements were identified as having important impact in CORTICEIRA AMORIM results if not materialized.

As for assets, goodwill amounts to 5,255 K€ (2013: 5,255 K€). This value is supported by impairment tests made at year-end 2013. The judgment used in these tests are key factors in order to decide or not if there is any impairment. Still to be noted 7,359 K€ registered in deferred tax assets (2013: 6,384 K€). These values will be recovered if the business plans of the companies that recorded those assets are materialized in the future.

## V. Companies included in the consolidated financial statements

| COMPANY  | HEAD OFFICE                        | COUNTRY         | 1H14        | 2013        |
|--|------------------------------------|-----------------|-------------|-------------|
| <b>Raw Materials</b>                                 |                                    |                 |             |             |
| <b>Amorim Natural Cork, S.A.</b>                     | <b>Vale de Cortiças - Abrantes</b> | <b>PORTUGAL</b> | <b>100%</b> | <b>100%</b> |
| Amorim Florestal, S.A.                               | Ponte de Sôr                       | PORTUGAL        | 100%        | 100%        |
| Amorim Florestal España, SL                          | San Vicente Alcántara              | SPAIN           | 100%        | 100%        |
| Amorim Florestal Mediterrâneo, SL                    | Cádiz                              | SPAIN           | 100%        | 100%        |
| Amorim Tunisie, S.A.R.L.                             | Tabarka                            | TUNISIA         | 100%        | 100%        |
| Augusta Cork, S.L.                                   | (d) San Vicente Alcántara          | SPAIN           | 100%        | -           |
| Comatral - C. de Marocaine de Transf. du Liège, S.A. | Skhirat                            | SPAIN           | 100%        | 100%        |
| Cork International, S.A.R.L.                         | Tabarka                            | TUNISIA         | 100%        | 100%        |
| SIBL - Société Industrielle Bois Liège               | Jijel                              | ALGERIA         | 51%         | 51%         |
| Société Nouvelle du Liège, S.A. (SNL)                | Tabarka                            | TUNISIA         | 100%        | 100%        |
| Société Tunisienne d'Industrie Bouchonnaire          | (b) Tabarka                        | TUNISIA         | 45%         | 45%         |
| Vatrya - Serviços de Consultadoria, Lda              | Funchal - Madeira                  | PORTUGAL        | 100%        | 100%        |
| <b>Cork Stoppers</b>                                 |                                    |                 |             |             |
| <b>Amorim &amp; Irmãos, SGPS, S.A.</b>               | <b>Santa Maria Lamas</b>           | <b>PORTUGAL</b> | <b>100%</b> | <b>100%</b> |
| Agglotap, SA   | Girona                             | SPAIN           | 91%         | 91%         |
| Amorim & Irmãos, S.A.                                | Santa Maria Lamas                  | PORTUGAL        | 100%        | 100%        |
| Amorim Argentina, S.A.                               | Tapiales - Buenos Aires            | ARGENTINA       | 100%        | 100%        |
| Amorim Australasia, Pty Ltd                          | Adelaide                           | AUSTRALIA       | 100%        | 100%        |
| Amorim Cork América, Inc.                            | California                         | U. S. AMERICA   | 100%        | 100%        |
| Amorim Cork Beijing, Ltd                             | Beijing                            | CHINA           | 100%        | 100%        |
| Amorim Cork Bulgaria EOOD                            | Plovdiv                            | BULGARIA        | 100%        | 100%        |
| Amorim Cork Deutschland GmbH & Co KG                 | Mainzer                            | GERMANY         | 100%        | 100%        |
| Amorim Cork España, S.L.                             | San Vicente Alcántara              | SPAIN           | 100%        | 100%        |
| Amorim Cork Itália, SPA                              | Conegliano                         | ITALY           | 100%        | 100%        |
| Amorim Cork South Africa (Pty) Ltd                   | Cape Town                          | SOUTH AFRICA    | 100%        | 100%        |
| Amorim France, S.A.S.                                | Champfleury                        | FRANCE          | 100%        | 100%        |
| Augusta Cork, S.L.                                   | (d) San Vicente Alcántara          | SPAIN           | -           | 91%         |
| Bouchons Prioux                                      | Epernay                            | FRANCE          | 91%         | 91%         |
| Carl Ed. Meyer Korken                                | Delmenhorst                        | GERMANY         | 100%        | 100%        |
| Chapuis, S.L.  | Girona                             | SPAIN           | 100%        | 100%        |
| Corchos de Argentina, S.A.                           | (b) Mendoza                        | ARGENTINA       | 50%         | 50%         |
| Equipar, Participações Integradas, Lda.              | Coruche                            | PORTUGAL        | 100%        | 100%        |
| FP Cork, Inc.  | California                         | U. S. AMERICA   | 100%        | 100%        |
| Francisco Oller, S.A.                                | Girona                             | SPAIN           | 92%         | 92%         |
| Hungarocork, Amorim, RT                              | Budapest                           | HUNGARY         | 100%        | 100%        |
| Indústria Corchera, S.A.                             | (c) Santiago                       | CHILE           | 50%         | 50%         |
| Korken Schiesser Ges.M.B.H.                          | Vienna                             | AUSTRIA         | 69%         | 69%         |
| Olimpiadas Barcelona 92, S.L.                        | Girona                             | SPAIN           | 100%        | 100%        |
| Portocork América, Inc.                              | California                         | U. S. AMERICA   | 100%        | 100%        |
| Portocork France                                     | Bordeaux                           | FRANCE          | 100%        | 100%        |
| Portocork Internacional, S.A.                        | Santa Maria Lamas                  | PORTUGAL        | 100%        | 100%        |
| Portocork Itália, S.A.                               | Conegliano                         | ITALY           | 100%        | 100%        |
| Sagra et Cie   | Reims                              | FRANCE          | 91%         | 91%         |
| S.A. Oller et Cie                                    | Reims                              | FRANCE          | 92%         | 92%         |
| S.C.I. Friedland                                     | Céret                              | FRANCE          | 100%        | 100%        |
| S.C.I. Prioux  | Epernay                            | FRANCE          | 91%         | 91%         |
| Société Nouvelle des Bouchons Trescases              | (b) Perpignan                      | FRANCE          | 50%         | 50%         |
| Trefinos Australia                                   | Adelaide                           | AUSTRALIA       | 91%         | 91%         |
| Trefinos Italia, SRL                                 | Treviso                            | ITALY           | 91%         | 91%         |
| Trefinos, S.L.                                       | Girona                             | SPAIN           | 91%         | 91%         |
| Victor y Amorim, Sl                                  | (c) Navarrete - La Rioja           | SPAIN           | 50%         | 50%         |
| Wine Packaging & Logistic, S.A.                      | (b) Santiago                       | CHILE           | 50%         | 50%         |

