



**ALTRI, SGPS, S.A.**  
Public Company

**FINANCIAL  
INFORMATION  
2016  
(unaudited)**

(This is a translation of a document originally issued in Portuguese.  
In the event of discrepancies, the Portuguese language version prevails)

## KEY INDICATORS 2016

- 1,030.7 thousand tons of pulp produced (+0.8%)
- 1,031.9 thousand tons of pulp sold (+2.0%)
- 959.2 thousand tons of pulp exported (+2.2%)
  
- Total revenue: 612.5 million Euro (-7.9%)
- EBITDA: 167.5 million Euro (-24.3%)
- Income taxes paid: 66.6 million Euro
- Net profit: 77.0 million Euro (-34.6%)
  
- Free Cash Flow to equity (net debt variation plus dividends paid): 55.3 million Euro
- Dividends paid: 51.3 million Euro
- Decrease of net debt: 4.0 million Euro when compared to 2015
- Remunerated net debt (31 December 2016): 438.6 million Euro
- Investments in industrial units: 44.7 million Euro
  
- Return on invested capital (NOPAT/(Equity + net debt)): 11.4%

The consolidated financial information hereby presented was prepared in accordance with the International Financial Reporting Standards (IFRS).

## ANNUAL INCOME STATEMENT

Thousand Euro	2015	2016	2016/ 2015 Var %
<b>TOTAL REVENUES</b>	<b>664,825</b>	<b>612,496</b>	<b>-7,9 %</b>
Costs of sales	237,903	244,831	2,9 %
External supplies and services	162,836	161,135	-1,0 %
Payroll expenses	35,277	33,836	-4,1 %
Other expenses	4,049	4,890	20,8 %
Provisions and impairment losses	3,652	325	ss
<b>TOTAL EXPENSES (a)</b>	<b>443,717</b>	<b>445,018</b>	<b>0,3 %</b>
<b>EBITDA (b) margin</b>	<b>221,107 33,3 %</b>	<b>167,477 27,3 %</b>	<b>-24,3 % -6,0 pp</b>
Amortisation and depreciation	52,834	51,192	-3,1 %
<b>EBIT (c) margin</b>	<b>168,274 25,3 %</b>	<b>116,285 19,0 %</b>	<b>-30,9 % -6,3 pp</b>
Results of associated companies	2,950	3,023	2,5 %
Financial expenses	-31,946	-24,578	-23,1 %
Financial income	8,274	5,966	-27,9 %
<b>FINANCIAL PROFIT</b>	<b>-20,722</b>	<b>-15,588</b>	<b>-24,8 %</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>147,552</b>	<b>100,697</b>	<b>-31,8 %</b>
Income tax	-29,879	-23,720	-20,6 %
Minority interests	17	0	ss
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS</b>	<b>117,656</b>	<b>76,977</b>	<b>-34,6 %</b>

(a) Operating costs excluding amortisation, financial expenses and income tax

(b) EBITDA = Earnings before interests, taxes, depreciation and amortisation

(c) EBIT = Earnings before interest and taxes

## PRODUCTION IN 2016: 1.031 MILLION TONS OF PULP PRODUCED

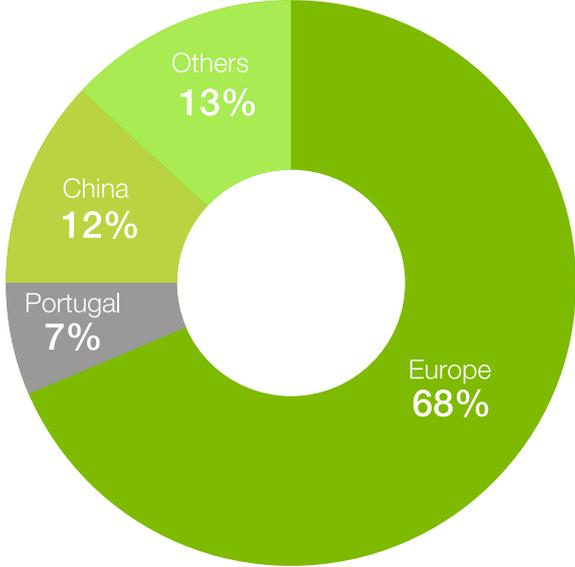
The year 2016 was, once again, a record year in terms of production and pulp sales. Thus, during this year were produced 1.031 million tons of pulp (more 8.4 thousand tons when compared to 2015), which include 104.7 thousand tons of dissolving pulp (DP). In terms of pulp sales, in 2016 were sold 1.032 million tons of pulp, of which 926 thousand tons of paper pulp and 105.9 thousand tons of dissolving pulp.

