



## **CORTICEIRA AMORIM POSTS A 11,2% INCREASE IN FIRST HALF 2007 PROFITS**

Mozelos, Portugal, 3<sup>rd</sup> of August 2007 – **CORTICEIRA AMORIM, SGPS [Euronext Lisbon: COR; ISIN: PTCOR0AE0006]**, the world's largest cork manufacturer, today announced consolidated results for the second quarter 2007 (2Q07) and cumulative first half 2007 (1H07). Unless otherwise stated, all figures are in millions of Euros (M€). Variations are referred to comparisons with values of same period 2006.

### **HIGHLIGHTS**

- Consolidated Sales for the 1H07 reached 242.2 M€ (+3.1%), driven by Corkstoppers Business Unit (BU) sales (+5.5%).
- Devaluation of USD (7.5%), Chilean peso and South-African rand, continued to affect adversely the activity of CORTICEIRA AMORIM: -2.4% of sales impact.
- EBITDA (29.6 M€) and EBIT (17.7 M€) registered 9.6% and 16.3% increase, respectively.
- In spite of an adverse effect of 4.7 M€ in earnings before tax due to said devaluations, net profit attributable to CORTICEIRA AMORIM shareholders reached 9.145 M€ (+11.2%).
- As of the beginning of July, CORTICEIRA AMORIM published its first Sustainability Report regarding 2006.

## **I – SUMMARY OF ACTIVITY (1S07)**

Second quarter posted sales growth (3.5%) slightly above first quarter (2.7%). Corkstoppers are still the main reason for this positive trend. Sales growth was, softened nevertheless, by some constraints on its evolution. First of all the USD devaluation of 7.5%, when comparing with the average rate of 1H06. Due to the rigidity of prices of the US market, home of almost all of the USD invoicing, the negative effect of the USD devaluation, together with the effect of the Chilean peso and South-African rand devaluation, had an impact on sales of -5.8 M€! This figure represents 2.4% of total sales for the period. The estimated effect on earnings before tax was lower (-4.7 M€), but still very significative. Second constraint was the decision to curtail sales of raw-materials to out of Group customers. This was done in order to reduce credit risk associated with these transactions.

The good performance of results, namely in 2Q07, was mostly due to the incoming benefits of the two majors investments completed in 2006: the acquisition of 50% of Trescases and the industrial restructuring of corkstoppers. The simultaneously flow of benefits deriving from these two investments was the main reason behind the profit growth of the Corkstoppers BU, leading the way to increased consolidated profits.

## **II – BUSINESS UNIT ACTIVITY**

Raw-materials BU increased its integration in the value chain of CORTICEIRA AMORIM; sales to other BU's reached 88% of its total sales. The cork mix transformed during 1H07 had a lower than expected contribution. For the 2H07 it's expected that the cork mix will be more in tune with the market needs. As said before, the decision to curtail raw-materials sales to outside customers is the reason behind the 7.1% drop in sales. Total sales for 1H07 reached 56.6 M€.

During 1H07 the Corkstoppers BU sales amounted to 134.6 M€ (+5.5%), driven by an excellent performance of the natural corkstoppers. In this family of corkstoppers positive note to the European, Chilean, South-African markets. All other families of corkstoppers registered sales growth, except TwinTop®, which suffered from a transfer effect to other technical corkstoppers, mainly to Neutrocork®. One final reference to the australian market where, as a result of the restructuring achieved during the first half, is expected that during 4Q07 its operation will be stabilized.

In brief, we can say that the Corkstoppers BU registered sales increases in most of its products and markets, a clear sign of market share gains. Sales increase, a better Gross Margin and flat operating costs, allowed its EBIT to post a remarkable increase to 10.4 M€.

Corkflooring BU recorded an activity slowdown during the second quarter. Half-year sales amounted 64.4 M€ (+2.7%). The German market was the responsible for the 2Q07 soft sales, but it is expected that this market will recover until year-end. On the other hand, American and eastern Europe markets are showing a

remarkable performance. Second quarter sales and, specially, higher raw-materials prices (cork and HDF), impacted EBIT decrease of 10% to 4.9 M€.

