



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 – 2nd Quarter of 2017
(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 with 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.

Preliminary note regarding the fires occurred in June in Pedrógão Grande

The companies Altri and The Navigator Company (“Navigator”) were involved from the first hour in the fight against the fires that devastated the Portuguese territory in the month of June, deploying the specialist firefighting teams operated by Afocelca. The human losses resulting from these fires were dramatic and unparalleled in history, both companies being in solidarity with all those affected by this tragedy.

In this sense, Altri and Navigator decided to contribute one million Euro, of which half a million Euro will be allocated to the special fund to support civil society organizations in the region of Pedrógão Grande, constituted by the Calouste Gulbenkian Foundation. This contribution aims to help minimize the consequences of the fires and the tragedy that affected the municipalities of Pedrógão Grande, Figueiró dos Vinhos and Castanheira de Pêra.

The two forest-based companies also decided to invest in the recovery of slopes, water lines and forest infrastructures in the areas affected by the fires, according to a technical plan with 12 actions, also providing the specialized support of their teams.

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The financial information presented was prepared in accordance with the principles of recognition and measurement of International Financial Reporting Standards (IFRS)

Income Statement - 2Q 2017

thousand Euro	2Q 2017	2Q 2016	2Q17/2Q16 Var%	1Q 2017	2Q17/1Q17 Var%
Total Revenues	165,417	142,155	16.4%	159,836	3.5%
Costs of sales	68,700	57,635	19.2%	69,261	-0.8%
External supplies and services	40,049	38,189	4.9%	41,783	-4.2%
Payroll expenses	8,461	8,366	1.1%	7,719	9.6%
Others expenses	826	1,740	-52.6%	950	-13.1%
Provisions and impairment losses	0	-96	ss	0	ss
Total Expenses (a)	118,036	105,835	11.5%	119,714	-1.4%
EBITDA (b)	47,381	36,321	30.5%	40,122	18.1%
Margin	28.6%	25.6%	+3.1 pp	25.1%	+3.5 pp
Amortisation and depreciation	13,918	13,293	4.7%	13,915	0.0%
EBIT (c)	33,463	23,027	45.3%	26,207	27.7%
Margin	20.2%	16.2%	+4.0 pp	16.4%	+3.8 pp
Gains/Losses in associated companies	925	469	97.2%	495	86.8%
Financial Costs	-5,451	-4,996	9.1%	-4,614	18.2%
Net foreign exchange differences	-1,661	813		-468	
Financial gains	1,250	1,058	18.1%	448	178.7%
Financial results	-4,937	-2,655	85.9%	-4,138	19.3%
Profit Before Income Tax	28,526	20,372	40.0%	22,069	29.3%
Income tax	-4,098	-5,269	-22.2%	-4,945	-17.1%
Profit for the period attributable to parent company's shareholders	24,428	15,103	61.7%	17,124	42.7%

(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

The second quarter of 2017 was marked by three facts:

- I) The upward trend in the price of short-fiber pulp, which currently stands at USD 864. In quarterly terms, the average price recorded during the second quarter of 2017 was around USD/ton 783, corresponding to a 15% increase compared to the average price registered in the first quarter of 2017 and a growth of around 13% compared to the average price recorded in the same period of 2016;
- II) The continuation of the ongoing investment projects in the Celbi and Celtejo industrial units, with emphasis on the latter, interventions in the recovery boiler, steam reduction plant and industrial waste water treatment plant, which implies a

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limitation of the factory's operational potential, in particular in terms of the efficiency of production costs. This investment is expected to be completed by the end of the first half of 2018;

III) Annual stoppage of the Caima industrial unit, which took place for about two weeks in May.

Exports of 129 million Euro in 2Q2017

Total revenues registered in the second quarter of 2017 amounted to 165.4 million Euro, up 16% compared to the same period of last year and up 3.5% compared to the first quarter of 2017.