Therefore, in 2016, Altri's total revenue reached 612.5 million Euro, which represents a decrease of about 8% compared to 2015. Pulp sales reached 515.8 million Euro, which represents a decrease of about 8.7% compared to 2015. The average price of BEKP pulp, in 2016, was 628.2 €/ ton, which represents a decrease of 11.1% compared to the average price recorded in 2015.

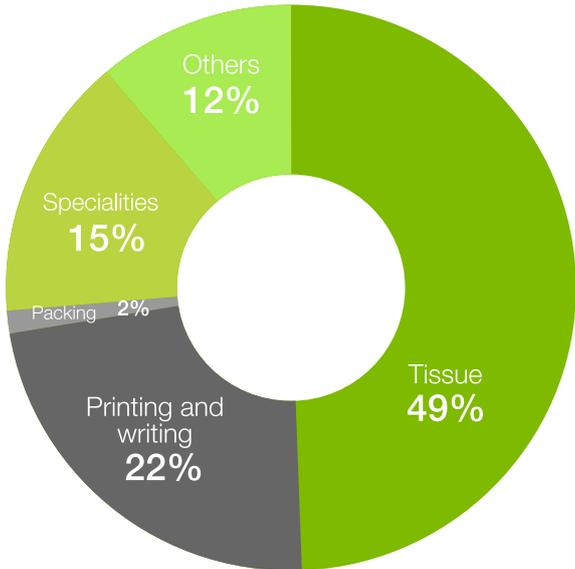
Europe (excluding Portugal) is the biggest market, representing 68% of the Group sales, approximately 705 thousand tons. China represents 12% of the pulp sales.

In terms of pulp use, tissue paper producers are Altri's main clients, with a share of 49%.

### PULP SALES: DETAIL BY REGION



### PULP SALES: DETAIL BY USE



## **COSTS ANALYSIS**

Total costs recorded in 2016, excluding depreciation, financial costs and taxes, reached 445.0 million Euro, in line with the costs recorded in 2015 (+0.3%) which means that operational costs had an increase lower than the increase in pulp production (+0.8%) and pulp sales (+2.0%).

## **EBITDA REACHED 167 MILLION EURO**

EBITDA in 2016 reached 167.5 million Euro, a decrease of 24% compared to 2015, with an EBITDA margin of 27.3% (-6 p.p.). The operational income (EBIT) in 2016 reached 116.3 million Euro, which represents a decrease of 31% compared to 2015.

The financial result amounted to a net charge of 15.6 million Euro. The average cost of total debt is lower than 3%. The caption "Results of associated companies" essentially refers to the appropriation of 50% of the profit of EDP Bioelétrica, a company 50% owned by Altri and consolidated by the equity method.

Altri's net profit reached 77.0 million Euro with a decrease of 35% comparing to the previous year.