| COMPANY  | HEAD OFFICE               | COUNTRY         | 1H14        | 2013        |
|--|---------------------------|-----------------|-------------|-------------|
| <b>Floor &amp; Wall Coverings</b>                      |                           |                 |             |             |
| <b>Amorim Revestimentos, S.A.</b>                      | <b>Lourosa</b>            | <b>PORTUGAL</b> | <b>100%</b> | <b>100%</b> |
| Amorim Benelux, BV - AR                                | Tholen                    | NETHERLANDS     | 100%        | 100%        |
| Amorim Deutschland, GmbH - AR                          | (a) Delmenhorts           | GERMANY         | 100%        | 100%        |
| Amorim Flooring (Switzerland) AG                       | Zug                       | SWITZERLAND     | 100%        | 100%        |
| Amorim Flooring Austria GesmbH                         | Vienna                    | AUSTRIA         | 100%        | 100%        |
| Amorim Flooring Investments, Inc.                      | Hanover - Maryland        | U. S. AMERICA   | 100%        | 100%        |
| Amorim Flooring Nordic A/s                             | (f) Greve                 | DENMARK         | -           | 100%        |
| Amorim Flooring North America Inc                      | Hanover - Maryland        | U. S. AMERICA   | 100%        | 100%        |
| Amorim Japan Corporation                               | Tokyo                     | JAPAN           | 100%        | 100%        |
| Amorim Revestimientos, S.A.                            | Barcelona                 | SPAIN           | 100%        | 100%        |
| Cortex Korkvertriebs GmbH                              | Fürth                     | GERMANY         | 100%        | 100%        |
| Dom Korkowy, Sp. Zo. O.                                | (c) Kraków                | POLAND          | 50%         | 50%         |
| Timberman Denmark A/S                                  | Hadsun                    | DENMARK         | 51%         | 51%         |
| US Floors, Inc.  | (b) Dalton - Georgia      | U. S. AMERICA   | 25%         | 25%         |
| Zodiac Kork- und Holzprodukte GmbH                     | Fürth                     | GERMANY         | 100%        | 100%        |
| <b>Composites Cork</b>                                 |                           |                 |             |             |
| <b>Amorim Cork Composites, S.A.</b>                    | <b>Mozelos</b>            | <b>PORTUGAL</b> | <b>100%</b> | <b>100%</b> |
| Amorim (UK) Ltd.                                       | Horsham West Sussex       | UNITED KINGDOM  | 100%        | 100%        |
| Amorim Compocork, Lda                                  | Mozelos                   | PORTUGAL        | 100%        | 100%        |
| Amorim Cork Composites Inc.                            | Trevor Wisconsin          | U. S. AMERICA   | 100%        | 100%        |
| Amorim Deutschland, GmbH - ACC                         | (a) Delmenhorts           | GERMANY         | 100%        | 100%        |
| Amorim Industrial Solutions - Imobiliária, S.A.        | Corroios                  | PORTUGAL        | 100%        | 100%        |
| AmorLink   | (h) Istanbul              | TURKEY          | 25%         | -           |
| Amoseal tex Cork Co., Ltd                              | (h) Shanghai              | CHINA           | 30%         | -           |
| Chinamate (Xi'an) Natural Products Co. Ltd             | Xi'an                     | CHINA           | 100%        | 100%        |
| Chinamate Development Co. Ltd                          | Hong Kong                 | CHINA           | 100%        | 100%        |
| Corticeira Amorim - France SAS - ACC                   | Lavardac                  | FRANCE          | 100%        | 100%        |
| Drauvil Europea, SL                                    | (e) San Vicente Alcantara | SPAIN           | -           | 100%        |
| Dyn Cork - Technical Industry, Lda                     | (b) Paços de Brandão      | PORTUGAL        | 50%         | 50%         |
| Florconsult – Consultoria e Gestão, Lda                | Mozelos                   | PORTUGAL        | 100%        | 100%        |
| Postya - Serviços de Consultadoria, Lda.               | Funchal - Madeira         | PORTUGAL        | 100%        | 100%        |
| <b>Insulation Cork</b>                                 |                           |                 |             |             |
| <b>Amorim Isolamentos, S.A.</b>                        | <b>Vendas Novas</b>       | <b>PORTUGAL</b> | <b>80%</b>  | <b>80%</b>  |
| <b>Holding</b>   |                           |                 |             |             |
| <b>Corticeira Amorim, SGPS, S.A.</b>                   | <b>Mozelos</b>            | <b>PORTUGAL</b> | <b>100%</b> | <b>100%</b> |
| Ginpar, S.A. (Générale d' Investiss. et Participation) | Skhirat                   | MOROCCO         | 100%        | 100%        |
| Drauvil Europea, SL                                    | (e) San Vicente Alcantara | ESPAÑA          | 100%        | -           |
| Amorim Cork Research, Lda.                             | Mozelos                   | PORTUGAL        | 100%        | 100%        |
| Amorim Cork Services, Lda.                             | (g) Mozelos               | PORTUGAL        | 100%        | -           |
| Amorim Cork Ventures, Lda                              | (g) Mozelos               | PORTUGAL        | 100%        | -           |
| Sopac - Soc. Port. de Aglomerados de Cortiça, Lda      | Montijo                   | PORTUGAL        | 100%        | 100%        |

- (a) One single company: Amorim Deutschland, GmbH & Co. KG.
- (b) Equity method consolidation.
- (c) CORTICEIRA AMORIM controls the operations of the company – line-by-line consolidation method.
- (d) Augusta Cork: During 2014 was transferred to Raw-materials BU
- (e) Drauvil: During 2014 was left the Composite Cork BU
- (f) Liquidated during 1H14
- (g) Subsidiary set-up during 1H14
- (h) Associate set-up during 1H14

## VI. Exchange rates used in consolidation

| Exchange rates    |     | First Half End<br>2014 | First Half<br>Average<br>2014 | Year end<br>2013 | Average<br>2013 |
|-------------------|-----|------------------------|-------------------------------|------------------|-----------------|
| Argentine Peso    | ARS | 11.13147               | 10.74605                      | 7.28700          | 8.95762         |
| Australian Dollar | AUD | 1.45370                | 1.49890                       | 1.37770          | 1.54230         |
| Lev               | BGN | 1.95570                | 1.95570                       | 1.95570          | 1.95570         |
| Brazilian Real    | BRL | 3.00020                | 3.14987                       | 2.86866          | 3.25760         |
| Canadian Dollar   | CAD | 1.45890                | 1.50288                       | 1.36837          | 1.46710         |
| Swiss Franc       | CHF | 1.21560                | 1.22145                       | 1.23106          | 1.22760         |
| Chilean Peso      | CLP | 756.150                | 758.276                       | 658.181          | 722.020         |
| Yuan Renminbi     | CNY | 8.47220                | 8.44997                       | 8.16505          | 8.32080         |
| Danish Krone      | DKK | 7.45570                | 7.46265                       | 7.45792          | 7.45930         |
| Algerian Dinar    | DZD | 108.2211               | 107.2480                      | 105.217          | 107.2763        |
| Euro              | EUR | 1                      | 1                             | 1                | 1               |
| Pound Sterling    | GBP | 0.80150                | 0.82134                       | 0.84926          | 0.83370         |
| Hong Kong Dollar  | HKD | 10.6109                | 10.6321                       | 10.3032          | 10.6576         |
| Forint            | HUF | 309.300                | 306.931                       | 296.873          | 297.040         |
| Yen               | JPY | 138.440                | 140.403                       | 129.663          | 144.720         |
| Moroccan Dirham   | MAD | 11.1839                | 11.2011                       | 11.1495          | 11.2313         |
| Norwegian Krone   | NOK | 8.40350                | 8.27655                       | 7.80671          | 8.36300         |
| Zloty             | PLN | 4.15680                | 4.17550                       | 4.19749          | 4.15430         |
| Ruble             | RUB | 46.5100                | 48.0078                       | 42.3264          | 45.2260         |
| Swedish Kronor    | SEK | 9.17620                | 8.95352                       | 8.65154          | 8.85910         |
| Tunisian Dinar    | TND | 2.30170                | 2.20863                       | 2.15676          | 2.26020         |
| US Dollar         | USD | 1.36580                | 1.37035                       | 1.32812          | 1.37910         |
| Rand              | ZAR | 14.4597                | 14.6758                       | 12.8330          | 14.5660         |

## VII. Segment report

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

- Raw Materials
- Cork Stoppers
- Floor and Wall Coverings
- Composite Cork
- 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 (values in thousand EUR):

| <b>1H2014</b>                               | <b>Raw Materials</b> | <b>Cork Stoppers</b> | <b>Cork Floor Coverings</b> | <b>Composite Cork</b> | <b>Insulation Cork</b> | <b>Holding</b> | <b>Ajustm.</b> | <b>Consolidated</b> |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------|----------------|----------------|---------------------|
| Trade Sales                                 | 2,370                | 181,407              | 60,637                      | 39,778                | 4,144                  | 709            | 0              | 289,044             |
| Other BU Sales                              | 66,894               | 1,860                | 1,653                       | 2,580                 | 1,052                  | 4,404          | -78,443        | -                   |
| <b>Total Sales</b>                          | <b>69,264</b>        | <b>183,267</b>       | <b>62,289</b>               | <b>42,358</b>         | <b>5,196</b>           | <b>5,113</b>   | <b>-78,443</b> | <b>289,044</b>      |
| <b>Current EBITDA</b>                       | <b>9,848</b>         | <b>24,665</b>        | <b>7,733</b>                | <b>3,964</b>          | <b>965</b>             | <b>-1,579</b>  | <b>-1,983</b>  | <b>43,613</b>       |
| <b>Assets</b>                               | <b>134,216</b>       | <b>313,861</b>       | <b>101,149</b>              | <b>81,931</b>         | <b>13,823</b>          | <b>6,421</b>   | <b>-8,075</b>  | <b>643,326</b>      |
| <b>Liabilities</b>                          | <b>37,029</b>        | <b>109,284</b>       | <b>39,128</b>               | <b>26,934</b>         | <b>2,368</b>           | <b>20,594</b>  | <b>102,847</b> | <b>338,184</b>      |
| <b>Capex</b>                                | <b>904</b>           | <b>5,435</b>         | <b>641</b>                  | <b>885</b>            | <b>344</b>             | <b>562</b>     | <b>0</b>       | <b>8,772</b>        |
| <b>Year Depreciation</b>                    | <b>-2,121</b>        | <b>-5,813</b>        | <b>-2,545</b>               | <b>-1,595</b>         | <b>-327</b>            | <b>-80</b>     | <b>0</b>       | <b>-12,481</b>      |
| <b>Non-cash cost</b>                        | <b>-23</b>           | <b>16</b>            | <b>733</b>                  | <b>-260</b>           | <b>55</b>              | <b>0</b>       | <b>0</b>       | <b>521</b>          |
| <b>Gains/Losses in associated companies</b> | <b>2</b>             | <b>596</b>           | <b>147</b>                  | <b>0</b>              | <b>0</b>               | <b>0</b>       | <b>0</b>       | <b>745</b>          |

