



AMORIM

Press Release

Corticeira Amorim
9M2017

Corticeira Amorim records continued sales growth, driven by the Cork Stoppers Business Unit

Highlights:

- *Total sales of €531M, 8.3% higher than the result recorded in the same period of 2016*
- *Excluding the “Bourrassé” effect, there was a 5.6% increase in sales*
- *EBITA of €105M - representing 10.4% growth*
- *Net result for first nine months of 2017 exceeds €56M, representing 2.1% growth.*

Corticeira Amorim closed the first nine months of 2017 with a net result of €56.4 million - 2.1% higher than the result recorded in the first nine months of 2016 (€55.2 million).

Since 30 June, Corticeira Amorim’s results have included the business generated by the companies of the Bourrassé Group (Bourrassé), which has positively influenced the overall growth in sales. Total sales were €531m, 8.3% higher than the result recorded in the same period of 2016. In comparable terms, cumulative sales rose by 5.6%, maintaining the trend recorded in the first half of the year, although with alterations in the evolution per Business Unit (BU).

The increase in sales was mainly due to a quantity effect, complemented by a positive exchange-rate impact of €1.8 million, although this was lower than the exchange-rate impact recorded in the first half of the year (€3.8 million). The decrease in the exchange-rate impact was primarily the result of the evolution of the USD exchange rate, with positive evolution in the South African Rand (ZAR) and the Chilean Peso (CLP).

In terms of sales growth per business unit, the strongest sales growth was recorded by the Cork Stoppers BU, with + 12.2% growth, including the impact of the integration of sales recorded by the Bourrassé

group. Excluding sales recorded by the recently acquired Bourrassé group, the sales growth of this business unit was 8.2%.

The Floor & Walls Coverings BU maintained positive sales growth (+1.5%), while the Composite Cork BU recorded a 3.5% decrease in sales.

In consolidated terms, the increased level of production implied an increase in operating costs that was higher than the rate of sales growth, but this effect was offset by the increase in the gross margin. EBITDA increased slightly, to €105.4 million, slightly above the increase in sales.

The EBITDA to sales ratio was 19.8%, up from 19.4% in the same period last year. Excluding the change to the consolidation perimeter, EBITDA was €102.9M. At this early stage of group integration, Bourrassé has a lower level of profitability than the rest of Corticeira Amorim, but it is expected that its level of profitability will increase over the coming years, in line with the situation recorded in the rest of the Group.

In the period under review, the improvement in the group's financial situation continued, due to low levels of indebtedness and reduced interest rates. With the acquisitions of Bourrassé and, to a lesser extent, of Sodiliège, net debt rose in the third quarter, to €75.8 M. It should be noted that inclusion of the new subsidiaries within the consolidation perimeter made it necessary to consolidate the debt which already existed in the acquired companies (in the amount of €35.4M), wherein the cost of acquisition of these new shareholdings was approximately €31M.

After results attributable to minority interests, the net result was €56.4 million, an increase of 2.1% over the net result of €55.2 million recorded in the same period last year.



Performance by Business Unit

Raw Materials Business Unit

With 4% sales growth, the Raw Materials Business Unit grew in line with the overall increase in business activity of the Cork Stoppers BU, its main client.

EBITDA was €15.8 million (compared to €13.9 million in the same period last year), with higher sales, mainly reflecting improvements in the return from some raw materials and a decrease in staff costs.

At the end of the third quarter, the total cork acquisition campaign in 2017 (from Portugal and Spain) was completed and the quantity targets were met, with an increase in the price of the raw material compared to 2016.

Corks Stoppers Business Unit

The Cork Stoppers BU recorded sales of €363.7 million, an increase of 12.2% over the same period of 2016. Excluding the change in the consolidation perimeter, sales were €350.5 million, an increase of 8.2% over the first nine months of 2016, mainly driven by the volume

effect. The growth was very balanced in terms of products and markets.

EBITDA increased by 26.1% to €73.9 million. Excluding the Bourrasé effect, growth in EBITDA was 23.6%, rising to €72.5 million.

Sales of NDtech® stoppers increased in the beginning of 2017 with a capacity of 40 million corks per year. By the end of September there were cumulative sales of 21.5 million corks. The capacity to produce NDtech® stoppers is expected to double in the near future, as a result of improvements in this technology, delivering further optimization of the time required to analyse each stopper.