## 4th QUARTER OF 2016: NET PROFIT OF 20M€, INCREASE OF 19% COMPARED TO PREVIOUS QUARTER

Thousand Euro	4T 2015	4T 2016	4T 16/ 4T15 Var %	3T 2016	4T 16/ 3T16 Var %
<b>TOTAL REVENUES</b>	170,546	159,092	-6,7 %	149,542	6,4 %
Costs of sales	58,646	67,153	-14,5 %	59,803	12,3 %
External supplies and services	41,695	42,869	2,8 %	39,752	7,8 %
Payroll expenses	10,802	9,547	-11,6 %	8,135	17,4 %
Other expenses	-460	291	-163,3 %	1,605	-81,9 %
Provisions and impairment losses	1,928	413	ss	0	ss
<b>TOTAL EXPENSES (a)</b>	112,611	120,272	6,8 %	109,295	10,0 %
<b>EBITDA (b) margin</b>	57,935 34,0 %	38,820 24,4 %	-33,0 % -9,6 pp	40,247 26,9 %	-3,5 % -2,5 pp
Amortisation and depreciation	13,577	11,387	-16,1 %	13,249	-14,1 %
<b>EBIT (c) margin</b>	44,358 26,0 %	27,433 17,2 %	-38,2 % -8,8 pp	26,998 18,1 %	1,6 % -0,9 pp
Results of associated companies	821	1,118	36,1 %	1,179	-5,2 %
Financial expenses	-7,781	-8,618	10,8 %	-5,209	65,4 %
Financial income	1,827	2,668	46 %	774	244,6 %
<b>FINANCIAL PROFIT</b>	-5,133	-4,832	-5,9 %	-3,256	48,4 %
<b>PROFIT BEFORE INCOME TAX</b>	39,225	22,601	-42,4 %	23,742	-4,8 %
Income tax	-6,269	-2,667	ss	-6,920	ss
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS</b>	32,956	19,935	-39,5 %	16,823	18,5 %

(a) Operating costs excluding amortisation, financial expenses and income tax

(b) EBITDA = Earnings before interests, taxes, depreciation and amortisation

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The fourth quarter of 2016 was marked by an increase on quantities sold, driven by the strong increase of demand in the last months of the year.

Thus, total revenues recorded in the fourth quarter of 2016 reached 159.1 million Euro, representing an increase of about 6.4% comparing to the third quarter of 2016, and a decrease of about 6.7% comparing to the same period of 2015.

During the fourth quarter of 2016 were produced 276.4 thousand tons of pulp, the largest quarterly production ever achieved. In terms of sales, during the fourth quarter were sold 278.5 thousand tons, an increase of 8% compared to previous quarter. The price of pulp in Euro remained at 604 Euro/ton.

EBITDA of the fourth quarter of 2016 amounted to 38.8 million Euro, with an EBITDA margin of 24.4%, which represents a decrease of 2.5 p.p. when compared to the EBITDA margin in the third quarter of 2016.

Net profit reached 19.9 million Euro, which represents a decrease of 39.5% compared to the fourth quarter of 2015 and an increase of 18.5% compared to the previous quarter.

## FREE CASH FLOW OF 502,3 MILLION EURO BETWEEN 2010 AND 2016

The total investment (CAPEX) made in 2016 by the industrial units amounted to 44.7 million Euro.

Altri's nominal remunerated debt net of cash as of 31 December 2016 amounted to 438.6 million Euro, which represents a decrease of about 4.0 million Euro compared to 442.8 million Euro recorded in 2015. Bearing in mind that in 2016 the Group paid 51.3 million Euro of dividends, the free cash flow to equity generated in 2016 reached 55.3 million Euro.

In 2016, the Group paid around 67 million Euro of income taxes. In 2017, the Group will recover part of this amount as it corresponds to advanced payments on account of income tax. The income tax's cash-out estimated for 2017 will be lower than 20 million Euro.

Between 2010 and 2016, the free cash flow to equity generated by Altri Group amounted to 502.3 million Euro having the remunerated net debt of the Group decreased 361.4 million Euro and having the Group paid 140.9 million Euro of dividends.

The Board of Directors will propose to the Shareholder's General Meeting the distribution of a dividend of 0.25 Euro/share.

### NET DEBT

The maturity of Altri's nominal gross debt is presented in the table below. In the beginning of 2017, the Group exercised a call option on the bonds "CELBI 2014/2019", in the amount of 31.6 million Euro.