During the period under analysis, around 264 thousand tons of pulp were produced (+ 12% compared to the second quarter of 2016), of which approximately 23.4 thousand tons of dissolving pulp (-13% compared to the same quarter of 2016, which is explained by the maintenance stop).

In terms of sales, in the second quarter of 2017, approximately 267.3 thousand tons of pulp were sold (+ 11% compared to the same quarter of 2016), of which approximately 24.1 thousand tons of dissolving pulp (-5% compared to the same quarter of the previous year).

In terms of exports, during the period under review, Altri exported around 242.4 thousand tons of pulp, corresponding to an increase of around 9% over the same period of the previous year, which corresponds to about 129 million of Euro.

Total pulp sales amounted to 141.9 million Euro, an increase of around 5% over the previous quarter of 2017 and a growth of 19% over the same period last year.

A horizontal banner image showing a close-up of vibrant green leaves and branches, serving as a background for the section header.

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Quarterly EBITDA achieves 47 million Euro

Operating costs increased by 11.5% year-on-year, slightly above the year-on-year increase in pulp sales (+ 11%). The total costs, excluding amortizations, financial costs and taxes, in the second quarter of 2017 amounted to approximately 118 million Euro, which corresponds to a reduction of 1.4% compared to the first quarter of 2017.

EBITDA for the second quarter of 2017 was 47.4 million Euro, an increase of 30.5% compared to the EBITDA recorded in the same period of 2016. EBITDA increased by 18% compared with the first quarter of 2017.

The financial result was a net expense of 4.9 million Euro. The change in the financial result was mainly due to exchange rate differences resulting from the devaluation of the USD against the EUR that occurred during the period under analysis. It should also be noted that the weighted average cost of total debt is less than 3%.

Altri consolidated net profit reached approximately 24.4 million Euro, an increase of 43% compared to the first quarter of 2017 and a growth of around 62% compared to the same quarter last year.

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Free Cash Flow of 84.9 million Euro in the first half of 2017

In half-year terms, total revenues amounted to 325 million Euro (+ 7%). EBITDA amounted to 87.5 million Euro, which corresponds to a decrease of 1% over the first half of 2016. The half-year net result reached 41.6 million Euro, a 3% increase compared to the same period of 2016.

In terms of operating cash flow (before CAPEX), this reached 84.9 million Euro, compared with 50 million Euro obtained during the same period of 2016, which corresponds to a 70% growth.

thousand Euro	1H 2017	1H 2016	var %
Total Revenues	325,253	303,861	7.0%
Costs os sales	137,962	117,875	17.0%
External supplies and services	81,832	78,514	4.2%
Payroll expenses	16,181	16,155	0.2%
Others expenses	1,776	2,994	-40.7%
Provisions and impairment losses	0	-88	ss
Total Expenses (a)	237,750	215,451	10.3%
EBITDA (b)	87,503	88,410	-1.0%
Margin	26.9%	29.1%	-2.2 pp
Amortisation and depreciation	27,833	26,556	4.8%
EBIT (c)	59,670	61,854	-3.5%
Margin	18.3%	20.4%	-2.0 pp
Gains/Losses in associated companies	1,420	727	95.3%
Financial Costs	-12,194	-10,752	13.4%
Financial gains	1,698	2,524	-32.7%
Financial results	-9,075	-7,500	21.0%
Profit Before Income Tax	50,595	54,354	-6.9%
Income tax	-9,042	-14,134	-36.0%
Profit for the period attributable to parent company's shareholders	41,552	40,220	3.3%

(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

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Free Cash Flow to Equity amounted to 27.7 million Euro

The remunerated nominal net debt of Altri at June 30, 2017 amounted to 455.8 million Euro, which corresponds to an increase of approximately Euro 23.6 million compared to the net debt of 432.2 million Euro, registered at the end of March 2017. It should be noted that in May the dividend of 0.25 Euro per share, approved at the General Meeting, was paid.

Thus, during the second quarter of 2017, Free Cash Flow to Equity generated by Altri amounted to 27.7 million Euro.

