

# CORTICEIRA AMORIM posted a €1.1 million profit in Q2


## HIGHLIGHTS

- 1.1 million euros profit in Q2 2009;
- CORTICEIRA AMORIM's profit has improved for the second consecutive quarter;
- Current EBITDA for Q2 2009 rose to EUR 9.2 million, up by 67% compared to Q1 2009;
- Sales increased by 8% compared to the previous quarter;
- Bank debt fell by EUR 53 million in comparison to the end of June 2008.

**Mozelos, 07<sup>th</sup> August 2009** – During the second quarter of 2009 (Q2 2009) some of the leading economic indicators began to take a turn for the better. Even the Euro zone industrial production indicator – probably the most important indicator to CORTICEIRA AMORIM – reached positive territory in May 2009 for the first time since last summer.

Although, similarly to what was reported in Q1 2009, the cork industry as well as the Portuguese industry in general faced a significant slackness in demand. Despite the announcement of exceptional measures to support the cork sector, the financial situation of cork manufacturing companies continued to deteriorate in Q2 2009.

Opposing the effects of the above negative climate, we shall not fail to mention the occurrence of two exogenous factors positively influencing CORTICEIRA AMORIM: maintaining quite low benchmark interest rates and, despite the more recent



devaluation trend, obtaining a more favourable USD average exchange rate in comparison to the first six months of 2008.

In spite of huge difficulties faced by CORTICEIRA AMORIM as a result of a deteriorating world economy, the Company managed to achieve two essential goals:

- To report a profit improvement in Q2 2009;
- To decrease significantly its debt to banks.

We are aware that we are still at the beginning of a long process of recovery in profitability levels, but the accomplishment of these above two purposes – although, for the moment, in respect of only a quarter - is a good reason for increasing the level of confidence and enthusiasm of the whole team that bolsters CORTICEIRA AMORIM's leading position in the world's cork industry.


## **CORTICEIRA AMORIM returns to profitability**

During the second quarter of 2009, CORTICEIRA AMORIM focused on existing market opportunities, as a result of a slight improvement in the world economic climate. With careful management throughout the last half year, the Group has managed to improve its profit for the second consecutive quarter. Some recovery in sales, the maintenance of the gross margin percentage and, in particular, an effective reduction in operating costs were the basis for the reversal within this indicator.

Sales achieved EUR 110.3 million between April and June 2009, 8% higher than in the first quarter of 2009.

A reduction in interest paid was another significant factor in the improved profit for Q2 2009. The reduction in bank debt (EUR 37 million less since the end of 2008 and EUR 53 million less since the end of the first half year of 2008) and the easing in interest rates resulted in EUR 1.5 million less interest being paid compared with the first half year of 2008.

CORTICEIRA AMORIM posted a profit of EUR 1.1 million in the second quarter of 2009, which compares with the net loss of EUR 4.6 million in Q1 2009. The current EBITDA rose 67% from EUR 5.5 million recorded in Q1 2009 to EUR 9.2 million in the period from April to June 2009.



Compared to the same period in 2008, there was an 11.4% decrease in sales, and a 39% fall in its the current EBITDA.

## **CORTICEIRA AMORIM has reduced debt by 53 million euros**

One focus by the CORTICEIRA AMORIM management has been to reduce its debt and increase its financial stability, an aim that has, once again, been achieved in the second quarter of 2009, compared with the equivalent previous quarters.

CORTICEIRA AMORIM's equity to assets ratio improved to 44.2%, the figure recorded at the end of June, 3.4 percentage points higher than the 40.8% registered in the same period in 2008.


The Net Bank Debt fell 22.3% to EUR 185.6 million compared to the EUR 238.9 million recorded in the year before, which demonstrates a continuing decrease in CORTICEIRA AMORIM's burden of debt.

## **Operational Performance**

The Raw Material BU – in its role as a main supplier to the value chain of CORTICEIRA AMORIM – experienced the effect of a decreasing downstream business. Some batches of cork yielded a poor return both in Q1 2009 and in Q2 2009. At the date of this report – and as far as cork purchases is concerned - cork requirements for the next financial year were practically fulfilled.

Benefitting from the good performances achieved in May and June – similar to the ones attained in the best performing months of the last financial year – the Cork Stoppers BU has largely outperformed the other Business Units of CORTICEIRA AMORIM. If it is too soon to speak about sales recovery in absolute terms (-7.6% in Q2 2009 versus -14% in Q1 2009), an increase in gross margin and a decrease in operating costs allowed to offset the negative impact of a reduction in sales.

The sales made and the performance achieved by the Floor and Wall Coverings BU did not undergo any significant changes in Q2 2009. The crisis hit both the European and the US construction industries and the sales of this BU continued to be highly



penalized by that crisis. Sales fell by 18.7% to 56.4 M€. This decrease extended to all product families in a similar way. The decrease in sales affected in particular the Russian and the Spanish markets, where a decrease higher than 50% was observed.

The sales of the Composite Cork BU continued to be affected by a steep drop in orders from practically every market, in particular from the US construction and automotive sectors. In line with what occurred in the Floor and Wall Coverings BU, this BU also faced dwindling sales due to an almost total stagnation that hit the Russian market in the first months of the current financial year. Sales decreased by 20.4% in the first six months of 2009 but, even so, the pace of decrease of sales decelerated because in Q1 2009 sales had sunk 24.9%.

The sales made by the Insulation Cork BU decreased by 15.9% in the first six months of 2009, a slight recovery in comparison to Q1 2009 (-16.7%). The sharp decrease in sales to the Middle East – in particular to the United Arab Emirates - is the major justification for this drop.

## Prospects for the second half of the year

The reversal in certain indicators could give the impression that economic recovery is in sight during the second half of the year. It is CORTICEIRA AMORIM's belief that recovery will have a real effect on its business only later.

Therefore, all its planning for the second half of the year will take into account the current levels of demand. The priority is to maximise orders and reduce operating costs, i.e. to continue all the efforts made in the first half. An additional unfavourable factor is that the USD exchange rate will put additional pressure in the business conducted in the US. As a potentially offsetting-factor, interest rates in the second half of the year may decrease when compared to the first half.

As a final goal, CORTICEIRA AMORIM wants its business activity in the second half of 2009 to reverse the trend recorded in the first half, ending the financial year on a positive note.

## Key Indicators

(thousand euros)

	2Q09	1Q09	2Q08	1H09	1H08
<b>Sales</b>	110,299	102,174	124,504	212,473	248,124
<b>EBITDA - current</b>	9,162	5,487	15,004	14,649	28,177
<b>EBIT - current</b>	3,682	-90	8,807	3,592	15,955
<b>Net profit/loss (distributable to shareholders)</b>	1,109	-4,595	3,510	-3,486	6,890
<b>Equity to assets ratio</b>	-	-	-	44.16%	40.77%
<b>Net bank debt</b>	-	-	-	185,595	238,931



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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 450 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 tress throughout the Mediterranean Basin. We are proud of our contribution to the correct utilisation of these important forests that are home to several endangered species throughout the region. We encourage you to learn more by visiting informative websites such as [www.amorimcork.com](http://www.amorimcork.com) and [www.corkfacts.com](http://www.corkfacts.com)

### **CORTICEIRA AMORIM, SGPS, S.A.**

Public company

Edifício Amorim I

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4536-902 MOZELOS VFR

PORTUGAL

Share capital: € 133 000 000,00

A company incorporated in Santa Maria da Feira - Portugal

Registration number and corporation tax ID number: PT 500 077 797

# AMORIM