| <b>1H2013</b>                               | <b>Raw Materials</b> | <b>Cork Stoppers</b> | <b>Cork Floor Coverings</b> | <b>Composite Cork</b> | <b>Insulation Cork</b> | <b>Holding</b> | <b>Ajustm.</b> | <b>Consolidated</b> |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------|----------------|----------------|---------------------|
| Trade Sales                                 | 2,498                | 172,563              | 62,140                      | 40,707                | 3,753                  | 9              | 0              | 281,669             |
| Other BU Sales                              | 54,386               | 1,978                | 1,778                       | 6,773                 | 382                    | 954            | -66,251        | -                   |
| <b>Total Sales</b>                          | <b>56,884</b>        | <b>174,541</b>       | <b>63,918</b>               | <b>47,480</b>         | <b>4,135</b>           | <b>962</b>     | <b>-66,251</b> | <b>281,669</b>      |
| <b>Current EBITDA</b>                       | <b>9,675</b>         | <b>21,328</b>        | <b>7,611</b>                | <b>2,711</b>          | <b>618</b>             | <b>-1,403</b>  | <b>-551</b>    | <b>39,989</b>       |
| <b>Assets</b>                               | <b>110,404</b>       | <b>312,180</b>       | <b>109,454</b>              | <b>85,199</b>         | <b>13,374</b>          | <b>2,375</b>   | <b>-3,741</b>  | <b>629,244</b>      |
| <b>Liabilities</b>                          | <b>30,181</b>        | <b>93,400</b>        | <b>39,067</b>               | <b>21,649</b>         | <b>1,912</b>           | <b>16,934</b>  | <b>128,020</b> | <b>331,161</b>      |
| <b>Capex</b>                                | <b>884</b>           | <b>3,494</b>         | <b>721</b>                  | <b>2,465</b>          | <b>54</b>              | <b>10</b>      | <b>0</b>       | <b>7,629</b>        |
| <b>Year Depreciation</b>                    | <b>-997</b>          | <b>-6,093</b>        | <b>-2,538</b>               | <b>-1,712</b>         | <b>-325</b>            | <b>-23</b>     | <b>0</b>       | <b>-11,688</b>      |
| <b>Non-cash cost</b>                        | <b>-26</b>           | <b>-1,834</b>        | <b>-198</b>                 | <b>-1,596</b>         | <b>-98</b>             | <b>-4</b>      | <b>2,595</b>   | <b>-1,163</b>       |
| <b>Gains/Losses in associated companies</b> | <b>-8</b>            | <b>501</b>           | <b>-4</b>                   | <b>0</b>              | <b>0</b>               | <b>0</b>       | <b>0</b>       | <b>489</b>          |

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

*EBITDA = Profit before interests, depreciation, equity method, non-controlling interests and income tax.*

*Provisions and asset impairments were considered the only relevant non-cash 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.*

The decision to report EBITDA 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 95% 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, expanded 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 composites products 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 248 million euros, and are mostly composed by inventories (87 million), customers (90 million) and tangible fixed assets (47 million).

Sales by markets:

| thousand euros              |                |             |                |             |
|-----------------------------|----------------|-------------|----------------|-------------|
| Markets                     | 1H14           |             | 1H13           |             |
| European Union              | 178.307        | 61,7%       | 172.741        | 61,3%       |
| <i>From which: Portugal</i> | 11.853         | 4,1%        | 14.734         | 5,2%        |
| Other European countries    | 14.593         | 5,0%        | 17.710         | 6,3%        |
| United States               | 55.550         | 19,2%       | 52.677         | 18,7%       |
| Other American countries    | 19.426         | 6,7%        | 17.957         | 6,4%        |
| Australasia                 | 17.240         | 6,0%        | 16.759         | 5,9%        |
| Africa                      | 3.928          | 1,4%        | 3.825          | 1,4%        |
| Others                      | 0              | 0,0%        | 0              | 0,4%        |
| <b>TOTAL</b>                | <b>289.044</b> | <b>100%</b> | <b>281.669</b> | <b>100%</b> |

## VIII. Tangible, intangible and property investment assets

thousand euros

|                                       | Land and buildings | Machinery       | Other          | Total tangible assets | Intangible assets | Investment property |
|---------------------------------------|--------------------|-----------------|----------------|-----------------------|-------------------|---------------------|
| Gross Value                           | 218,624            | 320,142         | 41,459         | 580,225               | 3,822             | 15,641              |
| Depreciation and impairments          | -135,504           | -237,385        | -25,164        | -398,053              | -3,268            | -9,566              |
| <b>Opening balance (Jan 1, 2013)</b>  | <b>83,120</b>      | <b>82,757</b>   | <b>16,295</b>  | <b>182,172</b>        | <b>554</b>        | <b>6,075</b>        |
| INCREASE                              | 1,654              | 2,816           | 3,044          | 7,514                 | 115               | 0                   |
| PERIOD DEPREC. AND IMPAIRMENTS        | -2,540             | -8,003          | -779           | -11,322               | -102              | -281                |
| SALES AND OTHER DECREASES             | 54                 | -159            | -104           | -209                  | 0                 | 0                   |
| TRANSFERS AND RECLASSIFICATIONS       | 4,222              | 2,650           | -6,842         | 30                    | 2                 | 0                   |
| TRANSLATION DIFFERENCES               | -38                | -220            | 19             | -239                  | 0                 | -36                 |
| <b>Gross Value</b>                    | <b>224,302</b>     | <b>323,564</b>  | <b>37,063</b>  | <b>584,929</b>        | <b>3,941</b>      | <b>15,600</b>       |
| <b>Depreciation and impairments</b>   | <b>-137,830</b>    | <b>-243,723</b> | <b>-25,430</b> | <b>-406,983</b>       | <b>-3,372</b>     | <b>-9,842</b>       |
| <b>Closing balance (Jun 30, 2013)</b> | <b>86,472</b>      | <b>79,841</b>   | <b>11,633</b>  | <b>177,946</b>        | <b>569</b>        | <b>5,758</b>        |
| Gross Value                           | 225,357            | 326,674         | 45,828         | 597,859               | 4,136             | 15,489              |
| Depreciation and impairments          | -140,187           | -248,092        | -24,918        | -413,197              | -3,444            | -10,240             |
| <b>Opening balance (Jan 1, 2014)</b>  | <b>85,170</b>      | <b>78,582</b>   | <b>20,910</b>  | <b>184,662</b>        | <b>692</b>        | <b>5,250</b>        |
| INCREASE                              | 416                | 1,521           | 6,820          | 8,757                 | 15                | 0                   |
| PERIOD DEPREC. AND IMPAIRMENTS        | -2,363             | -8,082          | -1,680         | -12,125               | -91               | -1,486              |
| SALES AND OTHER DECREASES             | -378               | -90             | -103           | -571                  | 0                 | -2                  |
| TRANSFERS AND RECLASSIFICATIONS       | -2,049             | 526             | -3,665         | -3,268                | 2                 | 3,533               |
| TRANSLATION DIFFERENCES               | -32                | -104            | 1              | -135                  | 0                 | -68                 |
| <b>Gross Value</b>                    | <b>217,345</b>     | <b>327,929</b>  | <b>50,000</b>  | <b>595,274</b>        | <b>4,112</b>      | <b>23,220</b>       |
| <b>Depreciation and impairments</b>   | <b>-136,581</b>    | <b>-205,441</b> | <b>-27,717</b> | <b>-417,954</b>       | <b>-3,494</b>     | <b>-15,994</b>      |
| <b>Closing balance (Jun 30, 2014)</b> | <b>80,764</b>      | <b>74,273</b>   | <b>22,283</b>  | <b>177,320</b>        | <b>618</b>        | <b>7,226</b>        |

The amount of 7,226 K€, referred as Property Investment (June 2013: 5,758 K€), is due, mainly, to land and buildings that are not used in production. Increase is related with the reclassification of Corroios building. This was due to the decision to transfer its activity to Mozelos.