	2017	2018	2019	2020	2021	2022	2023	2024
Bank loans	39	31	24	16	20	28	-	-
Commercial Paper	59	10	10	20	-	75	-	-
Bonds	32	105	40	50	35	45	-	72
Other Loans	31	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>159</b>	<b>146</b>	<b>74</b>	<b>86</b>	<b>55</b>	<b>146</b>	<b>-</b>	<b>72</b>

## KEY BALANCE SHEET INDICATORS

Thousand Euro	2015	2016	Var %
Biological assets	101,472,9	102,302,6	1 %
Tangible assets	364,119,9	359,638,8	-1 %
Goodwill	265,531,4	265,531,4	0 %
Investments in associated companies and joint ventures	12,008,2	14,983,1	25 %
Others	41,439,6	55,072,8	33 %
<b>TOTAL NON CURRENT ASSETS</b>	<b>784,571,7</b>	<b>797,528,7</b>	<b>2 %</b>
Inventories	56,396,6	58,890,4	4 %
Customers	91,521,3	92,261,4	1 %
Cash and cash equivalents	243,154,2	300,094,3	23 %
Other	19,597,6	36,291,8	85 %
<b>TOTAL CURRENT ASSETS</b>	<b>410,669,6</b>	<b>487,537,8</b>	<b>19 %</b>
<b>TOTAL ASSETS</b>	<b>1,195,241,4</b>	<b>1,285,066,5</b>	<b>8 %</b>
<b>SHAREHOLDER'S EQUITY AND NON CONTROLLING INTERESTS</b>	<b>322,349,6</b>	<b>343,642,2</b>	<b>7 %</b>
Bank loans	153,587,5	118,000,0	-23 %
Other loans	413,733,4	462,357,6	12 %
Reimbursable subsidies	17,439,1	14,946,6	-14 %
Other	45,566,5	48,451,2	6 %
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>630,326,6</b>	<b>643,755,4</b>	<b>2 %</b>
Bank loans	10,775,0	38,897,7	261 %
Other current loans	105,438,1	120,854,4	15 %
Reimbursable subsidies	558,9	3,115,2	457 %
Suppliers	61,243,4	69,045,1	13 %
Other	64,549,8	65,756,4	2 %
<b>TOTAL CURRENT LIABILITIES</b>	<b>242,565,3</b>	<b>297,668,9</b>	<b>23 %</b>