Floor & Walls Coverings Business Unit

In the Floor & Walls Coverings BU, there was a slight decrease in sales growth, attaining €91.1 M, an increase of 1.5% compared to the same period of 2016. The best-selling products were the Hydrocork® and Authentica® flooring ranges.

Despite the positive evolution of sales, the EBITDA of this BU decreased to €6.5 M, since the BU continues to be affected by the increase in commercial costs in key markets, due to reinforcement of the personnel teams in these countries. The BU also recorded non-recurring expenditure of €1.1 million, resulting essentially from the restructuring needed to accommodate investment in a new press and the German subsidiary.

Composite Cork Business Unit

The Composite Cork BU recorded total sales of €74.3 M, lower than the level recorded in the same period of 2016.

By business segments, the highest growth was recorded by “Resilient & Engineered Flooring Manufacturers”, “Heavy Construction” and “Multipurpose Seals and Gaskets”. By contrast, the business segments of “Furnishing” and “Sport Surfaces” recorded the biggest decrease in sales. Several initiatives are currently underway to recover the contribution from these segments, but it is not expected that this recovery will occur in 2017.

EBITDA was €11.7 million, a decrease of 21% compared to the same period of 2016. This variation is mainly explained by the decrease in sales volume, the increase in some operating costs and a less favourable mix.

The design of a new pilot manufacturing unit is planned in this business unit, due to open in February 2018, which will function as an innovation and learning centre, that aims to test new products and technologies.

Insulation Cork Business Unit

Sales of the Insulation Cork BU were €8.2, a decrease of 9.4% compared to the first nine months of 2016. However, excluding the effect of the internal supply of ground cork to the Composite Cork BU, sales increased by 3.7% (€303,000), primarily driven by the performance of the MDFachada® product, which recorded an increase in sales of €298,000.



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EBITDA was €1.5 M (first nine months of 2016: €1.9 M). This variation was partly the result of the increase in the average price of the consumption of raw materials and also the increase of the quantities used.



Payment of dividends

The Board of Directors has decided to propose the distribution of an additional dividend of €0.08 per share at the next Shareholders' General Meeting to be held on November 29.

Key Indicators

	9M16	9M17	yoy	3Q15	3Q16	yoy
Sales	490,857	531,470	8.3%	156,900	176,708	12.6%
Gross Margin – Value	256,175	284,432	11.0%	79,899	92,311	15.5%
	1) 53.0%	53.3%	+ 0.3 p.p.	54.4%	53.3%	-1.15 p.p.
Operating Costs - current	178,790	200,827	12.3%	55,217	63,538	15.1%
EBITDA - current	95,446	105,352	10.4%	29,592	34,730	17.4%
EBITDA/Sales	19.4%	19.8%	+ 0.4 p.p.	18.9%	19.7%	+ 0.8 p.p.
EBIT - current	77,385	83,605	8.0%	24,682	28,773	16.6%
Non-current costs	2) 3,730	1572	-57.9%	-	1572	N/A
Net Income	55,224	56,363	2.1%	20,078	18,605	-7.3%
Earnings per share	0.415	0.424	2.1%	0.151	0.140	-7.3%
Net Bank Debt	64,255	75,779	11,524	-	-	-
Net Bank Debt/EBITDA (x)	3) 0.55	0.57	0.02 x	-	-	-
EBITDA/Net Interest (x)	4) 105.6	173.3	67.62 x	46.5	115.2	68.76 x
Equity/Net Assets	53.4%	51.1%	-2.36 p.p.	-	-	-

1) Related to Production

2) Figures refer to transaction costs of Bourrasé and Sodiliège and to Floor and Wall Coverings BU restructuring costs (2017) and to the provision for labor and customs litigation in Argentina, deferred costs concerning business started in the previous year and adjustments related to non-controlling interests (2016)

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)



About Corticeira Amorim SGPS, S.A.:

Tracing its roots back to the 19th century, Amorim has become the world's largest cork and cork-derived company in the world, generating more than Euro 640 million in sales to more than 100 countries through a network of dozens of fully owned subsidiaries.

With a multi-million Euro R&D investment per year, Amorim has applied its specialist knowledge to this centuries-old traditional culture, developing a vast portfolio of 100% sustainable products that are used by blue-chip clients in industries as diverse and demanding as wines & spirits, aerospace, automotive, construction, sports, interior and fashion design.

Amorim's responsible approach to raw materials and sustainable production illustrates the remarkable interdependence between industry and a vital ecosystem - one of the world's most balanced examples of social, economic and environmental development.



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