During the 1H14, following an evaluation made by an independent entity, it was booked a 1,224 K€ impairment in investment property regarding Corroios real estate. As it is planned the discontinuing of the operations during the second half of 2014, an impairment was registered. This was based on an evaluation report of Cushman & Wakefield report, which concluded that the market value was superior to the value in use. This impairment was registered as non-current results

Expenses related with tangible fixed assets had no impact. No interest was capitalised during 1H2014.



## IX. Goodwill

thousand euros

| 1H2013             | Opening      | Increases | Decreases  | Reclassification | Closing      |
|--------------------|--------------|-----------|------------|------------------|--------------|
| Oller et cie       | 1,360        |           | 610        |                  | 751          |
| Industria Corchera | 1,314        |           |            |                  | 1,314        |
| Amorim France      | 250          |           |            |                  | 250          |
| Amorim Cork Italia | 274          |           |            |                  | 274          |
| Korken Schiesser   | 164          |           |            |                  | 164          |
| Amorim Deutschland | 2,503        |           |            |                  | 2,503        |
| <b>Goodwill</b>    | <b>5,864</b> | <b>0</b>  | <b>610</b> | <b>0</b>         | <b>5,255</b> |

milhares de euros

| 1H2014             | Opening      | Increases | Decreases | Reclassification | Closing      |
|--------------------|--------------|-----------|-----------|------------------|--------------|
| Oller et cie       | 751          |           |           |                  | 751          |
| Industria Corchera | 1,314        |           |           |                  | 1,314        |
| Amorim France      | 250          |           |           |                  | 250          |
| Amorim Cork Italia | 274          |           |           |                  | 274          |
| Korken Schiesser   | 164          |           |           |                  | 164          |
| Amorim Deutschland | 2,503        |           |           |                  | 2,503        |
| <b>Goodwill</b>    | <b>5,255</b> | <b>0</b>  | <b>0</b>  | <b>0</b>         | <b>5,255</b> |

33

As stated in point II f), goodwill impairment test is made each year.

Exceptionally an impairment test to the goodwill associated with Oller et Cie was achieved in 1H13. This was done utilizing the value in use and led to an impairment of 610 K€.

## X. Equity Companies and Other Financial Assets

- Equity Companies:

thousand euros

|                        | 1H14         | 2013         | 1H13         |
|------------------------|--------------|--------------|--------------|
| <b>Initial Balance</b> | <b>8,129</b> | <b>8,019</b> | <b>8,019</b> |
| In / Out               | 523          | 204          | 0            |
| Results                | 745          | 693          | 489          |
| Dividends              | 0            | -250         | 0            |
| Exchange Differences   | -179         | -465         | 0            |
| Other                  | 0            | -71          | 3            |
| <b>End Balance</b>     | <b>9,219</b> | <b>8,129</b> | <b>8,511</b> |

As for 2013, "In/Out" refers to the set-up of Wine packaging & Logistic, SA. In 1H14, "In/Out" refers to the increase in capital of the said company.

Exchange Differences are due mainly to Corchos Argentina. Values regarding US Floors and STIB are less material.

- **Other Financial Assets:**

In Other Financial Assets, the most important values refers to financial applications.

## XI. 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 k), and amounts to 876 K€ (1H13: -24 K€).

On the consolidated statement of financial position this effect amounts to 7,359 K€ (1H13: 6,931 K€) as Deferred tax asset, and to 7,387 K€ (1H13: 6,264 K€) 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 |                |               |
|---|----------------|----------------|---------------|
|   | 1H14           | 2013           | 1H13          |
| Related with Inventories and third parties          | 4,362          | 3,888          | 3,868         |
| Related with Tax Losses                             | 837            | 958            | 1,339         |
| Related with Fixed Tangible Assets / Intag. / P.Inv | 1,769          | 1,206          | 1,083         |
| Others  | 391            | 332            | 641           |
| <b>Deferred Tax Assets</b>                          | <b>7,359</b>   | <b>6,384</b>   | <b>6,931</b>  |
| Related with Fixed Tangible Assets                  | 5,374          | 5,399          | 4,291         |
| Related with other taxable temporary differences    | 2,013          | 1,883          | 1,973         |
| <b>Deferred Tax Liabilities</b>                     | <b>7,387</b>   | <b>7,282</b>   | <b>6,264</b>  |
| Current Income Tax                                  | -9,020         | -16,598        | -9,006        |
| Deferred Income Tax                                 | 876            | -1,953         | -24           |
| <b>Income Tax</b>                                   | <b>-8,145</b>  | <b>-18,551</b> | <b>-9,030</b> |

34

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

| Income Tax Conciliation   | 1H14         | 1H13         |
|---|--------------|--------------|
| <b>Income Tax - Legal</b>   | <b>23.0%</b> | <b>25.0%</b> |
| Effect arising from extraordinary taxation (Portugal)             | 6.5%         | 3.6%         |
| Effect due to diferent tax rates (foreign subsidiaries) and other | 0.6%         | -0.6%        |
| Effect due to not registering deferred tax (prudence)             | 1.5%         | 1.1%         |
| Effect due to reversal of prior year tax estimates and provisions | -0.7%        | 3.7%         |
| <b>Income tax - effective (1)</b>                                 | <b>31.0%</b> | <b>32.8%</b> |

(1) Income Tax / Pre-tax Profit, Equity Gains, Non-controlling Interests and non-taxable costs

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 69, 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 are expected by the Board of CORTICEIRA AMORIM from the revisions of tax declarations that will be held by the tax authorities.

Tax losses to be carried forward are related with foreign subsidiaries. Total amounts to 34 M€, of which around 4 M€ are considered to be utilised. These losses can be fully used up to 2018 and beyond.

As the tax forms are only filled after year-end closure, values at closure of 2013 were updated by the activity of the first half.

All values are related with foreign subsidiaries. The year 2018 and further was considered for those situations that correspond to tax losses to carry forward with no limit of utilization. For the purpose of deferred tax assets, no values were registered regarding tax losses related with foreign subsidiaries included in reorganization projects that turn the use of these losses not likely.

## XII. Inventories

|  | thousand euros |                |                |
|--|----------------|----------------|----------------|
|  | 1H14           | 2013           | 1H13           |
| Goods  | 15,117         | 16,838         | 16,728         |
| Finished and semi-finished goods             | 82,085         | 79,550         | 81,566         |
| By-products                                  | 307            | 227            | 245            |
| Work in progress                             | 14,110         | 18,048         | 14,115         |
| Raw materials                                | 122,726        | 130,849        | 102,435        |
| Advances                                     | 9,211          | 803            | 7,021          |
| Goods impairments                            | -1,065         | -889           | -1,244         |
| Finished and semi-finished goods impairments | -1,060         | -1,125         | -1,687         |
| Raw materials impairments                    | -283           | -238           | -213           |
| <b>Inventories</b>                           | <b>241,148</b> | <b>244,063</b> | <b>218,966</b> |

35

Impairment increases hit costs of goods sold and materials consumed in income statement.

|                        | thousand euros |              |              |
|------------------------|----------------|--------------|--------------|
| Impairment losses      | 1H14           | 2013         | 1H13         |
| <b>Initial Balance</b> | <b>2,253</b>   | <b>3,348</b> | <b>3,348</b> |
| Increases              | 2              | 149          | 706          |
| Decreases              | 38             | 1,033        | 729          |
| Others                 | 192            | -211         | -181         |
| <b>End Balance</b>     | <b>2,409</b>   | <b>2,253</b> | <b>3,144</b> |

### XIII. Trade receivables

|                          | thousand euros |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | 1H14           | 2013           | 1H13           |
| Gross amount             | 157,437        | 131,532        | 160,995        |
| Impairments              | -10,432        | -10,463        | -11,588        |
| <b>Trade receivables</b> | <b>147,005</b> | <b>121,069</b> | <b>149,408</b> |

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.

|                        | milhares de euros |               |               |
|------------------------|-------------------|---------------|---------------|
| Impairment losses      | 1H14              | 2013          | 1H13          |
| <b>Initial Balance</b> | <b>10,463</b>     | <b>11,739</b> | <b>11,739</b> |
| Increases              | 1,401             | 1,343         | 1,192         |
| Decreases              | 1,314             | 1,869         | 1,428         |
| Others                 | -118              | -750          | 85            |
| <b>End Balance</b>     | <b>10,432</b>     | <b>10,463</b> | <b>11,588</b> |

### XIV. Income tax

|  | thousand euros |              |              |
|--|----------------|--------------|--------------|
|  | 1H14           | 2013         | 1H13         |
| Income tax - advances / minimum / excess est.  | 6,242          | 4,624        | 1,081        |
| Income tax - advances                          | 2,336          | 3,154        | 1,716        |
| Income tax - withholding                       | 185            | 249          | 162          |
| Income tax - special payment (RERD)            | 4,265          | 4,265        | 0            |
| Income tax - special payment (RERD) impairment | -4,265         | -4,265       | 0            |
| <b>Income tax</b>                              | <b>8,763</b>   | <b>8,026</b> | <b>2,960</b> |

At the end of 2013, increase in "Income tax - advances / minimum / excess est." is due, mainly, to the fact that Portuguese companies made advance payments that at year-end were higher than what it should be, considering specially the tax benefits approved by Decree Law 49/2013 (CFEI).