The total net investment (CAPEX) made during the first semester of 2017 by the Group's industrial units amounted to approximately 47.7 million Euros.

Altri's gross debt profile, as at 30 June 2017, is as follows:

	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL
Bank loans	28	31	24	16	20	28	-	-	146
Commercial paper	50	-	12	5	37	5	-	-	109
Bonds	-	55	40	50	35	45	-	141	366
Other Loans	25	-	-	-	-	-	-	-	25
TOTAL	103	86	76	71	92	78	-	141	645

It should be noted that at the end of the first half of 2017, Altri's cash and cash equivalents amounted to approximately 190 million Euro.

Already in July 2017, the Altri Group issued 3 bond loans. Thus, through the subsidiary Celbi, two bond loans were issued: one in the amount of 40 million Euro, for a period of 8 years, with the designation "CELBI 2017/2025"; and a second, also in the amount of 40 million Euros, for a period of 10 years, with the designation "CELBI 2017/2027". On the other hand, Altri SGPS issued another 50 million Euros for a term of 8 years, with the designation "ALTRI 2017/2025", and simultaneously repurchased and amortized a bond loan denominated "ALTRI 2014/2020", in the amount of 50 million Euros.

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Relatively to risk management, Altri uses exchange rate derivatives to hedge future cash flows. Accordingly, Altri has contracted European-style call and put options on 10 million USD per month, covering the period from July 2017 to December 2018.

For the second half of 2017, exchange collars have lower levels between 1.000 and 1.065 and protection levels of 1.15 and 1.17.

Key balance sheet indicators

thousand Euro	30/06/2017	31/12/2016	Var%
Biological assets	97,876.0	102,302.6	-4%
Tangible assets	378,150.5	359,638.8	5%
Goodwill	265,531.4	265,531.4	0%
Investments in associated companies and joint ventures	16,348.6	14,983.1	9%
Others	53,979.4	55,072.8	-2%
Total non current assets	811,885.8	797,528.7	2%
Inventories	64,637.2	58,890.4	10%
Customers	93,764.1	92,261.4	2%
Cash and cash equivalents	190,028.2	300,094.3	-37%
Others	32,727.4	36,291.8	-10%
Total current assets	381,156.9	487,537.8	-22%
Total assets	1,193,042.7	1,285,066.5	-7%
Shareholder's equity and non controlling interests	337,920.9	343,642.2	-2%
Bank loans	94,500.0	118,000.0	-20%
Other loans	389,816.1	462,357.6	-16%
Reimbursable incentives	16,404.3	14,946.6	10%
Others	50,868.6	48,451.2	5%
Total non current liabilities	551,589.0	643,755.4	-14%
Bank loans	51,567.1	38,897.7	33%
Other current loans	111,360.0	120,854.4	-8%
Reimbursable incentives	1,929.6	3,115.2	-38%
Suppliers	73,591.5	69,045.1	7%
Others	65,084.6	65,756.4	-1%
Total current liabilities	303,532.9	297,668.9	2%

Paper Pulp Market

According to the latest data from the Pulp and Paper Products Council (PPPC World Chemical Market Pulp Global 100 Report - May 2017), during the first five months of 2017 total demand for hardwood pulp grew by 5% over the same period of 2016, reaching about 13.5 million tonnes, corresponding to a nominal growth of 644 thousand tonnes. The hardwood eucalyptus pulp registered an increase of 5.2% in the same period.

Analyzing in terms of geography, it is noted that in Europe the consumption of hardwood pulp decreased by about 2.5%, while in China the growth reached 16.6%. As far as eucalyptus pulp is concerned, demand is down by 2.6% in Europe and grew by 10.7% in China. In terms of stock days, in May 2017, hardwood folders had 36 days of inventory (adjusted seasonally), compared to 39 days in May 2016.