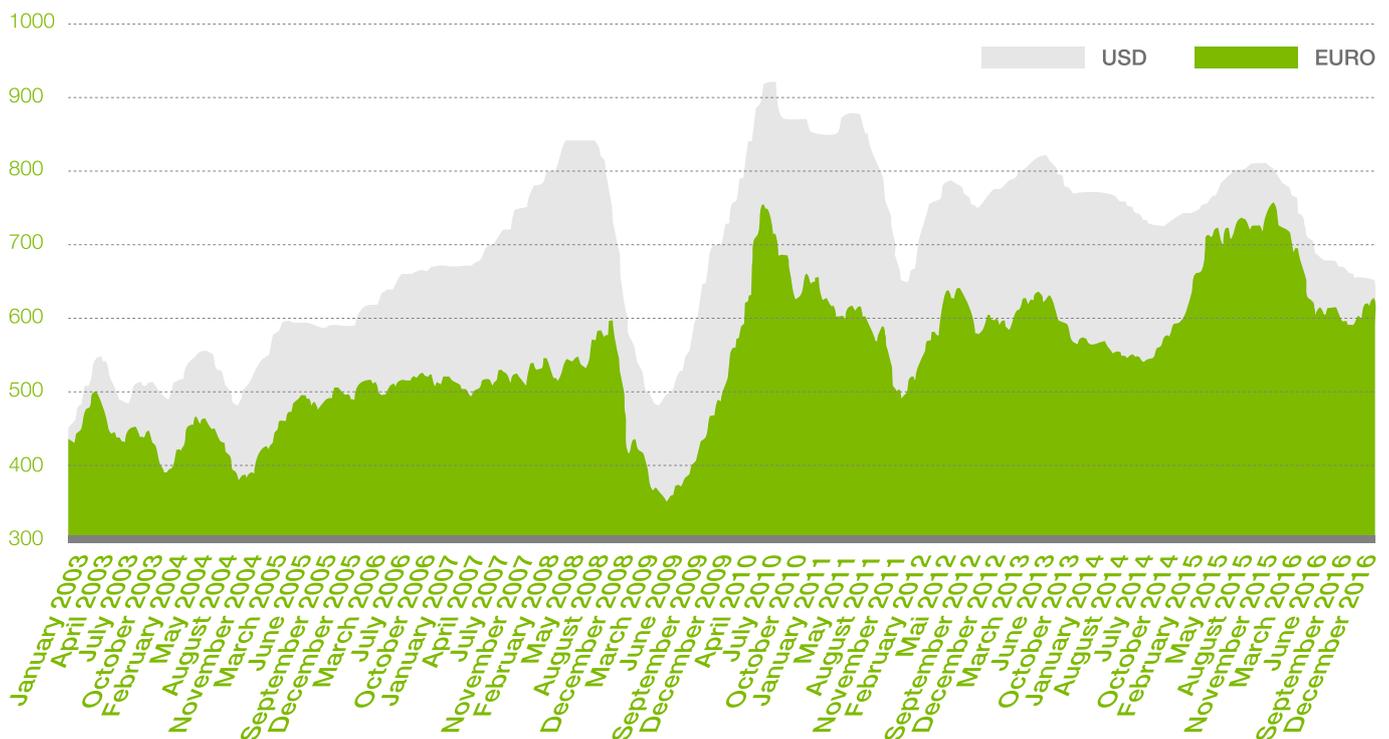
## PULP MARKET

According to data from Pulp and Paper Products Council (PPPC), World Chemical Market Pulp Global 100 Report, in 2016, the total demand for hardwood pulp increased 4.1% which represents, in absolute amounts, an increase of 1.25 million tons, an increase similar to previous year.

The fourth quarter of 2016, in terms of BEKP pulp price, was characterized by a stability of the price in EUR compared to previous quarter (+0.3%), reaching 604 EUR/ ton, which compares with an average market price (PIX) of 602 EUR/ ton in third quarter of 2016. The price in USD recorded a decrease of about 2.5%, from 672.3 USD/ton to 655.1 USD/ ton.

## EVOLUTION OF BEKP PULP PRICE IN EUROPE FROM 2003 UNTIL THE END OF 2016 (EUR)

Fonte: FOEX



## ALTRI · BUSINESS PROFILE

Altri is a reference in European eucalyptus pulp producers. In addition to pulp production, the Company is also present in the renewable power production business from forest base sources, namely industrial cogeneration through black liquor and biomass. The forestry strategy is based on the full use of all the components provided by the forest: pulp, black liquor and forest wastes.

Currently, Altri manages over 84 thousand hectares of forest in Portugal, entirely certified by the Forest Stewardship Council® (FSC®)<sup>1</sup> and by the Programme for the Endorsement of Forest Certification (PEFC), two of the most worldwide acknowledged certification entities.

Altri has three pulp mills in Portugal, with an installed capacity that in 2016 reached more than 1 million tons/ year of eucalyptus pulp.

The Group subsidiaries Celbi and Celtejo, in the beginning of 2017, signed with the Portuguese government, represented by AICEP, two investment contracts. These investments are considered of strategic public interest as they will enhance innovation, promote the creation and qualification of jobs and develop the regions where the industrial units are located. Consequently, the Portuguese government granted financial and fiscal incentives for these investments.

The investment contracted by Celbi amounts to 40 million Euro. The purpose of the investment is to improve the productive process, namely in the peeling and shredding of wood and in the washing and bleaching of pulp. In Celtejo, the contracted investment amounted to 85 million Euro. The purpose is to innovate the productive process and to promote the economic and environmental sustainability of the industrial unit. The main interventions will be in the recovery boiler, reduction of steam and water treatment facilities.

<sup>1</sup>FSC - C004615

Altri's organic structure is as follows:



\* Joint venture with EDP

Oporto, March 3rd, 2017



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Fiscal Number 507 172 086

Share Capital: 25,641,459 Euro