



ALTRI, SGPS, S.A.
Public Company

Head Office: Rua do General Norton de Matos, 68, r/c – Porto
Fiscal Number 507 172 086
Share Capital: 25,641,459 Euro

Financial information - FY17
(unaudited)

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards and in accordance with the International Accounting Standard 34 – Interim Financial Reporting, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Key Indicators 2017

- 1,042 thousand tons of pulp produced (+1%)
- 1,054 thousand tons of pulp sold (+2%)

- Total revenue: 665.8 million Euro (+9%)
- EBITDA: 191.1 million Euro (+14%)
- Operating income: 137.4 million Euro (+18%)
- Net profit: 96.1 million Euro (25%)

- Free Cash Flow to equity (net debt change plus dividends paid): 101.6 million Euro
- Dividends paid: 51.3 million Euro
- Net debt reduction: 50.4 million Euro when compared to 2016
- Remunerated net debt (31 December 2017): 388.2 million Euro
- Industrial CAPEX: 82.2 million Euro

- Return on capital employed (EBIT/(Equity + net debt)): 17.5%

Financial Information 2017

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

Annual Income Statement

Thousand Euro	2017	2016	2017/2016 Var%
Total Revenues	665,779	612,496	8.7%
Cost of sales	257,011	244,831	5.0%
External supplies and services	166,658	161,135	3.4%
Payroll expenses	33,953	33,836	0.3%
Other expenses	8,291	4,890	69.5%
Provisions and impairment losses	-167	325	ss
Variations in the Fair Value of the Biological Assets	8,934	-	ss
Total expenses (a)	474,681	445,018	6.7%
EBITDA (b) margin	191,098 28.7%	167,477 27.3%	14.1% +1.4 pp
Amortisation and depreciation	53,692	51,192	4.9%
EBIT (c) margin	137,406 20.6%	116,285 19.0%	18.2% +1.7 pp
Results of associated companies	2,529	3,024	-16.4%
Financial expenses	-26,329	-24,578	7.1%
Financial income	4,982	5,966	-16.5%
Financial Profit	-18,818	-15,588	20.7%
Profit before income tax	118,589	100,697	17.8%
Income tax	-22,521	-23,720	-5.1%
Profit for the period attributable to parent company's shareholders	96,068	76,977	24.8%

(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

Record Production in 2017: 1.042 million tons of pulp produced

Once again, during 2017, Altri achieved a new record in terms of production and pulp sales. Hence, in 2017 were produced around 1.042 million tons of pulp (more 12 thousand tons when compared to the previous year), which include 105.4 thousand tons of dissolving wood pulp (DWP). In terms of pulp sales, during this year 1.054 million tons of pulp were sold, of which 948.7 thousand tons were paper pulp (BHKP) and 105.3 thousand tons of DWP.

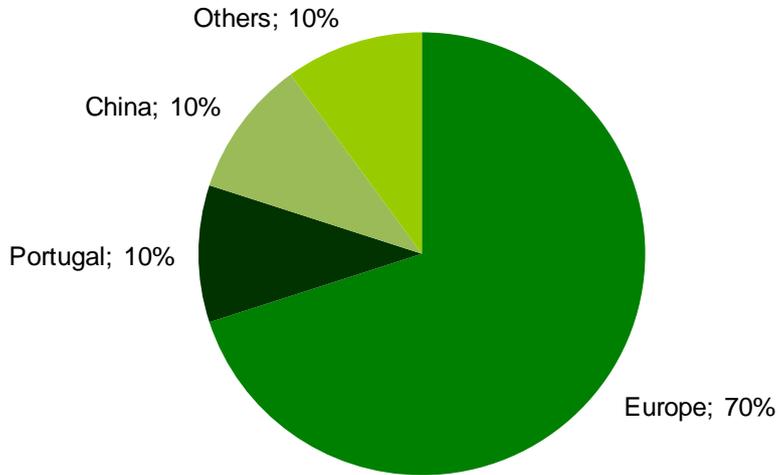
During the year of 2017, Altri's total revenue reached 665.8 million Euro, which represents an increase of about 9% when compared to 2016. Also, pulp sales increased to around 566.0 million Euro (a 10% increase when compared to 2016). The average BHKP pulp price, in 2017, was 724.9 €/ton, which represents an increase of 15% when compared to the average price recorded in 2016.