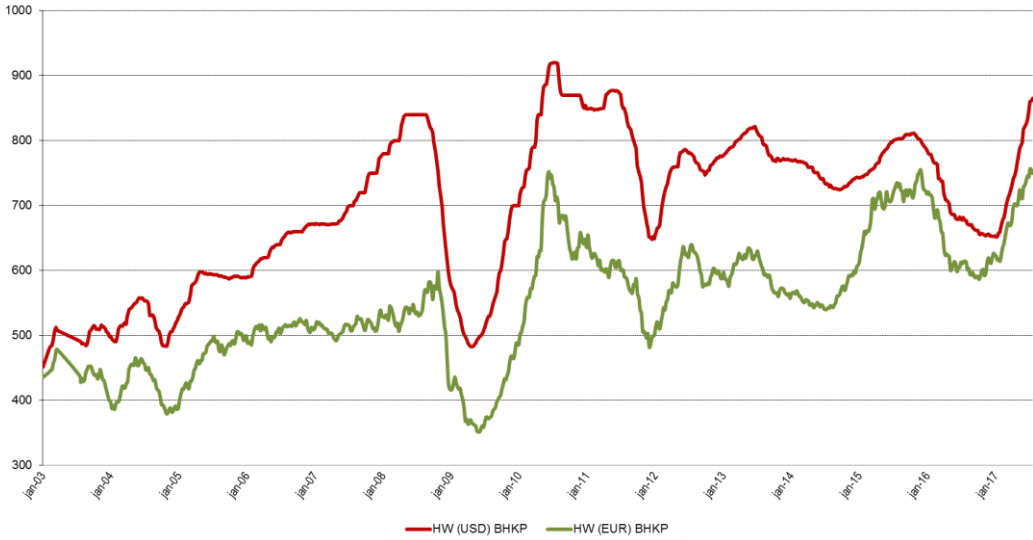
In terms of BEKP pulp prices, the second quarter of 2017 was characterized by a 15% increase in the price in USD compared to the previous quarter and an increase of 11% in the price in Euros. The average price recorded in the period under analysis was USD 782.8 / t (vs. USD 680.5 / t in the previous quarter and USD 693.3 / ton in the same quarter of 2016), while in Euros it stood at EUR 713.5 / t (vs. EUR 640.5 / ton in the previous quarter and EUR 613.1 / ton in the same quarter of 2016).

According to the latest data available from the World Plastics Pulp Statistics (PPPC) - Flash Report for June 2017, pulp sales of the world's leading producers grew by 4.8% in June, with growth in all regions, with special emphasis to North America and to other Asian countries other than China and Japan.

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Evolution of BEKP pulp price in Europe since 2003 to the date of the press release (EUR)

Source:FOEX



Future Perspectives – 3Q 2017

During the third quarter of 2017 there will be a scheduled annual stoppage of the Celtejo industrial unit, scheduled for September.

Taking into account the demand dynamics and the annual maintenance stops that will occur in several pulp production units during the summer months, it is expected that the price level will remain high during the third quarter.

Altri – company 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 has under its intervention over 81 thousand hectares of forest in Portugal entirely certified by Forest Stewardship Council® (FSC®)¹ and by the Program 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 reached, in 2016, 1 million tons/year of bleached eucalyptus pulp.

The Altri Group, through its subsidiaries Celbi and Celtejo, entered into two investment contracts with the Portuguese State, represented by AICEP, at the beginning of 2017, considered to be of strategic interest to the country for the innovation introduced by the creation and qualification of jobs and the development of the regions where the industrial units are located, with financial and fiscal incentives being granted to the projects in question.

The amount of the investment contracted at Celbi was 40 million Euro and is aimed at improving the production process, particularly in the debarking and wrecking of wood and in the washing and bleaching of pulp. At Celtejo, the amount invested was 85 million Euro and its objective is the innovation, economic and environmental sustainability of the industrial unit with interventions at the level of the recovery boiler, steam reduction and industrial waste water treatment installation.