Second quarter of Composite cork BU was more positive than first quarter, with higher sales and Gross Margin (%). To be noted that during 2007, this BU is being adversely affected by the fact that, due to the corkstoppers BU industrial restructuring it no longer buys granulated cork for the production of corkstoppers; For this reason Composite cork BU has to look for outside customers for most of its granulated cork production. This change, which was favourable to the consolidated CORTICEIRA AMORIM results, hit the BU accounts. This way while total 1H07 sales reached 31.5 M€ (-4.6%), sales to out of Group customers increased by some 4%. Not taking in account the Group effect, sales increased both in volume and price, but part of this improvement was reversed by the USD devaluation; this and the fact that the 1H07 did not benefit, as 1H06 did, from a reversal of asset impairment, justifies the 14% decrease of the EBIT (1.4 M€).

Corkrubber BU was, by far, the hardest hit by the USD devaluation, due to the importance of this currency in its sales figures. Sales for 1H07 reached 15.1 M€ (-6%). At 1H06 USD rates, sales for the 1H07 would register a slight increase. Second quarter was affected by weak June sales, with automotive and heavy duty sales reversing previous positive trend of 1Q07. On the contrary non-auto sales kept showing an important growth (+8.5% at USD constant rate), softening the slowdown. EBIT decline (-0.8 M€ versus +0.2 M€ in 1H06) was largely due to the USD impact and to the penalizing effect of severance costs resulting from the adjustment of the payroll to the new realities of the business.

Insulation BU maintains an excellent performance, both in sales (4.6 M€ and +12.6%) and in EBIT (0.8 M€ and +47.0%).

### **III – CONSOLIDATED RESULTS**

As said 2Q07 had a highly positive consequence in 1H07 results.

Sales for the 1H07 posted a 3.1% increase to 242.3 M€, comparing to a 2.7% increase at 1Q07. Once again the importance of the USD devaluation, and in a less degree, the Chilean peso e South-African rand. The negative effect of these devaluations hit sales figures by some 2.7% and earnings before tax by some 4.7 M€.

First half 2007 Gross Margin stood at 47.7%, slightly below 1Q07 (48.5%). On top of the devaluation effects, this decrease is due, mainly, to the drop in the Raw-material BU Gross Margin (less favourable cork lots) and to the price increase of some raw-materials (cork waste and subsidiary materials like HDF). All together sales increase and Gross Margin (%) decrease, led to a positive impact in the value of the Gross Margin, reaching 117.5 M€ (+2.4%).

Operating costs evolution was remarkable: for a 3% increase in sales, operating

costs were stable. Cash operating costs (external supplies and services and staff costs) decreased 1.7 M€!

EBIT posted a 16.3% gain (17.7 M€) and EBITDA reached 29.6 M€ (9.6%).

Since interest bearing debt was stable, interest costs were hit by the relentless increase in interest rates. Interest costs were as high as 5.2 M€ (+1.2 M€). Included in the financial caption is the value of 0,4 M€ which refers to the portion of profits in the equity method companies (namely Trescases, Victor y Amorim and Dom Korkowy).

Earnings before taxes topped 12.9 M€ (14.4%).

After a 2.9 M€ income tax estimate and 0.8 M€ of minority interests, profit attributable to CORTICEIRA AMORIM shareholders reached 9.145 M€, a 11.2% increase when comparing with 1H06.

As for 2Q07 profit, it reached 5.271 M€, 18.7% higher than 2Q06.

#### **IV – CONSOLIDATED BALANCE SHEET**

As of June 30, 2007, total Assets stood at 564 M€, a slight 2 M€ increase from December 2006 values. Current Assets increase of 10 M€ was partially compensated by a 8 M€ drop in non-current Assets. Inventories decrease 10 M€, usual in all first half of each year due to the normal reduction in raw-materials levels. This was compensated, due to 2Q07 sales, by the Customers caption, which had a 18.6 M€ increase. Non-current Asset decline in value was due to Fixed Assets decrease resulting from depreciation and sales of equipment.

Liabilities increase (2 M€) was the result of the sum of several small variations in its accounts. Increase in Long-term Interest Bearing Debt (10 M€) was compensated by an equal decrease in Short-term Debt.

Equity stood at 230 M€. Equity / Assets ratio also stood at its previous level (41%).

At April end 7.2 M€ of dividends were paid, corresponding to a 5.5 cents of euro gross dividend per share.

