



ALTRI, SGPS, S.A.

Public Company

Head Office: Rua do General Norton de Matos, 68, r/c – Oporto

Fiscal Number 507 172 086

Share Capital: 25,641,459 Euro

Financial Information – 3rd 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 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.

Financial Information 3Q 2017

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

Income Statement – 3Q 2017

thousand Euro	3Q 2017	3Q 2016	3Q17/3Q16 Var%	2Q 2017	3Q17/2Q17 Var%
Total Revenues	165,539	149,542	10.7%	165,417	0.1%
Cost of Sales	62,233	59,803	4.1%	68,700	-9.4%
External supplies and services	39,832	39,752	0.2%	40,049	-0.5%
Payroll expenses	8,649	8,135	6.3%	8,461	2.2%
Other costs	1,089	1,605	-32.2%	826	31.9%
Provisions and impairment losses	0	0	ss	0	ss
Total Costs (a)	111,802	109,295	2.3%	118,036	-5.3%
EBITDA (b)	53,737	40,247	33.5%	47,381	13.4%
Margin	32.5%	26.9%	+5.5 pp	28.6%	+3.8 pp
Depreciations and Amortizations	13,729	13,249	3.6%	13,918	-1.4%
EBIT (c)	40,008	26,998	48.2%	33,463	19.6%
Margin	24.2%	18.1%	+6.1 pp	20.2%	+3.9 pp
Gains/Losses in associated companies	937	1,179	-20.5%	925	1.3%
Financial Costs	-6,164	-5,463	12.8%	-5,451	13.1%
Net exchange gains/losses	-1,135	254		-1,661	
Financial gains	1,276	774	64.8%	1,250	2.1%
Financial Results	-5,087	-3,256	56.2%	-4,937	3.0%
Profit Before Income Tax	34,922	23,742	47.1%	28,526	22.4%
Income Tax	-8,489	-6,920	22.7%	-4,098	107.2%
Consolidated Net Profit	26,433	16,823	57.1%	24,428	8.2%

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

(b) EBITDA = earnings before interests, taxes, depreciation and amortization

(c) EBIT = earnings before interests and taxes

During the third quarter of 2017 the price of BHKP pulp maintained the upward trend, by rising around 12% in USD (from 783 USD in the previous quarter to 873 USD in the current quarter), while in EUR this increase was around 5%.

On the other hand, the investment projects in Celbi and Celtejo's industrial units remain on course, being highlighted the latter, with interventions in the recovery boiler, steam reduction and industrial waste water treatment installations, implying a limitation of the mill operational potential, in terms of production capacity and efficiency of production costs. This investment is expected to be completed by the end of the first half of 2018.

In respect to the investment in Celtejo, there was a short programmed maintenance stoppage in September (three days) in this industrial unit.

EBITDA of 54 million Euro and margin of 32.5%

Total revenues in the third quarter of 2017 achieved 165.5 million Euro, an increase of 11% over the same period of last year and in line with the revenues from the previous quarter.

During the period under analysis, approximately 270 thousand tons of pulp were produced (268 thousand in the third quarter of 2016), of which approximately 28.2 thousand tons of dissolving pulp (26.9 thousand tons in the same quarter of 2016).

In terms of sales, in the third quarter, were sold approximately 255 thousand tons of pulp, of which 27 thousand tons were dissolving pulp. The difference between produced tons and sold tons is related with the need to accumulate stocks to offset the lower estimated production for the fourth quarter of 2017, as a consequence of the programmed maintenance stoppage at Celbi's industrial unit.

In terms of exports, during the period under analysis, Altri exported around 228.6 thousand tons of pulp, corresponding to approximately 126 million Euro, corresponding to approximately 90% of its pulp sales.

Total pulp sales amounted to 139.7 million Euro, which corresponds to a decrease of approximately 1.6% over the previous quarter of 2017, in result of the reduction of the volume sold and an increase of 13% in relation to the same period of the previous year.

Operating costs recorded an increase of 2.3% over the same period of 2016, higher than the variation in the volume sold (-1.3%), which is explained by the normal inefficiencies that arise during investment periods and the above-mentioned stoppage at Celtejo's industrial unit. Total costs, excluding amortisations, financial costs and taxes, in this quarter, amounted to approximately 111.8 million Euro, which corresponds to a reduction of 5.3% over the previous quarter of 2017.