Increase at the end of 1H14, is due to the payment of advances made during the first half.

The amount of 4,265 K€ refers to a payment made under an exceptional regime of regularisation of debts to the tax authority and to social security (DL 151-A/2013) (RERD). CORTICEIRA AMORIM has decided to partially adhere. A total of 4,265 K€ was paid in December. This payment refers to stamp tax (1,678 K€) and income tax cases (2,587 K€). The amount related with stamp tax was provisioned. As for the income tax cases, they were already provisioned, including late payment interest. To be noted that CORTICEIRA AMORIM was not a debtor to the social security and to the tax authority. Those amounts were subject to court ruling. The cases that were chosen to adhere are old cases (1996, 1997, 1998 and 2008), but, in circumstance of unfavourable ruling by the court, the outcome could impose heavy penalties and late payment interests. RERD allowed for the payment of the capital without any payment regarding late payment interests and other costs. For this reason, a provision reversal for these income tax cases was recorded, totalling 1,019 K€). Due to the fact that adhesion to RERD does not imply a mandatory abandonment of the court

cases, CORTICEIRA AMORIM will continue to fight for what it considers to be its right, this payment was registered as a receivable asset. As these contingencies were, in a prudent approach, already provisioned, it was decided to reclassify them from provisions to impairments of an asset receivable.

#### XV. Other assets

|                                   | thousand euros |               |               |
|-----------------------------------|----------------|---------------|---------------|
|                                   | 1H14           | 2013          | 1H13          |
| Advances to suppliers / suppliers | 5,142          | 4,825         | 8,748         |
| Accrued income                    | 139            | 323           | 232           |
| Deferred costs                    | 2,019          | 1,996         | 1,729         |
| Hedge accounting assets           | 132            | 875           | 255           |
| TVA                               | 16,273         | 22,103        | 23,307        |
| Others                            | 3,433          | 3,493         | 4,082         |
| <b>Other current assets</b>       | <b>27,136</b>  | <b>33,616</b> | <b>38,353</b> |

#### XVI. Cash and cash equivalents

|   | thousand euros |               |               |
|---|----------------|---------------|---------------|
|   | 1H14           | 2013          | 1H13          |
| Cash  | 172            | 209           | 274           |
| Bank Balances   | 6,706          | 5,651         | 4,498         |
| Time Deposits   | 2,490          | 1,910         | 4,856         |
| Others  | 20             | 18            | 21            |
| <b>Cash and cash equivalents according to Balance Sheet</b>   | <b>9,388</b>   | <b>7,788</b>  | <b>9,650</b>  |
| Overdraft   | -19,839        | -13,984       | -12,777       |
| <b>Cash and cash equivalents according to Cash Flow Stat.</b> | <b>-10,451</b> | <b>-6,195</b> | <b>-3,127</b> |

#### XVII. Capital and reserves

- **Share Capital**

As of June 30, 2013, 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 euros.

- **Treasury stock**

During the first half, CORTICEIRA AMORIM did not acquire or sell its own shares.

As of June 30, 2014, CORTICEIRA AMORIM held 7,399,262 of its own shares, representing 5.563% of its share capital.

- **Legal reserve and share premium**

Legal reserve and share premium are under the legal reserve rule and can only be used for (art. 296 CSC):

- Offset losses in the financial position that cannot be offset by the use of other reserves;
- Offset losses of prior year that cannot be offset by the profit of the year nor the use of other reserves;
- Incorporation in share capital.

Legal reserve and share premium values are originated from Corticeira Amorim, SGPS, SA books.

- **Other reserves**

Value is composed from other reserves account and prior year's results of Corticeira Amorim, SGPS, SA books, as well as non-distributed cumulative results of Corticeira Amorim, SGPS, S.A. subsidiaries.

- **Dividends**

In the Shareholders' General Meeting of March 24, 2014, a dividend distribution of 0.12 euros per share was approved. The dividend was paid at April, 23.

|                                    | thousand euros |               |               |
|------------------------------------|----------------|---------------|---------------|
|                                    | 1H14           | 2013          | 2012          |
| Dividends paid:                    | 15,960         | 21,280        | 21,280        |
| Portion attributable to own shares | -888           | -1,184        | -1,118        |
| <b>Dividends paid</b>              | <b>15,072</b>  | <b>20,096</b> | <b>20,162</b> |

38

### XVIII. Non-Controlling Interest

|                        | thousand euros |               |               |
|------------------------|----------------|---------------|---------------|
|                        | 1H14           | 2013          | 1H13          |
| <b>Initial Balance</b> | <b>13,008</b>  | <b>14,665</b> | <b>14,665</b> |
| In / Out               | 0              | -1,054        | 0             |
| Results                | 434            | 620           | 233           |
| Dividends              | -213           | -310          | -204          |
| Exchange Differences   | -274           | -904          | -332          |
| Others                 | -13            | -9            | -9            |
| <b>End Balance</b>     | <b>12,943</b>  | <b>13,008</b> | <b>14,352</b> |

As for 2013, value of -1,054 corresponds to the decrease caused by the purchase of 5% of its own shares recorded by subsidiary Francisco Oller.

## XIX. Interest bearing debt

At the end of the period, interest bearing loans was as follows:

|   | thousand euros |               |               |
|---|----------------|---------------|---------------|
|   | 1H14           | 2013          | 1H13          |
| Bank loans and Overdrafts               | 66,323         | 68,413        | 70,683        |
| Reimbursable subsidies                  | 0              | 0             | 16            |
| Commercial Paper                        | 15,500         | 10,200        | 20,000        |
| <b>Interest-bearing loans - current</b> | <b>81,823</b>  | <b>78,613</b> | <b>90,699</b> |

Loans were denominated in euros, except 9% (Dec. 2013: 10%).

|   | thousand euros |               |               |
|---|----------------|---------------|---------------|
|   | 1H14           | 2013          | 1H13          |
| Bank loans                                  | 5,788          | 13,545        | 18,821        |
| Bonds                                       | 19,909         | 19,891        | 0             |
| Reimbursable subsidies                      | 682            | 188           | 238           |
| Commercial Paper                            | 7,499          | 0             | 15,500        |
| <b>Interest-bearing loans - non-current</b> | <b>33,878</b>  | <b>33,623</b> | <b>34,559</b> |

Loans were denominated in euros, except 8% (Dec. 2013: 9%).

As of June 30, 2014, maturity of non-current interest bearing debt was as follows:

|                                   | thousand euros |
|-----------------------------------|----------------|
| Between 1/07/2015 and 30/06/2016  | 8,085          |
| Between 01/07/2016 and 30/06/2017 | 20,592         |
| Between 01/07/2017 and 30/06/2018 | 739            |
| After 01/07/2018                  | 4,462          |
| <b>Total</b>                      | <b>33,878</b>  |

Non-current and current interest bearing debt carries floating interest rates. Average cost, during the first half, for all the credit utilized was 3.84% (Dec. 2013: 4.40%).

During first quarter 2010, a five year interest rate swap with a notional of 30,000 K€ was contracted. With the contract, CORTICEIRA AMORIM pays interest at a fixed rate and in exchange receives interest at a variable rate, according to a Monetary Market index, a euribor 6 month proxy.

During first quarter 2013, a three year interest rate swap with a notional of 20,000 K€ was contracted. With the contract, CORTICEIRA AMORIM pays interest at a fixed rate and in exchange receives interest at a variable rate, according to euribor 6 month rate.

At the end of 1H14, CORTICEIRA AMORIM had credit lines with contractual clauses that include covenants generally used in these type of contracts, namely: cross-default, pari-passu and in some cases negative pledge.