#### **V – SUSTAINABILITY REPORT**

CORTICEIRA AMORIM's first sustainability report was concluded during 1H07 and published on July, 13<sup>th</sup>.

With this report, CORTICEIRA AMORIM begins a regular, systematic and structured communication of its policies and practices in the matter of sustainability. With this report, CORTICEIRA AMORIM shows clearly the impact of

its activity in preserving biodiversity and preventing desertification and quantifies its positive impact in CO<sub>2</sub> retention, contributing this way to mitigate greenhouse gas emissions, the cause of climate change.

We are confident that these important impacts, together with CORTICEIRA AMORIM's good sustainability practises, will have a positive effect in several segments, from sustainable construction, to industries, wineries and distributors that want to have a positive environment and social impact.

## VI.- KEY INDICATORS

### Audited indicators as of June, 30

<i>(Thousand euros)</i>							
	2Q07	2Q06	Variation	1H07	1H06	Variation	
Sales	124.669	120.403	+ 3,54%	242.230	234.890	+ 3,12%	
Gross Margin – Value	59.954	59.677	+ 0,46%	117.461	114.700	+ 2,41%	
%	1)	47,34	50,09	-2,75 p.p.	47,73	48,51	-0,78 p.p.
Operating Costs	2)	49.372	51.409	- 3,96%	99.801	99.520	+ 0,28%
EBITDA		16.550	14.267	+ 16,00%	29.616	27.030	+ 9,57%
EBIT		10.582	8.268	+ 27,99%	17.660	15.180	+ 16,34%
Net Income		5.271	4.440	+ 18,72%	9.145	8.222	+ 11,23%
Earnings per share	3)	0,0404	0,0340	+ 18,72%	0,0701	0,0630	+ 11,23%
EBITDA/Net Interest (x)		5,62	6,66	- 1,04 X	5,67	6,75	- 1,08 X
Equity /Net Assets		-	-	-	40,90%	38,29%	+ 2,61 p.p.
Net Bank Debt		-	-	-	223.821	225.775	- 0,87%

1) *Related to Production*

2) *Includes financial costs and revenues other than interest, and extraordinary items*

3) *Net Income / Average outstanding shares (euros/share)*

## Consolidated audited Balance Sheet

*(Thousand euros)*

	<b>30.06.07</b>	<b>31.12.06</b>	<b>30.06.06</b>
<b>Non-current assets</b>	198 361	206 285	203 832
<b>Current assets</b>			
<i>Inventories</i>	196 515	212 139	196 371
<i>Other current assets</i>	169 009	143 163	171 067
Total current assets	<b>365 524</b>	<b>355 302</b>	<b>367 438</b>
<b>Total Assets</b>	<b>563 886</b>	<b>561 588</b>	<b>571 270</b>
<b>Equity (M. I. included)</b>	<b>230 433</b>	<b>230 760</b>	<b>218 749</b>
<b>Non-current liabilities</b>			
<i>Bank borrowings</i>	163 319	153 115	151 010
<i>Other non-current liabilities</i>	10 804	11 567	13 745
Total non-current liabilities	<b>174 123</b>	<b>164 682</b>	<b>164 755</b>
<b>Current liabilities</b>			
<i>Bank borrowings</i>	65 976	76 213	86 469
<i>Other current liabilities</i>	93 353	89 934	101 297
Total current liabilities	<b>159 329</b>	<b>166 147</b>	<b>187 766</b>
<b>Total Liabilities and Equity</b>	<b>563 886</b>	<b>561 588</b>	<b>571 270</b>

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*About Corticeira Amorim, SGPS, S.A.:*

*While tracing its roots to the XIX Century, Corticeira Amorim SGPS has become the world's largest cork and cork-derived company in the world, generating over Euro 440 million in sales throughout 103 countries. Corticeira Amorim SGPS and its subsidiaries are an integral part of a conservationist effort to guarantee the survival of hundreds of thousand of cork trees throughout the Mediterranean Basin. We are proud of our contribution to the correct utilisation of these important forests that represents a key role in the CO<sub>2</sub> retention, contributing this way to preserve biodiversity and preventing desertification. We encourage you to learn more by visiting informative websites such as [corkfacts.com](http://corkfacts.com) or [www.apcor.pt](http://www.apcor.pt).*