PRESS RELEASE

Corticeira Amorim

Net profit reaches €75 million

Highlights

- Sales in 2019 exceeded €780 million
- The EBITDA-Sales ratio increased 139 b.p. year-on-year in the last quarter
- The Cork Stopper BU registered strong annual sales growth (+4.7%)
- Proposal to distribute a gross dividend of €0.185 per share

Sales

Corticeira Amorim’s consolidated sales rose to €781.1 million in 2019, an increase of 2.4% compared with 2018.

All the Group’s business units (BUs) increased their sales, with the exception of the Floor and Wall Coverings BU. The Insulation and Raw Materials BUs posted the best performances, with sales increases of 18.2% and 9.8% respectively. The 4.7% sales increase recorded by the Cork Stopper BU was particularly noteworthy, accounting for 70.3% of consolidated sales in 2019.

Sales by the Raw Materials BU totalled €204.8 M€ (9.8% up on 2018). This was mainly due to an increased level of business activity and the higher prices at which cork was sold.

The Cork Stopper BU recorded sales of €559.1 million (4.7% up on 2018). Sales grew across all business sectors (especially the spirits segment) and across the main wine markets, particularly the US and Italy. The lower volume of grapes harvested in the Bordeaux region in 2017 limited growth in the French market in 2019, where sales fell in comparison with 2018.

Sales by the Floor and Wall Coverings BU totalled €108.6 million (down 3.2% on 2018). Delays in the market availability of the new line of WISE products and a reduction in volume sales were the main causes of the BU’s negative sales performance.

The Composite Cork BU recorded sales of €104.5 million (up 2.3% on 2018), benefitting mainly from the favourable impact of the USD exchange rate and increased sales prices.
Performance

Corticeira Amorim’s consolidated EBITDA totalled €124.7 million (12M18: €134.0 million), mainly reflecting the increased cost of purchasing raw material cork, increased operational costs and the unfavourable performance of the Floor and Wall Coverings BU.

Increased sales prices and operating efficiency gains in different business units helped offset these negative effects, while the EBITDA-Sales ratio decreased to 16.0% (compared with 17.6% in 2018). In the last quarter, the EBITDA-Sales ratio improved significantly from 14.3% to 15.6%.

EBITDA for the Raw Materials and Cork Stopper BUs totalled €117.9 million (down 4.7% on 2018). This performance was negatively affected by increased prices for the consumed cork, even though this impact was attenuated by increases in the prices paid by customers as well as operating efficiency and productivity gains. The EBITDA-Sales ratio decreased to 20.5% (2018: 22.3%).

The Floor and Wall Coverings BU recorded a negative EBITDA of €2.5 million, due to a deterioration in its product mix, a considerable increase in marketing expenditure and the development of products related to the launch of the new line of WISE products. Several measures aimed at increasing efficiency were implemented in 2019 in the areas of logistics and industrial operations, which should help invert this trend in the future. The measures resulted in non-recurring restructuring expenditures totalling €0.9 million.

EBITDA for the Composite Cork BU totalled €12.4 million (up 20.1% on 2018) while its EBITDA-Sales ratio increased to 11.9% (10.1% in 2018). An increase in sales prices and the favourable exchange-rate effect contributed decisively to this performance.

The Insulation BU inverted its first-half losses, ending 2019 with EBITDA of €0.2 million. Its EBITDA-Sales ratio fell to 1.6% (2018: 5.4%), reflecting the significant increase in recent years in the cost of cork, the only raw material the BU consumes.

The adoption of the IFRA 16 Leases standard did not result in significant changes to Corticeira Amorim’s financial statements. The main impacts were a €1.4 million increase in EBITDA, a €1.4 million increase in depreciations and a €4.2 million increase in debt at the end of 2019.

Non-recurring results included restructuring costs (€1.4 million) and the acquisition of subsidiary companies (€0.2 million).

The increase in the profits of associated companies mainly reflects the receipt of the final amount due (€2.9 million) from the sale of US Floors.

In regard to taxes, the Group benefitted from a reversion of provisions, notably a final decision by the tax authorities that resulted in the recognition of tax losses at a subsidiary in Spain.