Considering the geographic destination of Altri's sales, Western Europe (excluding Portugal) is the main market player, representing 70% of the Group's sales, corresponding to 739 thousand tons. On the other hand, China represents around 10% of pulp sales, the same percentage as Portugal.

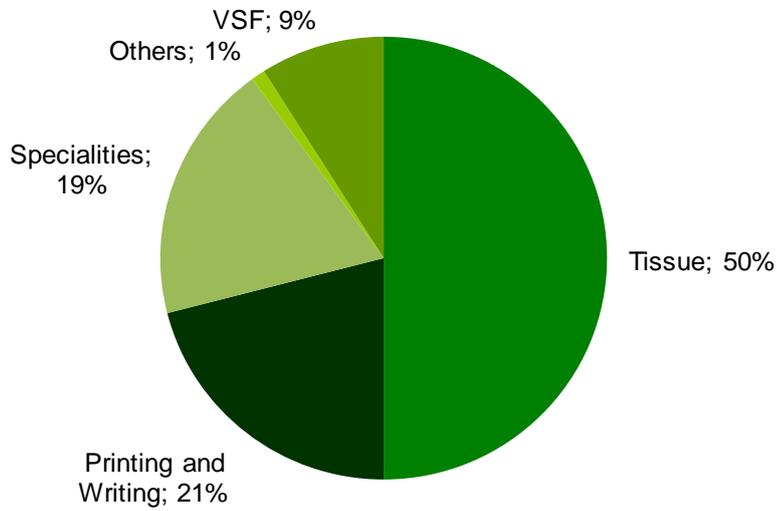
In terms of pulp use, *tissue* paper producers are Altri's main clients, with a share of 50%. *Tissue* is followed by *printing and writing* paper and *specialities*, with market shares of 21% and 19%, respectively. The producers of viscose filaments – DWP consumers – account approximately to 9% of total pulp sales.

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Pulp Sales: Detail by Region



Pulp Sales: Detail by Use



Costs Analysis

In 2017, total costs, excluding amortization, financial costs and taxes, reached 474.7 million Euro, which represents a 7% increase when compared to 2016. It is important to underline that, in 2017, biological assets were recorded, for the first time, at their fair value.

EBITDA reached 191 million Euro

EBITDA in 2017 reached 191.1 million Euro, an increase of 14% when compared to the EBITDA recorded in the previous year, achieving an EBITDA margin of 28.7% (+1.4 p.p.).

The operational income (EBIT) in the year was 137.4 million Euro, which represents an increase of approximately 18% when compared to the previous year.

The financial result amounted to a net charge of 18.8 million Euro. The caption “Results of associated companies” refers to the appropriation of 50% of the profit of EDP Bioeléctrica, a company owned in 50% by Altri and consolidated through the equity method.

Altri’s net profit reached 96.1 million Euro, recording a 25% increase when compared to 2016.

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4th Quarter of 2017: EBITDA reached 49.9 million Euro

Thousand Euro	4Q 2017	4Q 2016	4Q17/4Q16 Var%	3Q 2017	4Q17/3Q17 Var%
Total Revenues	174,987	159,092	10.0%	165,539	5.7%
Cost of sales	56,816	67,153	-15.4%	62,233	-8.7%
External supplies and services	44,994	42,869	5.0%	39,832	13.0%
Payroll expenses	9,124	9,547	-4.4%	8,649	5.5%
Other expenses	5,427	291	ss	1,089	ss
Provisions and impairment losses	-167	413	ss	-	ss
Variations in the Fair Value of the Biological Assets	8,934	0	ss	-	ss
Total expenses (a)	125,128	120,272	4.0%	111,802	11.9%
EBITDA (b) margin	49,858 28.5%	38,820 24.4%	28.4% +4.1 pp	53,737 32.5%	-7.2% -4.0 pp
Amortisation and depreciation	12,130	11,387	6.5%	13,729	-11.6%
EBIT (c) margin	37,728 21.6%	27,433 17.2%	37.5% +4.4 pp	40,008 24.2%	-5.7% -2.6 pp
Results of associated companies	226	1,118	-79.8%	882	-74.4%
Financial expenses	-6,835	-8,618	-20.7%	-7,300	-6.4%
Financial income	1,953	2,668	-26.8%	1,331	46.7%
Financial Profit	-4,656	-4,832	-3.6%	-5,087	-8.5%
Profit before income tax	33,072	22,601	46.3%	34,922	-5.3%
Income tax	-4,989	-2,667	ss	-8,489	ss
Profit for the period attributable to parent company's shareholders	28,083	19,935	40.9%	26,432	6.2%