At the same date, CORTICEIRA AMORIM had utilized credit lines with associated financial covenants. These included, namely, ratios accomplishment that allowed for an accompaniment of the financial position of the company, most of all its capacity to pay its debt. The most common ratio was the one that relates Debt with EBITDA (net interest bearing debt/current EBITDA). Other ratios that relate EBITDA with interest costs (current EBITDA/net interest) and Equity with total assets are part of the said contracts.

As of June 30, 2014, these ratios were as follows:

|  |       |
|--|-------|
| Net interest bearing debt / current EBITDA (X) | 1.30  |
| Current EBITDA / net interest (X)              | 27.6  |
| Equity / Assets                                | 47.4% |

Ratios above fully and easily accomplished the demands of the contracts that formalized said loans. If by chance they did not accomplish the possibility of an early payment was conceivable.

On top of the said full accomplishment, it has to be noted that the capacity of full repayment was reinforced by the existence, as of that date, of approved non-used credit lines that amounted to 126 M€.

In the ratio “Net interest bearing debt / current EBITDA (X)”, current EBITDA is calculated using the sum of the last four quarters.

## XX. Suppliers

|                             | thousand euros |                |               |
|-----------------------------|----------------|----------------|---------------|
|                             | 1H14           | 2013           | 1H13          |
| Suppliers - current account | 107,126        | 119,990        | 89,214        |
| Suppliers - accruals        | 9,559          | 5,213          | 9,246         |
| <b>Suppliers</b>            | <b>116,684</b> | <b>125,203</b> | <b>98,460</b> |

## XXI. Other borrowings and creditors

|   | thousand euros |               |               |
|---|----------------|---------------|---------------|
|   | 1H14           | 2013          | 1H13          |
| Non interest bearing grants                         | 10,377         | 9,551         | 11,705        |
| Other   | 844            | 898           | 892           |
| <b>Other borrowings and creditors - non current</b> | <b>11,221</b>  | <b>10,448</b> | <b>12,598</b> |
| Non interest bearing grants                         | 1,809          | 1,301         | 679           |
| Deferred costs                                      | 26,212         | 17,175        | 29,302        |
| Deferred income - grants                            | 5,787          | 6,396         | 5,647         |
| Deferred income - others                            | 593            | 486           | 573           |
| TVA   | 8,158          | 5,246         | 10,976        |
| State and social security - withholding and others  | 3,953          | 5,251         | 3,745         |
| Other   | 6,599          | 6,967         | 7,586         |
| <b>Other borrowings and creditors - current</b>     | <b>53,111</b>  | <b>42,822</b> | <b>58,507</b> |

Changes in Deferred costs are related with variation of salaries (vacations and Christmas bonus and vacations paid).

In Other borrowings and creditors – current, it is included a value of 540 K€ (2013: 778 K€), which refers to the fair value of exchange risk and interest rate risk derivatives.

In Other borrowings and creditors – non-current (11,221 K€), maturity is as follows: 1 to 2 years (3,013 K€), 2 to 4 years (4,582 K€), more than 4 years (3,626 K€).



## XXII. Income tax

Includes income tax estimate to be paid.

## XXIII. Third party supplies and services

|  | thousand euros |               |
|--|----------------|---------------|
|  | 1H14           | 1H13          |
| Communications                           | 572            | 566           |
| Information systems                      | 2,276          | 2,297         |
| Insurance                                | 1,737          | 1,846         |
| Subcontractors                           | 2,997          | 2,749         |
| Power                                    | 6,037          | 6,105         |
| Security                                 | 547            | 584           |
| Professional Fees                        | 439            | 397           |
| Tools                                    | 975            | 657           |
| Oil and gas                              | 846            | 909           |
| Royalties                                | 735            | 792           |
| Rentals                                  | 2,275          | 2,328         |
| Transports                               | 10,438         | 10,771        |
| Travel - Board                           | 387            | 367           |
| Travel                                   | 1,980          | 2,140         |
| Commissions                              | 3,121          | 3,244         |
| Special Services                         | 3,945          | 3,561         |
| Advertising                              | 3,362          | 4,025         |
| Maintenance                              | 3,571          | 3,779         |
| Others                                   | 3,020          | 3,101         |
| <b>Third party supplies and services</b> | <b>49,260</b>  | <b>50,218</b> |

## XXIV. Staff costs

|                                    | thousand euros |               |
|------------------------------------|----------------|---------------|
|                                    | 1H14           | 1H13          |
| Board remuneration                 | 271            | 253           |
| Employees remuneration             | 39,232         | 39,833        |
| Social Security and other          | 8,873          | 8,858         |
| Severance costs                    | 1,094          | 974           |
| Other                              | 4,765          | 3,712         |
| <b>Staff costs</b>                 | <b>54,235</b>  | <b>53,630</b> |
| <b>Average number of employees</b> | <b>3,571</b>   | <b>3,552</b>  |

In Severance costs, the value of 1,511 K€ related with the industrial reorganization of Corroios unit is not included. This value was registered as non-current results.

## XXV. Impairments of Assets and non-current results

|                              | thousand euros |            |
|------------------------------|----------------|------------|
|                              | 1H14           | 1H13       |
| Receivables                  | 84             | 841        |
| Inventories                  | -38            | -728       |
| Goodwill                     | 0              | 610        |
| Others                       | 33             | -72        |
| <b>Impairments of Assets</b> | <b>79</b>      | <b>651</b> |

The value of 610 K€ relates the goodwill write-down of Oller et Cie.

|                            | thousand euros |          |
|----------------------------|----------------|----------|
|                            | 1H14           | 1H13     |
| Property impairment        | 1,224          | 0        |
| Severance costs            | 1,511          | 0        |
| <b>Non-current results</b> | <b>2,735</b>   | <b>0</b> |

The value refers to the effect of the industrial reorganization of the Corroios unit.

## XXVI. Other gains and costs

|                                | 1H14         | 1H13         |
|--------------------------------|--------------|--------------|
| Gain in fixed assets disposals | 310          | 102          |
| Operating subsidies            | 262          | 321          |
| Investment subsidies           | 598          | 549          |
| Other                          | 2,416        | 3,741        |
| <b>Other gains</b>             | <b>3,572</b> | <b>4,713</b> |

|                                | thousand euros |              |
|--------------------------------|----------------|--------------|
|                                | 1H14           | 1H13         |
| Net exchange differences       | 250            | 349          |
| Taxes (other than income)      | 524            | 435          |
| Provisions                     | 122            | 257          |
| Loss in fixed assets disposals | 10             | 97           |
| Bank charges                   | 229            | 240          |
| Other                          | 1,882          | 1,702        |
| <b>Other losses</b>            | <b>3,003</b>   | <b>3,080</b> |

## XXVII. Financial costs and financial income

|                                   | thousand euros |              |
|-----------------------------------|----------------|--------------|
|                                   | 1H14           | 1H13         |
| Interest costs - bank loans       | 1,588          | 2,537        |
| Interest costs - other entities   | 609            | 767          |
| Stamp tax - interest              | 22             | 422          |
| Stamp tax - capital               | 81             | 125          |
| Interest costs - other            | -65            | -9           |
|                                   | <b>2,235</b>   | <b>3,842</b> |
| Interest gains - bank deposits    | 26             | 622          |
| Interest gains - other loans      | 0              | 6            |
| Interest gains - delayed payments | 66             | 231          |
| Interest gains - other            | 0              | 1            |
|                                   | <b>92</b>      | <b>861</b>   |
| <b>Net financial costs</b>        | <b>2,144</b>   | <b>2,981</b> |

Interest costs – other entities includes 345 K€ of interest related with the swaps (1H13: 344 K€), as well as 238 K€ of discounted interests on non-interest bearing loans.

As for 2013, in Stamp tax – interest (422 K€) a value of 380 K€ is included and relates to a provision.

Interest costs - other (-65 K€) includes a gain of 299 K€ due to the change in the fair value of the swaps. Includes also costs related with loans commissions and others. The value of -9 K€ includes a gain of 330 K€ due to the change in the fair value of the swap, as well as costs related with loan commissions and others.

As for 2013, interest gains – delayed payments (231 K€) refers to interest due to late TVA reimbursements (Argentina: 121 K€ and Amorim & Irmãos: 90 K€).

43

## XXVIII. 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 June 30, 2014, indirect stake of AIP in CORTICEIRA AMORIM was 51% corresponding as 54.004% 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, S.A., OSI – Sistemas Informáticos e Electrotécnicos, Lda.).