¹ FSC – C 004615

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ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts expressed in Euro)

ASSETS	30.06.2017	31.12.2016
NON CURRENT ASSETS:		
Biological assets	97,876,002	102,302,637
Tangible fixed assets	378,150,464	359,638,821
Investment property	113,309	113,310
Goodwill	265,531,404	265,531,404
Intangible assets	730,703	643,354
Investments in associated companies and joint ventures	16,348,591	14,983,101
Investments available for sale	11,262,914	11,262,914
Other non current assets	3,548,178	3,544,289
Derivative financial instruments	772,461	-
Deferred tax assets	37,551,799	39,508,901
Total non current assets	811,885,825	797,528,731
CURRENT ASSETS:		
Inventories	64,637,217	58,890,414
Biological Assets	1,602,144	-
Customers	93,764,122	92,261,372
Other debtors	2,010,725	4,297,543
State and other public entities	25,333,078	29,538,312
Other current assets	2,967,460	2,455,926
Derivative financial instruments	813,987	-
Cash and cash equivalents	190,028,156	300,094,254
Total current assets	381,156,889	487,537,821
Total Assets	1,193,042,714	1,285,066,552
SHAREHOLDERS' FUNDS AND LIABILITIES		
SHAREHOLDERS' FUNDS:		
Share capital	25,641,459	25,641,459
Legal reserve	5,128,292	5,128,292
Other reserves	265,598,988	235,894,619
Consolidated net profit / (loss)	41,552,124	76,977,826
Total shareholders' funds attributable to the parent company's shareholders	337,920,863	343,642,196
Non controlling interests	-	-
Total shareholders' funds	337,920,863	343,642,196
LIABILITIES:		
NON CURRENT LIABILITIES:		
Bank loans	94,500,000	118,000,000
Other loans	389,816,067	462,357,627
Reimbursable subsidies	16,404,293	14,946,631
Other non current liabilities	23,239,850	19,698,356
Deferred tax liabilities	19,588,570	18,731,619
Pension liabilities	2,528,818	2,528,818
Provisions	5,058,300	5,064,402
Derivative financial instruments	453,083	2,428,023
Total non current liabilities	551,588,981	643,755,474
CURRENT LIABILITIES:		
Bank loans	51,567,094	38,897,709
Other loans	111,360,031	120,854,418
Reimbursable subsidies	1,929,607	3,115,183
Suppliers	73,591,491	69,045,134
Other current creditors	14,217,121	14,915,753
State and other public entities	17,399,378	14,318,318
Other current liabilities	32,629,936	34,099,716
Derivatives	838,212	2,422,650
Total current liabilities	303,532,870	297,668,881
Total shareholders' funds and liabilities	1,193,042,714	1,285,066,552

ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

(Amounts expressed in Euro)

	<u>2Q2017</u>	<u>1Q2017</u>	<u>2Q2016</u>
Sales	161,663,673	154,999,151	137,635,617
Services rendered	2,314,724	2,411,633	2,400,254
Other income	1,438,807	2,425,030	2,119,584
Cost of sales	(68,700,477)	(69,261,460)	(57,635,431)
External supplies and services	(40,048,706)	(41,783,093)	(38,189,331)
Payroll expenses	(8,461,466)	(7,719,061)	(8,365,598)
Amortisation and depreciation	(13,918,157)	(13,915,112)	(13,293,317)
Provisions and impairment losses	-	-	95,798
Other costs	(825,605)	(950,237)	(1,740,159)
Gains and losses in associated companies and joint ventures	925,277	495,213	469,313
Financial expenses	(7,112,344)	(5,081,710)	(4,182,503)
Financial income	1,249,983	448,451	1,058,064
Profit before income tax	<u>28,525,709</u>	<u>22,068,805</u>	<u>20,372,292</u>
Income tax	(4,097,674)	(4,944,716)	(5,268,890)
Profit after income tax	<u>24,428,035</u>	<u>17,124,089</u>	<u>15,103,402</u>
Consolidated net profit	<u>24,428,035</u>	<u>17,124,089</u>	<u>15,103,402</u>

Porto, July 27, 2017

The Board of Directors