Regarding the forest fires that happened in the country until the 30th of September 2017, the effect over the Group's consolidated financial statements is fully recorded and is immaterial. Considering the forests fires that occurred after the closing of the quarter, the Company is currently evaluating their impact. However, it is not expected that these events will be materially relevant, neither jeopardize the wood supply to the plants in the short-term.

EBITDA for the third quarter of 2017 was around 53.7 million Euro, an increase of 34% compared to EBITDA recorded in the same period of 2016. In relation to the second quarter of 2017, EBITDA increased 13%.

The financial result was a net loss of 5 million Euro. The variation of the financial result is due to exchange rate differences, a consequence of the devaluation of USD against EUR that occurred during the period under analysis. The average cost of total financial debt is below 3%.

Altri's consolidated net profit reached approximately 26.4 million Euro, an increase of 8% over the second quarter of 2017 and an increase of 57% over the same quarter of the previous year.

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First nine months of 2017

In accumulated figures, total revenues reached approximately 491 million Euro (+8%). EBITDA reached 141.2 million Euro, corresponding to an increase of 10% over the same period of 2016. The net profit was around 68 million Euro, an increase of 19% over the first nine months of 2016.

thousand Euro	9M 2017	9M 2016	var %
Total Revenues	490,792	453,403	8.2%
Cost of Sales	200,195	177,678	12.7%
External supplies and services	121,663	118,266	2.9%
Payroll expenses	24,829	24,290	2.2%
Other costs	2,865	4,599	-37.7%
Provisions and impairment losses	0	-88	ss
Total Costs (a)	349,552	324,746	7.6%
EBITDA (b)	141,240	128,657	9.8%
Margin	28.8%	28.4%	+0.4 pp
Depreciations and Amortizations	41,562	39,805	4.4%
EBIT (c)	99,678	88,852	12.2%
Margin	20.3%	19.6%	+0.7 pp
Gains/Losses in associated companies	2,358	1,907	23.6%
Financial Costs	-19,494	-15,961	22.1%
Net exchange gains/losses	0	0	ss
Financial gains	2,974	3,298	-9.8%
Financial Results	-14,162	-10,756	31.7%
Profit Before Income Tax	85,516	78,097	9.5%
Income Tax	-17,532	-21,053	-16.7%
Consolidated Net Profit	67,985	57,043	19.2%

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

(b) EBITDA = earnings before interests, taxes, depreciation and amortization

(c) EBIT = earnings before interests and taxes

Free Cash Flow to Equity reached 19,5 million Euro

Altri's nominal debt net of cash and cash equivalents at 30 September 2017 reached to 436.3 million Euro, which corresponds to a decrease of 19.5 million Euro compared to net debt of 455.8 million Euro, recorded in the end of June 2017.

The total net investment (CAPEX) incurred until the end of September 2017 by the industrial units of the Group amounted to 59.4 million Euro, which means that during the third quarter of 2017 it was paid 11.7 million Euro of CAPEX.

The scheduling of Altri's remunerated gross debt maturity is as follows:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Bank loans	12	16	16	16	20	28	-	-	-	-	-	108
Commercial paper	30	-	12	-	37	-	-	-	-	-	-	79
Bonds	-	55	40	-	35	45	-	141	90	-	35	441
Other Loans	42	0	0	0	-	-	-	-	-	-	-	42
TOTAL	84	71	68	16	92	73	-	141	90	-	35	669

In the end of September 2017, Altri's cash and equivalents amounted to approximately 233 million Euro.

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

For the fourth quarter of 2017, the exchange rate collars present lower levels between 1.000 and 1.065 and protection levels of 1.15 and 1.17.

During the month of October, it was contracted European-style exchange rate collars, with a notional amount of 6 million USD per month, covering the 12 months of 2019.

Key Balance Sheet Indicators

Thousand Euro	9M2017	2016	Var%
Biological Assets	97,572.0	102,302.6	-5%
Tangible Assets	386,429.1	359,638.8	7%
Goodwill	265,531.4	265,531.4	0%
Investments in associated companies and joint venture	17,285.7	14,983.1	15%
Others	54,379.5	55,072.8	-1%
Non-Current Assets	821,197.7	797,528.7	3%
Inventories	65,553.4	58,890.4	11%
Costumers	107,286.2	92,261.4	16%
Cash and Cash Equivalents	233,002.9	300,094.3	-22%
Others	33,806.4	36,291.8	-7%
Current Assets	439,648.8	487,537.8	-10%
Total Assets	1,260,846.5	1,285,066.5	-2%
Shareholders' Equity and non-controlling interests	366,876.3	343,642.2	7%
Bank Loans	79,500.0	118,000.0	-33%
Other Loans	484,143.4	462,357.6	5%
Reimbursable Incentives	17,142.9	14,946.6	15%
Others	43,682.8	48,451.2	-10%
Non-Current Liabilities	624,469.1	643,755.4	-3%
Bank Loans	28,205.1	38,897.7	-27%
Other Loans	77,620.2	120,854.4	-36%
Reimbursable Incentives	1,929.6	3,115.2	-38%
Suppliers	81,341.5	69,045.1	18%
Others	80,404.7	65,756.4	22%
Current Liabilities	269,501.1	297,668.9	-9%

