AMORIM

Corticeira Amorim, SGPS, S.A.
Public company
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First-half sales increase to €400 million

Highlights:

- *Sales grew 12.7% in spite of the negative impact of the USD exchange rate*
- *EBITDA totalled €77.4 million, an increase of 9.6%*
- *Net Income increased 9.2% to €41.2 million*

Corticeira Amorim ended the first half of 2018 with a net profit of €41.2 million, an increase of 9.2% over the same period of 2017. Sales totalled €399.9 million, up 12.7% on the same period of the previous year. Growth was driven by increased business activity and the integration of Bourrassé and Elfverson, which taken together more than offset the negative impact of the depreciation of the US dollar.

All the Group's Business Units (BU), with the exception of the Floor and Wall Coverings BU, registered sales growth in the second quarter of 2018.

In the first half of 2018, the Cork Stoppers BU registered accumulated sales growth of 18.0%, the Raw Materials BU of 15.2% and the Insulation BU of 8.3%, while the Group's other BUs recorded a decrease in sales.

EBITDA rose to €77.4 million, an increase of 9.6% over the first six months of 2017. The EBITDA/sales ratio declined slightly in comparison with the same period of the previous year (from 19.9% to 19.4%). In a context of increased pressure on the gross margin, it was particularly important to have achieved operational efficiency gains coupled with tight cost control and reduced impairments.

At the end of the six-month period under review, net interest-bearing debt totalled €102.1 million (compared with €92.8 million at the end of 2017). Against a background of low interest rates, total financial charges increased slightly as a result of the increase in average indebtedness. This increase was mainly attributable to the Group's recent acquisitions (Bourassé, Sodiliège and Elfverson) and to the consolidation of its debt on the Corticeira Amorim balance sheet. Equity/Net Assets ratio reached 51% (1H17: 57%).

Performance by Business Unit

The **Raw Materials Business Unit** posted sales of €95.4 million, up 15.2% on the first half of 2017.

EBITDA totalled €18.5 million, a growth of 76% (1H17: €10.5 million) due to the increase in the gross margin resulting from the positive contributions of preparatory, disc production and granulate industrial operations. This evolution was mainly supported by the consumption of cork, predominantly raw materials extracted in 2016 and 2017, and increased operating efficiency. Consumption of cork extracted in the 2017 campaign is expected to decrease profitability in the second half in comparison with the first half.

Sales by the **Cork Stoppers BU** totalled €282.5 million, an increase of 18.0% over the first half of 2017. The BU registered growth in almost every region and business segment, particularly in cork stoppers for the spirits segment. In comparable terms (excluding the previously noted change in the consolidation perimeter), sales increased 3.1%, changing the trend observed in the first quarter. Excluding the effect of the perimeter change and exchange rate fluctuations, sales would have increased 5.9%.

The BU's profitability decreased, influenced by an increase in the purchase price of raw materials. EBITDA increased 8.2% to €54 million, favourably influenced by the consolidation of the Group's recently acquired companies, especially Bourrassé.

Sales by the **Floor and Wall Coverings BU** totalled €57.4 million, down 7.9% on the first half of 2017. Sales decreased at a slower rate in the second quarter than in the first quarter. Profitability was also affected by customer impairments and price pressure on the BU's main raw material (cork). Non-recurring expenses totalling €0.9 million were recorded for additional restructuring measures.

The BU's EBITDA decreased to €1.3 million. The launch of new products and new value propositions scheduled for the end of 2018 are expected to help the BU return to business growth and boost profitability.

The **Composite Cork BU** registered sales of €51.3 million, a decrease of 1.2% compared with the first half of 2017. Considering that sales in the first quarter fell 5.6%, there was a clear reversion in the second quarter. Excluding the exchange rate effect, first-half sales would have increased 3.3%. An increase in sales prices had a positive impact on sales growth, as did a more favourable sales mix and increased volume sales. Terminating the supply of inlays to the Floor and Wall Coverings BU adversely affected the evolution of the BU's sales in comparison with the first half of 2017.

EBITDA for the first half totalled € 5.4 million (comparing with 8.3 million in 1H17), impacted by lower sales, higher raw material prices and the impact of unfavourable exchange rates. Excluding the exchange rate effect, the EBITDA/sales ratio would have reached 13.1% (1H17: 16.0%).

Sales by the **Insulation BU** totalled €6.1 million, an increase of 8.3% over the same period of 2017, more than offsetting the decrease registered in the first quarter (-4.1%). EBITDA totalled €0.8 million.

Main indicators:

		1H2017	1H2018	yoy	2Q2017	2Q2018	yoy
Sales		354,762	**399,865**	12.7%	183,053	**214,505**	17.2%
Gross Margin – Value		192,121	**206,977**	7.7%	97,135	**107,023**	10.2%
	1)	53.3%	**49.3%**	-4.1 p.p.	54.0%	**47.9%**	-6.1 p.p.
Operating Costs - current		137,289	**146,034**	6.4%	67,762	**74,828**	10.4%
EBITDA - current		70,622	**77,424**	9.6%	37,064	**40,583**	9.5%
EBITDA/Sales		19.9%	**19.4%**	-0.5 p.p.	20.2%	**18.9%**	-1.3 p.p.
EBIT - current		54,832	**60,943**	11.1%	29,373	**32,195**	9.6%
Non-current results	2)	-	**681**	N/A	-	**542**	N/A
Net Income		37,757	**41,214**	9.2%	20,543	**22,393**	9.0%
Earnings per share		0.284	**0.310**	9.2%	0.164	**0.178**	9.0%
Net Bank Debt		11,105	**102,134**	91,029	-	**-**	-
Net Bank Debt/EBITDA (x)	3)	0.09	**0.73**	0.64 x	-	**-**	-
EBITDA/Net Interest (x)	4)	230.3	**136.6**	-93.65 x	223.7	**145.3**	-78.40 x
Equity/Net Assets		56.6%	**51.0%**	-5.61 p.p.	-	**-**	-

1) Related to Production;

2) Figures refer to the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring and transaction costs for subsidiaries acquisition;

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).