(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

In operational terms, the fourth quarter of 2017 was marked by a programmed maintenance stoppage in Celbi industrial unit. Hence, the total pulp produced by all the three industrial units of the Group reached to 244.9 thousand tons, representing a decrease of 9% over the previous quarter. In terms of sales, the stoppage did not have impact, since the company sold part of the accumulated stock; pulp sales, in the fourth quarter of 2017, reached the 257.5 thousand tons, slightly above third quarter's pulp sales (255.0 thousand tons).

Thus, total revenues recorded in the fourth quarter of 2017 were 175 million Euro, increasing approximately 6% when compared to the previous quarter and a 10% increase when faced to the fourth quarter of 2016. BHKP pulp price recorded in the fourth quarter was 800€/ton leading to pulp sales revenues of 150 million Euro.

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EBITDA in the fourth quarter of 2017 amounted to 49.9 million Euro, with an EBITDA margin of 28.5%, which represents an increase of 4.1 p.p. when compared to the EBITDA margin reported in the same period of 2016.

Net profit reached 28.1 million Euro, an increase of 40.9% when compared to the profit recorded in the fourth quarter of 2016 and representing an increase of 6.2% when compared to the third quarter of 2017.

Free cash flow of 101 million Euro in 2017

The total investment (CAPEX) in 2017 industrial units amounted to 82.2 million Euro. It is important to point it out that the total investment for 2018 will be significantly lower when compared to 2017's total investment.

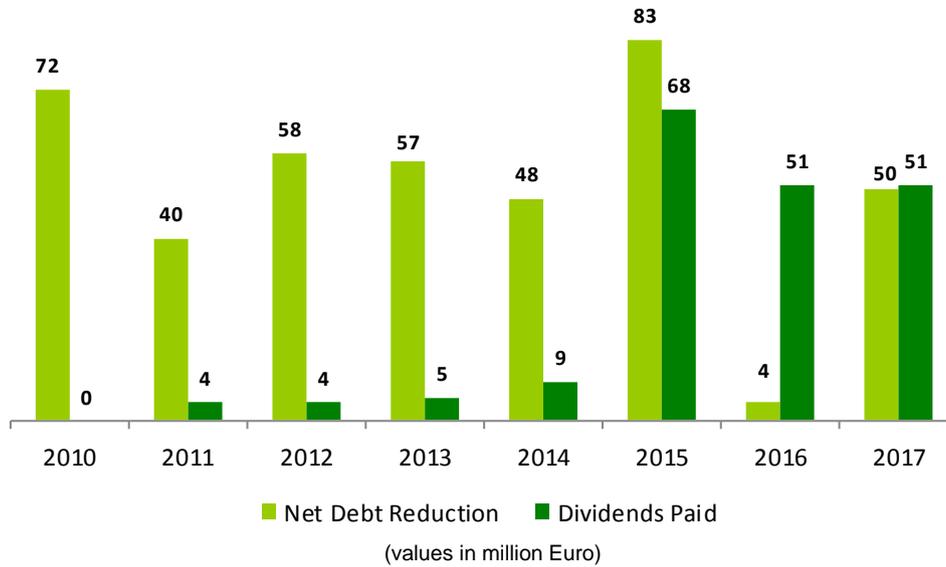
Altri's nominal remunerated net debt as of December 31 2017 amounted to 388.2 million Euro, which represents a 50.4 million Euro decrease when compared to net debt of 438.6 million Euro by the end of 2016. Considering that during 2017 dividends paid were approximately 51.3 million Euro, the *free cash flow to equity* in 2017 reached 101.6 million Euro, an amount that was achieved in a high investment context.

It should be noted that in the last 8 years (between 2010 and 2017), the *free cash flow to equity* generated by Altri Group amounted to 604 million Euro, split between net debt reduction and payment of dividends.