Pulp Market

In accordance with information from the Pulp and Paper Products Council (PPPC World Chemical Market Pulp Global 100 Report – September 2017), during the first nine months of 2017, total demand for hardwood pulp increased by 3.6% relatively to the same period of 2016, reaching around 24.7 million tons, which represents an increase of 1 million of tons. The hardwood pulp produced through eucalyptus recorded an increase in demand of 2.9% in the same period.

In terms of stock days, the hardwood pulp had 40 days of inventory in the end of September, compared to 43 days one year ago. Comparing August with September of 2017, there was an increase of three days of inventory.

Concerning the supply evolution, during the second semester of 2017 there were unscheduled stops of some hardwood pulp producers, which had a very positive impact in terms of pulp price evolution. On the other hand, it was announced the entry of a new mill in Brazil – Horizonte 2 belonging to Brazilian company Fibría.

In terms of BEKP pulp price evolution, the third quarter of 2017 was characterized by an increase of the price in USD of 12% compared to the previous quarter and an increase of the price in EUR of 5%. The average price recorded in the period under analysis reached 873 USD/ton (vs. 783 USD/ton in the previous quarter), while in Euro achieved 746 EUR/ton (vs. 714 EUR/ton in the previous quarter).

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Evolution of BEHK pulp price in Europe since 2003 until the press release date (EUR)

Source: FOEX



Outlook for the 4th quarter of 2017

During the fourth quarter of 2017, Celbi's industrial unit had its programmed annual stoppage, which occurred in accordance with the forecast, having the production in that industrial unit restarted successfully at the date of this press release. It was also concluded the ongoing investment project in that mill.

In terms of BHKP pulp selling prices evolution it is expected that, in the short-term, the prices will remain with an upward trend, peaking historical levels. However, the level of prices announced start to jeopardize the profitability of some paper producers.

Moreover, already during the fourth quarter, Altri received 12 million Euro related to payments on account of income tax from previous years.

Altri – Business Profile

Altri is a European reference eucalyptus pulp producer. 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 the Forest Stewardship Council® (FSC®)¹ and by the Program for the Endorsement of Forest Certification (PEFC), two of the most worldwide acknowledged certification entities.

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

The Altri Group, through its subsidiaries Celbi and Celtejo, engaged 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 of the investment contracted 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 installations.

¹ FSC-C004615



FINANCIAL INFORMATION 3Q2017

Consolidated financial statements and notes

(translation of a document originally issued in Portuguese – note 20)

ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

(Translation of financial statements originally issued in Portuguese)
(Amounts expressed in Euro)

ASSETS	Notes	30.09.2017	31.12.2016
NON CURRENT ASSETS:			
Biological assets		97,572,019	102,302,637
Tangible fixed assets		386,429,065	359,638,821
Investment property		113,310	113,310
Goodwill		265,531,404	265,531,404
Intangible assets		689,191	643,354
Investments in associated companies and joint ventures	4.2	17,285,739	14,983,101
Investments available for sale	4.3	11,262,914	11,262,914
Other non current assets		3,374,254	3,544,289
Derivative financial instruments	11	1,447,282	-
Deferred tax assets	7	37,492,515	39,508,901
Total non current assets		821,197,693	797,528,731
CURRENT ASSETS:			
Inventories		65,553,359	58,890,414
Biological assets		340,119	-
Customers		107,286,173	92,261,372
Other debtors		2,856,106	4,297,543
State and other public entities		25,023,682	29,538,312
Other current assets		2,884,289	2,455,926
Derivative financial instrument	11	2,702,206	-
Cash and cash equivalents	6	233,002,863	300,094,254
Total current assets		439,648,797	487,537,821
Total assets		1,260,846,490	1,285,066,552
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	8	25,641,459	25,641,459
Legal reserve		5,128,292	5,128,292
Other reserves		268,121,786	235,894,619
Consolidated net profit / (loss)		67,984,749	76,977,826
Total shareholders' funds attributable to the parent company's shareholders		366,876,286	343,642,196
Non controlling interests		-	-
Total shareholders' funds		366,876,286	343,642,196
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	9	79,500,000	118,000,000
Other loans	9	484,143,420	462,357,627
Reimbursable subsidies	9	17,142,916	14,946,631
Other non current liabilities		16,433,445	19,698,356
Deferred tax liabilities	7	19,665,254	18,731,619
Pension liabilities		2,528,818	2,528,818
Provisions	10	5,055,249	5,064,402
Derivatives	11	-	2,428,023
Total non current liabilities		624,469,102	643,755,474
CURRENT LIABILITIES:			
Bank loans	9	28,205,123	38,897,709
Other loans	9	77,620,159	120,854,418
Reimbursable subsidies	9	1,929,607	3,115,183
Suppliers		81,341,496	69,045,134
Other current creditors		23,167,212	14,915,753
State and other public entities		15,193,937	14,318,318
Other current liabilities		41,466,705	34,099,716
Derivatives	11	576,863	2,422,650
Total current liabilities		269,501,102	297,668,881
Total shareholders' funds and liabilities		1,260,846,490	1,285,066,552