After results attributable to interests that Corticeira Amorim does not control, net profit totalled €74.9 million, a reduction of 3.2% in comparison with 2018.

At the end of 2019, net interest-bearing debt totalled €161.1 million (12M18: €139.0 million). The acquisition of 50% of Vinolok (€11 million) and 10% of Bourrassé (€5 million) contributed to the increase in debt, while receipt of the final amount due from the sale of US Floors contributed to its reduction. The effect of adopting IFRS 16 (€4.2 million) is included in the debt. In comparable terms, excluding these effects, debt at the end of 2019 would have totalled €143.0 million.
Dividend Proposal

The Board of Directors decided to propose to the General Shareholders Meeting to be held on April 20, 2020, the distribution of a gross dividend of €0.185 per share.

Impact of the spread of the Covid-19 virus

Corticeira Amorim is an international company (more than 90% of its sales are outside Portugal) and, as consequence, is exposed to the global economy, particularly private consumption. The spread of the Covid-19 virus, should it significantly affect consumption, could have an impact on customers and consequently on value chain, thus with effects our business activity. At this stage, however, the scale, dimension and duration of the current period of uncertainty make it difficult to assess the scale of its direct and indirect impacts and therefore to estimate the value of the potential costs.

Main indicators

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>yoy</th>
<th>4Q18</th>
<th>4Q19</th>
<th>qoq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>763,117</td>
<td>781,057</td>
<td>2.4%</td>
<td>179,359</td>
<td>178,431</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Gross Margin – Value</td>
<td>386,456</td>
<td>387,378</td>
<td>0.2%</td>
<td>88,790</td>
<td>92,034</td>
<td>3.7%</td>
</tr>
<tr>
<td>1) 49.2%</td>
<td>49.1%</td>
<td>-0.1 p.p.</td>
<td>46.6%</td>
<td>52.6%</td>
<td>+ 6.0 p.p.</td>
<td></td>
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<tr>
<td>Operating Costs - current</td>
<td>283,751</td>
<td>297,832</td>
<td>5.0%</td>
<td>70,894</td>
<td>72,960</td>
<td>2.9%</td>
</tr>
<tr>
<td>EBITDA - current</td>
<td>133,984</td>
<td>124,724</td>
<td>-6.9%</td>
<td>25,566</td>
<td>27,918</td>
<td>9.2%</td>
</tr>
<tr>
<td>EBITDA/Sales</td>
<td>17.6%</td>
<td>16.0%</td>
<td>-1.6 p.p.</td>
<td>14.3%</td>
<td>15.6%</td>
<td>+ 1.4 p.p.</td>
</tr>
<tr>
<td>EBIT - current</td>
<td>102,705</td>
<td>89,547</td>
<td>-12.8%</td>
<td>17,896</td>
<td>19,075</td>
<td>6.6%</td>
</tr>
<tr>
<td>Non-current results</td>
<td>2) 57</td>
<td>-1620</td>
<td>N/A</td>
<td>-624</td>
<td>-581</td>
<td>N/A</td>
</tr>
<tr>
<td>Net Income</td>
<td>77,389</td>
<td>74,947</td>
<td>-3.2%</td>
<td>18,799</td>
<td>20,538</td>
<td>9.2%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0.582</td>
<td>0.564</td>
<td>-3.2%</td>
<td>0.141</td>
<td>0.154</td>
<td>9.2%</td>
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<tr>
<td>Net Bank Debt</td>
<td>139,009</td>
<td>161,091</td>
<td>22,082</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Bank Debt/EBITDA (x)</td>
<td>3) 1.04</td>
<td>1.29</td>
<td>0.25 x</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EBITDA/Net Interest (x)</td>
<td>4) 108.0</td>
<td>88.2</td>
<td>-19.77 x</td>
<td>70.4</td>
<td>79.0</td>
<td>8.56 x</td>
</tr>
</tbody>
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1) Related to Production
2) Figures refer to restructuring and acquisition of new subsidiaries costs (2019) and the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring and transaction costs for subsidiaries acquisition (2018)
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)