Balances at June 30, and year-end 2013 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%

## XXIX. Provisions, guarantees, contingencies and commitments

- Provisions

|                         | thousand euros |               |               |
|-------------------------|----------------|---------------|---------------|
|                         | 1H14           | 2013          | 1H13          |
| Income tax              | 21,464         | 21,480        | 18,290        |
| Guarantees to customers | 1,368          | 1,305         | 955           |
| Others                  | 1,658          | 2,300         | 2,183         |
| <b>Provisions</b>       | <b>24,490</b>  | <b>25,085</b> | <b>21,428</b> |

Tax cases are in general related with Portuguese companies and correspond to fiscal years of 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2003, 2004, 2007, 2008, 2009 and 2010. The most recent fiscal year analysed by Portuguese tax authorities was 2010.

Tax cases are basically related with questions like non-remunerated guarantees given between group companies, group loans (stamp tax), interest costs of holding companies (SGPS), and with the acceptance as fiscal costs of losses related with the closing of subsidiaries.

Claims by the tax authorities are related with income tax, stamp tax and marginally TVA.

Income tax provisions refer to live tax cases, in court or not, as well as accounting recorded situations that can raise question in future inspections by the tax authority.

Provisions correspond to situations that, for its procedural development or for doctrine and jurisprudence newly issued, indicate a probability of an unfavourable outcome for CORTICEIRA AMORIM and, if that happens, a cash outflow can be reasonably estimated.

It is considered appropriate the total value of 21.5 M€ of provisions related with contingencies regarding income tax and 3.0 M€ regarding other contingencies.

Contingent liabilities, due from tax cases, in court or in non-contentious, as well as other type of court cases, totals 7 million euros (no changes from year-end 2013).

- Guarantees

During its operating activities CORTICEIRA AMORIM issued in favour of third-parties guarantees amounting to 69,817 K€ (2013: 82,427 K€).

| thousand euros      |               |                          |
|---------------------|---------------|--------------------------|
| Beneficiary         | Amount        | Purpose                  |
| Government agencies | 4,676         | Capex grants / subsidies |
| Tax authority       | 1,981         | Tax lawsuits             |
| Banks               | 62,984        | Credit lines             |
| Other               | 177           | Miscellaneous guarantees |
| <b>TOTAL</b>        | <b>69,817</b> |                          |

As of June 30, 2014, future expenditure resulting from long-term motor vehicle rentals totals 1,981 K€.

### XXX. Exchange rate contracts

As of June 30, 2014, forward outright and options contracts related with sales currencies were as follows:

|                                  | thousand euros |             |               |             |               |             |
|----------------------------------|----------------|-------------|---------------|-------------|---------------|-------------|
|                                  | 1H14           |             | 2013          |             | 1H13          |             |
| USD                              | 26,331         | 88%         | 12,577        | 83%         | 17,177        | 85%         |
| AUD                              | 0              | 0%          | 1,218         | 8%          | 1,184         | 6%          |
| ZAR                              | 2,952          | 10%         | 281           | 2%          | 1,003         | 5%          |
| HUF                              | 227            | 1%          | 303           | 2%          | 484           | 2%          |
| GBP                              | 307            | 1%          | 707           | 5%          | 466           | 2%          |
| <b>Forward - long positions</b>  | <b>29,816</b>  | <b>100%</b> | <b>15,086</b> | <b>100%</b> | <b>20,314</b> | <b>100%</b> |
| USD                              | 0              | -           | 0             | -           | 384           | 90%         |
| SEK                              | 0              | -           | 0             | -           | 43            | 10%         |
| <b>Forward - short positions</b> | <b>0</b>       | <b>-</b>    | <b>0</b>      | <b>-</b>    | <b>427</b>    | <b>100%</b> |
| USD                              | 7,346          | 100%        | 5,628         | 100%        | 16,224        | 100%        |
| <b>Options - long positions</b>  | <b>7,346</b>   | <b>100%</b> | <b>5,628</b>  | <b>100%</b> | <b>16,224</b> | <b>100%</b> |
| USD                              | 2,489          | 100%        | 1,314         | 100%        | 1,557         | 100%        |
| <b>Options - short positions</b> | <b>2,489</b>   | <b>100%</b> | <b>1,314</b>  | <b>100%</b> | <b>1,557</b>  | <b>100%</b> |

45

### XXXI. 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.

### XXXII. Other information

- a) 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.

|                                   | 1H14        | 2013        | 1H13        |
|-----------------------------------|-------------|-------------|-------------|
| Total issued shares               | 133,000,000 | 133,000,000 | 133,000,000 |
| Average nr. of treasury shares    | 7,398,429   | 7,398,429   | 7,397,582   |
| Average nr. of outstanding shares | 125,601,571 | 125,601,571 | 125,602,418 |
| Net Profit (thousand euros)       | 18,419      | 30,339      | 16,546      |
| Net Profit per share (euros)      | 0.147       | 0.242       | 0.132       |

b) IFRS disclosures - New standards as at 30 June 2014:

**1. The impact of the adoption of the standards and interpretations that became effective as of 1 January 2014 is as follows:**

**Standards**

- **IAS 32 (amendment)** 'Offsetting Financial Assets and Financial Liabilities'. This amendment is part of the IASB offsetting project which clarifies the meaning of "currently has a legally enforceable right to set-off", and clarifies that some gross settlement systems (clearing houses) may be equivalent to net settlement. The adoption of this amendment had no impact in the financial statements of Corticeira Amorim.
- **IAS 36 (amendment)** 'Recoverable amount disclosure for Non-financial assets'. This standard addresses the disclosure of information about the recoverable amount of impaired assets when based on fair value less cost to sell model. The adoption of this amendment had no impact in the financial statements of Corticeira Amorim.
- **IAS 39 (amendment)** 'Novation of derivatives and continuation of hedge accounting'. This amendment allow hedge accounting to continue in a situation where a derivative designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulation, if specific conditions are met. The adoption of this amendment had no impact in the financial statements of Corticeira Amorim.
- **Amendment to IFRS 10, 11 and IAS 27,**'Investment entities'. This amendment defines an investment entity and introduces an exception from consolidation under IFRS 10, for the investment entities that qualify, for which all investments in subsidiaries are required to be measured at fair value through profit and loss under IAS 39. Specific disclosures requirements are included in IFRS 12. The adoption of this amendment is not applicable to Corticeira Amorim, as the entity does not qualify as "Investment entity".
- **IFRS 10 (new),** 'Consolidated financial statements'. IFRS 10 replaces all the guidance on control and consolidation in IAS 27 and SIC 12, changing the definition of control and the criteria applied to determine control. The core principal that a consolidated entity presents a parent and its subsidiaries as a single entity remain unchanged. The adoption of this standard had no impact in the financial statements of Corticeira Amorim.
- **IFRS 11 (new),** 'Joint arrangements'. IFRS 11, focus on the rights and obligations of the joint arrangements rather than its legal form. Joint arrangements can be joint operations (rights to the assets and obligations) or joint ventures (rights to net assets, applying equity method).Proportional consolidation of joint venture is no longer allowed. The adoption of this standard had no impact in the financial statements of Corticeira Amorim.
- **IFRS 12 (new),** 'Disclosure of interest in other entities' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). This standard sets out the required disclosures for all types of interests in other entities, such as: subsidiaries, joint arrangements, associates and structured entities, to allow the evaluation of the nature, risks and financial effects associated with entity's interests. The impact of the adoption

of this standard refers to additional disclosures, which are not material in the financial statements of Corticeira Amorim.

- **Amendment to IFRS 10, 11 and 12, 'Transition guidance'**. This amendment clarifies that, when from the adoption of IFRS 10 results a different accounting treatment from IAS 27/SIC12 application, the comparatives must be adjusted to only the preceding comparative period, being the differences calculated recognised as at the beginning of the comparative period, in equity. The IFRS 11 amendment refers to the obligation of impairment testing over the financial investment, which results from the proportional consolidation elimination. Specific disclosures requirements are included in IFRS 12. The adoption of this amendment had no impact in the financial statements of Corticeira Amorim.
- **IAS 27 (revised 2011), 'Separate financial statements'**. IAS 27 was revised after the issuance of IFRS 10 and contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. The adoption of this revision had no impact in the financial statements of Corticeira Amorim
- **IAS 28 (revised 2011), 'Investments in associates and joint ventures'**. IAS 28 was revised after the issuance of IFRS 11 and prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of equity method. The adoption of this revision had no impact in the financial statements of Corticeira Amorim.