The accompanying notes form an integral part of the consolidated financial statements

The official chartered accountant

The Board of Directors

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(translation of a document originally issued in Portuguese – note 20)

ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

(Translation of financial statements originally issued in Portuguese)
(Amounts expressed in Euro)

	Notes	NINE MONTHS PERIOD ENDED		THREE MONTHS PERIOD ENDED		
		30.09.2017	30.09.2016	30.09.2017	30.09.2016	
Sales		477,835,461	440,120,191	161,172,637	144,821,070	
Services rendered		7,022,834	6,952,130	2,296,477	2,353,058	
Other income	14	5,933,918	6,330,947	2,070,081	2,367,723	
Cost of sales		(200,195,087)	(177,678,296)	(62,233,150)	(59,802,888)	
External supplies and services		(121,663,416)	(118,266,097)	(39,831,617)	(39,751,708)	
Payroll expenses		(24,829,259)	(24,289,718)	(8,648,732)	(8,135,096)	
Amortisation and depreciation		(41,561,883)	(39,804,980)	(13,728,614)	(13,248,808)	
Provisions and impairment losses		-	87,602	-	-	
Other costs	15	(2,864,676)	(4,599,490)	(1,088,834)	(1,605,354)	
Gains and losses in associated companies and joint ventures	4.2	2,302,638	1,906,741	882,148	1,179,315	
Financial expenses	12	(19,493,573)	(15,960,733)	(7,299,519)	(5,209,075)	
Financial income	12	3,029,300	3,298,335	1,330,866	774,171	
		Profit before income tax	85,516,257	78,096,632	34,921,743	23,742,408
Income tax		(17,531,508)	(21,053,448)	(8,489,118)	(6,919,690)	
		Profit after income tax	67,984,749	57,043,184	26,432,625	16,822,718
Consolidated net profit		67,984,749	57,043,184	26,432,625	16,822,718	
Attributable to:						
Parent company's shareholders		67,984,749	57,043,184	26,432,625	16,822,718	
Non controlling interests		-	-	-	-	
		67,984,749	57,043,184	26,432,625	16,822,718	
Earnings per share:						
Basic	13	0.33	0.28	0.13	0.08	
Diluted	13	0.33	0.28	0.13	0.08	

The accompanying notes form an integral part of the consolidated financial statements

The official chartered accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2017

Consolidated financial statements and notes

(translation of a document originally issued in Portuguese – note 20)

ALTRI, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

(Translation of financial statements originally issued in Portuguese)
(Amounts expressed in Euro)

	Notes	NINE MONTHS PERIOD ENDED		THREE MONTHS PERIOD ENDED	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
Net consolidated profit / (loss) for the period		67,984,749	57,043,184	26,432,625	16,822,718
Other comprehensive income:					
Items that will not be reclassified to profit or loss		-	-	-	-
Items that may be reclassified to profit and loss					
Change in fair value of cash flow hedging derivatives	11	6,546,219	(421,491)	2,556,776	(421,491)
Changes in currency translation reserves		(46,185)	(8,582)	(33,977)	2,407
Others		32,225	-	-	-
		6,532,259	(430,074)	2,522,799	(419,085)
Other comprehensive income for the period		6,532,259	(430,074)	2,522,799	(419,085)
Total comprehensive income for the period		74,517,008	56,613,110	28,955,424	16,403,633
Attributable to:					
Shareholders' of the parent company		74,517,008	56,613,110	28,955,424	16,403,633
Non controlling interest		-	-	-	-