Regarding FY17, the Board of Directors will propose to the Shareholders' General Meeting the distribution of a 0.30 Euro/share dividend.

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Annual allocation of the free cash flow to equity between 2010 and 2017



Also, it should be noted that in 2017 the *free cash flow* per ton of pulp sale amounted to € 96.

Net debt

The maturity profile of Altri's nominal gross debt is presented in the table below.

(million Euro)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Bank Loans	6	6	6	-	28	-	-	-	-	-	46
Comercial Paper	10	12	-	37	-	-	-	-	-	-	59
Bonds	55	40	-	35	45	-	141	90	-	34	440
Other Loans	37	0	0	-	-	-	-	-	-	-	38
TOTAL	108	58	6	72	73	-	141	90	-	34	582

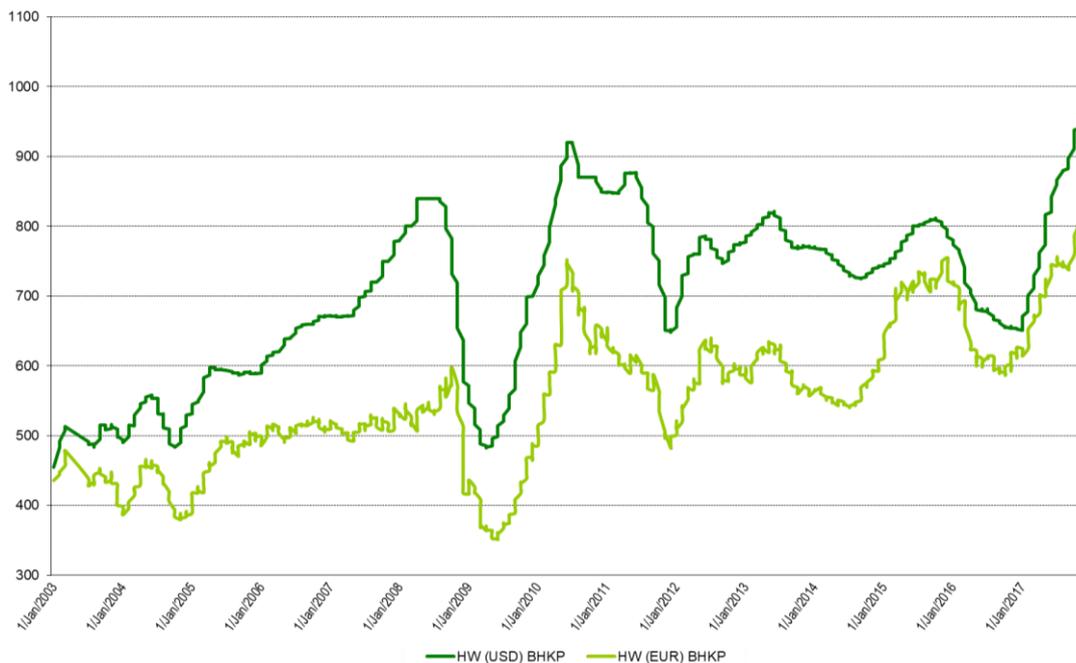
Pulp Market

According to data from Pulp and Paper Products Council (PPPC), World Chemical Market Pulp Global 100 Report, in 2017, the total demand for hardwood pulp increased about 4.9%, which represents, in absolute amounts, an increase of 1.59 million tons. Analysing by geographic region, it is possible to state, once again, that the demand from China recorded a two digits growth level: +12.9%.

In terms of BHKP pulp price, the fourth quarter of 2017 maintained its upward trend, achieving an average market price of 799.7 EUR/ton. This upward trend can be verified when compared with the average market price (PIX) of 745.8 EUR/ton, in the third quarter of 2017.

Evolution of BHKP pulp price in Europe from 2003 until the end of 2017 (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®)¹ and for 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 2017 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 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.

¹ FSC-C004615

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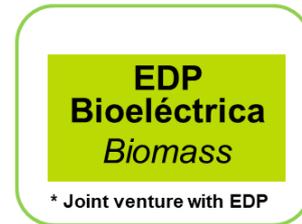
Altri's organic structure is as follows:



100%



50%*



Oporto, March 8, 2018