**2. The following standards, amendments to existing standards and interpretations have been published and are mandatory for the accounting periods beginning on or after 1 July 2014 or later periods, but that Corticeira Amorim has not early adopted:**

47

### 2.1 Standards

- **IAS 19 (amendment), 'Defined benefit plans – Employee contributions'** (effective for annual periods beginning on or after 1 July 2014). This amendment is still subject to endorsement by European Union. This amendment apply to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are independent of the number of years of service. There is no estimated impact of the future adoption of this amendment in the financial statements of Corticeira Amorim.
- **IAS 16 and IAS 38 (amendment), 'Calculation of acceptable methods of depreciation and amortisation'** (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by the European Union. This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. It shall be applied prospectively. There is no estimated impact of the future adoption of this amendment in the financial statements of Corticeira Amorim.
- **IAS 16 and IAS 41 (amendment), 'Agriculture: bearer plants'** (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment defines the concept of a bearer and removes it from the scope of IAS 41 – Agriculture, to the scope of IAS 16 – Property,

plant and equipment, with the consequential impact on measurement. However, the produce growing on bearer plants will remain within the scope of IAS 41 - Agriculture. There is no estimated impact of the future adoption of this amendment in the financial statements of Corticeira Amorim.

- **IFRS 11 (amendment)**, 'Accounting for the acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, being applied the principles of IFRS 3 – Business combinations. There is no estimated impact of the future adoption of this amendment in the financial statements of Corticeira Amorim.
- **Annual Improvement 2010 - 2012**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. There is no estimated impact of the future adoption of this improvement in the financial statements of Corticeira Amorim, except for the additional disclosures required by IFRS 8 and IAS 24.
- **Annual Improvement 2011 - 2013**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. There is no estimated impact of the future adoption of this improvement in the financial statements of Corticeira Amorim.
- **IFRS 9 (new)**, 'Financial instruments - classification and measurement' (effective for annual periods beginning on or after 1 January 2018). This standard is still subject to endorsement by European Union. IFRS 9 refers to the first part of financial instruments new standard and comprises two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. Financial instrument are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise financial instruments are measured at fair value through profit and loss. There is no estimated impact of the future adoption of this standard in the financial statements of Corticeira Amorim.
- **IFRS 9 (amendment)**, 'Financial instruments – hedge accounting' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by European Union. This amendment is the third phase of IFRS 9 and reflects a substantial overhaul of the hedge accounting rules of IAS 39, removing the quantitative assessment of hedge effectiveness, allowing more items to be eligible as hedged items and permitting the deferral of certain impacts of hedging instruments in Other comprehensive Income. This amendment objective is to better reflect the risk management practices. There is no significant estimated impact of the future adoption of this amendment in the financial statements of Corticeira Amorim.
- **IFRS 14 (new)**, 'Regulatory deferral accounts' (effective for annual periods beginning on or after 1 January 2016). This standard is still subject to endorsement by European Union. This standard permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise regulatory assets / liabilities, the referred amounts must be presented separately in the financial statements. There is no estimated impact of the future adoption of this standard in the financial statements of Corticeira Amorim.



- **IFRS 15 (new)**, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). This standard is still subject to endorsement by European Union. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. There is no estimated impact of the future adoption of this standard in the financial statements of Corticeira Amorim.

## 2.2 Interpretation

- **IFRIC 21 (new)**, 'Levies' (effective for annual periods beginning on or after 17 June 2014). Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment. There is no estimated impact of the future adoption of this interpretation in the financial statements of Corticeira Amorim.

### c) Financial Assets e 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:

|                                      | thousand euros        |                                   |                        |                           |                |
|--------------------------------------|-----------------------|-----------------------------------|------------------------|---------------------------|----------------|
|                                      | Loans and receivables | Fair value through profit or loss | Derivatives as hedging | Available for sale assets | Total          |
| Trade receivables                    | 121,069               |                                   |                        |                           | 121,069        |
| Income tax assets                    | 8,026                 |                                   |                        |                           | 8,026          |
| Other current assets                 | 30,798                |                                   | 875                    | 2,373                     | 34,046         |
| Cash and cash equivalents            | 7,788                 |                                   |                        |                           | 7,788          |
| <b>Total as of December 31, 2013</b> | <b>167,681</b>        | <b>0</b>                          | <b>875</b>             | <b>2,373</b>              | <b>170,929</b> |
| Trade receivables                    | 147,006               |                                   |                        |                           | 147,006        |
| Income tax assets                    | 8,763                 |                                   |                        |                           | 8,763          |
| Other current assets                 | 24,987                |                                   | 132                    | 2,888                     | 28,007         |
| Cash and cash equivalents            | 9,388                 |                                   |                        |                           | 9,388          |
| <b>Total as of June 30, 2014</b>     | <b>190,144</b>        | <b>0</b>                          | <b>132</b>             | <b>2,888</b>              | <b>193,164</b> |

|                                      | thousand euros                          |                           |   |                |
|--------------------------------------|---|---------------------------|---|----------------|
|                                      | Fair value<br>through profit<br>or loss | Derivatives as<br>hedging | Other financial<br>liabilities at<br>amortized cost | Total          |
| Interest-bearing loans               |   |                           | 112,235   | 112,235        |
| Other borrowings and creditors       | 764                                     |                           | 45,624  | 46,388         |
| Trade payables                       |   |                           | 125,203   | 125,203        |
| Income tax liabilities               |   |                           | 2,495   | 2,495          |
| <b>Total as of December 31, 2013</b> | <b>764</b>                              | <b>0</b>                  | <b>285,557</b>                                      | <b>286,321</b> |
| Interest-bearing loans               |   |                           | 115,701   | 115,701        |
| Other borrowings and creditors       | 534                                     | 6                         | 57,412  | 57,952         |
| Trade payables                       |   |                           | 116,684   | 116,684        |
| Income tax liabilities               |   |                           | 9,591   | 9,591          |
| <b>Total as of June 30, 2014</b>     | <b>534</b>                              | <b>6</b>                  | <b>299,388</b>                                      | <b>299,928</b> |

Mozelos, July 30, 2014

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

**António Rios de Amorim**

*Chairman*

**Nuno Filipe Vilela Barroca de Oliveira**

*Vice-President*

**Fernando José de Araújo dos Santos Almeida**

*Member*

**Cristina Rios de Amorim Baptista**

*Member*

**Luísa Alexandra Ramos Amorim**

*Member*

**Juan Ginesta Viñas**

*Member*

50



## ***Limited Review Report Prepared by Auditor Registered with the Securities Market Commission (CMVM) on the Consolidated Half Year Information***

***(Free translation from the original in Portuguese)***

### ***Introduction***

1 In accordance with the Portuguese Securities Market Code (CVM), we present our limited review report on the consolidated financial information for the six-month period ended June 30<sup>th</sup>, 2014 of Corticeira Amorim, S.G.P.S., S.A. included in the consolidated Management Report, consolidated statement of financial position (which shows total assets of Euro 643.326 thousand and total shareholders' equity of Euro 305.142 thousand, including non-controlling interests of Euro 12.943 thousand and a net profit of Euro 18.419 thousand), consolidated statement of income by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

### ***Responsibilities***

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present fairly, in all material respects, the financial position of the companies included in the consolidation, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (b) to prepare historical financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful as required by the CVM; (c) to adopt appropriate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant matters which have influenced the activity, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our work.

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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000  
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 9077*

## **Scope**

5 Our work was performed with the objective of obtaining moderate assurance about whether the financial information referred to above is free from material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors, planned according to that objective, and consisted primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the appropriateness and consistency of the accounting principles used, as applicable; (iii) the applicability, or not, of the going concern basis of accounting; (iv) the presentation of the financial information; and (v) as to whether the consolidated financial information is complete, true, up-to-date, clear, objective and lawful.

6 Our work also covered the verification that the consolidated financial information included in the consolidated Management Report is consistent with the remaining documents referred to above.

7 We believe that the work performed provides a reasonable basis for the issue of this limited review report on the half year information.

## **Conclusions**

8 Based on the work, which was performed with the objective of obtaining a moderate level of assurance, nothing has come to our attention that leads us to conclude that the consolidated financial information for the six-month period ended June 30<sup>th</sup>, 2014 contains material misstatements that affect its conformity with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union and that it is not complete, true, up-to-date, clear, objective and lawful.

## **Report on other requirements**

9 Based on the work, nothing has come to our attention that leads us to believe that the consolidated financial information included in the consolidated Management Report is not consistent with the consolidated financial information for the period.

August 26<sup>h</sup>, 2014

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- Sociedade de Revisores Oficiais de Contas, Lda  
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077  
represented by:

António Joaquim Brochado Correia, R.O.C.