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The official chartered accountant

The Board of Directors

ALTRI, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

(Translation of financial statements originally issued in Portuguese)
 (Amounts expressed in Euro)

Attributable to the parent company's shareholders								
Notes	Share capital	Legal reserve	Other reserves	Advance on profits	Net profit	Total	Non controlling interests	Total shareholder's funds
Balance as of 1 January 2016	25,641,459	4,336,498	225,998,128	(51,282,918)	117,656,401	322,349,568	-	322,349,568
Appropriation of the consolidated net profit of 2015	-	791,794	65,581,689	51,282,918	(117,656,401)	-	-	-
Dividend distribution	-	-	(51,282,918)	-	-	(51,282,918)	-	(51,282,918)
Total comprehensive income for the period	-	-	(430,074)	-	57,043,184	56,613,110	-	56,613,110
Balance as of 30 September 2016	<u>25,641,459</u>	<u>5,128,292</u>	<u>239,866,825</u>	<u>-</u>	<u>57,043,184</u>	<u>327,679,760</u>	<u>-</u>	<u>327,679,760</u>
Balance as of 1 January 2017	25,641,459	5,128,292	235,894,619	-	76,977,826	343,642,196	-	343,642,196
Appropriation of the consolidated net profit of 2016	18	-	76,977,826	-	(76,977,826)	-	-	-
Dividend distribution	18	-	(51,282,918)	-	-	(51,282,918)	-	(51,282,918)
Total comprehensive income for the period	-	-	6,532,259	-	67,984,749	74,517,008	-	74,517,008
Balance as of 30 September 2017	<u>25,641,459</u>	<u>5,128,292</u>	<u>268,121,786</u>	<u>-</u>	<u>67,984,749</u>	<u>366,876,286</u>	<u>-</u>	<u>366,876,286</u>

The accompanying notes form an integral part of the consolidated financial statements

The official chartered accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2017

Consolidated financial statements and notes

(translation of a document originally issued in Portuguese – note 20)

ALTRI, SGPS, S.A.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

(Translation of financial statements originally issued in Portuguese)
(Amounts expressed in Euro)

	Notes	NINE MONTHS PERIOD ENDED		THREE MONTHS PERIOD ENDED	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
Operating activities:					
<i>Cash flow from operating activities (1)</i>		137,095,994	65,808,734	52,278,734	14,226,440
Investment activities:					
Receipts relating to:					
Tangible assets		66,295	448,544	11,209	34,603
Investment subsidies		774,835	878,333	458,018	202,839
Dividends received		55,000	-	-	-
Interest and similar income		76,107	524,807	76,107	-
Payments relating to:					
Investment subsidies		(1,729,914)	(279,436)	-	-
Financial investments		-	(2,550,000)	-	(2,550,000)
Tangible assets		(59,232,703)	(23,953,580)	(11,533,411)	-
Intangible assets		(113,495)	(226,628)	(76,723)	(13,772,038)
Other financial assets		-	(103,000)	-	-
<i>Cash flow from investment activities (2)</i>		(60,103,875)	(25,260,960)	(11,064,800)	(16,084,596)
Financing activities:					
Receipts relating to:					
Loans obtained		114,349,302	123,130,823	76,948,841	72,569,561
Other financial operations		-	5,103	-	-
Payments relating to:					
Loans obtained		(191,886,432)	(192,273,238)	(68,413,071)	(17,973,111)
Interest and similar costs		(15,252,742)	(11,792,840)	(6,764,277)	(4,378,808)
Dividends distribution	18	(51,282,918)	(51,282,918)	-	-
<i>Cash flow from financing activities (3)</i>		(144,072,790)	(132,213,070)	1,771,493	50,217,642
Cash and cash equivalents at the beginning of the period		300,094,254	243,154,160	190,028,156	103,129,377
Exchange rate differences effect		(10,720)	-	(10,720)	-
Variation of cash and cash equivalents: (1)+(2)+(3)		(67,080,671)	(91,665,297)	42,985,427	48,359,486
Cash and cash equivalents at the end of the period	6	233,002,863	151,488,863	233,002,863	151,488,863

The accompanying notes form an integral part of the consolidated financial statements

The official chartered accountant

The Board of Directors

1. INTRODUCTORY NOTE

Altri, SGPS, S.A. (“Altri” or “Company”) is an open capital company incorporated as of 1 March 2005, as a result of the reorganization process of Cofina, SGPS, S.A., has its head-office located at Rua General Norton de Matos, 68, r/c – Porto, Portugal and its shares are listed in the Euronext Lisbon Stock Exchange. Its main activity is the management of investments.

Altri is the parent company of a group of companies listed in Note 4 known as Altri Group. The current activity of Altri Group focuses on the production of bleached pulp of eucalyptus through three mills (Celbi in Figueira da Foz, Caima in Constância do Ribatejo and Celtejo in Vila Velha de Rodão).

Due to this reality of Altri Group, the Board of Directors believes that there is only one business segment (production and commercialization of bleached pulp from eucalyptus) and the management information is also analysed on this basis, for which the segmental information mentioned in Note 16 is limited by this.

The consolidated financial statements of Altri Group are presented in Euro rounded off to the unit, which is the currency used by the Group in its operations and considered as the functional currency.

2. MAIN ACCOUNTING POLICIES AND BASIS FOR PRESENTATION

The consolidated financial statements as of 30 September 2017 were prepared using accounting policies consistent with the International Financial Reporting Standards and in accordance with the International Accounting Standard 34 – Interim Financial Reporting and includes the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the condensed statement of cash flows as well as the selected explanatory notes.

The accounting policies used in the preparation of the consolidated financial statements of Altri are consistent with those used in the year ended 31 December 2016.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF MISTAKES

During the period there were no changes in accounting policies and were identified no material mistakes related to previous years.

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4. INVESTMENTS

4.1 INVESTMENTS IN SUBSIDIARIES

The companies included in the consolidated financial statements by the full consolidation method, its headquarters, percentage participation held and main activity as of 30 September 2017 and 31 December 2016, are as follows:

Company	Head Office	Percentage Held		Main Activity
		2017	2016	
<u>Parent-Company</u>				
Altri, SGPS, S.A.	Porto			Investment management
<u>Subsidiaries</u>				
Altri Abastecimento de Madeira, S.A.	Figueira da Foz	100%	100%	Wood commercialization
Altri Florestal, S.A.	Figueira da Foz	100%	100%	Forest management
Altri Sales, S.A.	Nyon, Switzerland	100%	100%	Group management support services
Altri, Participaciones Y Trading, S.L.	Pontevedra, Spain	100%	100%	Commercialization of pulp
Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.	Constância	100%	100%	Production of energy
Caima Indústria de Celulose, S.A.	Constância	100%	100%	Production and commercialization of pulp
Captaraiz Unipessoal, Lda.	Figueira da Foz	100%	100%	Purchase and sale of properties
Celtejo – Empresa de Celulose do Tejo, S.A.	Vila Velha de Ródão	100%	100%	Production and commercialization of pulp
Celulose Beira Industrial (Celbi), S.A.	Figueira da Foz	100%	100%	Production and commercialization of pulp
Inflora – Sociedade de Investimentos Florestais, S.A.	Figueira da Foz	100%	100%	Forest management
Pedro Fruticola, Sociedade Fruticola, S.A.	Constância	100%	100%	Agriculture production
Sociedade Imobiliária Porto Seguro - Investimentos Imobiliários, S.A.	Porto	100%	100%	Purchase and sale of properties
Viveiros do Furadouro Unipessoal, Lda.	Óbidos	100%	100%	Production of plants in nurseries and services related with forests and landscapes

All the above companies were included in the Altri Group consolidated financial statements in accordance with the full consolidation method.

4.2 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

The associated companies and joint ventures, percentage of capital held and main activity as of 30 September 2017 and 31 December 2016 are as follows:

Company	Head Office	Statement of financial position		Percentage Held		Activity
		2017	2016	2017	2016	
<u>Associated companies:</u>						
Operfoz – Operadores do Porto da Figueira da Foz, Lda.	Figueira da Foz	691,796	719,057	33.33%	33.33%	Harbor operations
<u>Joint ventures:</u>						
EDP – Produção Bioelétrica, S.A.	Lisboa	16,593,943	14,264,044	50%	50%	Energy production
		<u>17,285,739</u>	<u>14,983,101</u>			

Associated companies and joint ventures were included in the Altri Group consolidated financial statements in accordance with the equity method.

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The movements occurred in the balance of this caption in the periods ended in 30 September 2017 and 2016 were as follows:

	Statement of financial position			
	30.September.2017		30.September.2016	
	Operfoz	EDP Bioelétrica (a)	Operfoz	EDP Bioelétrica (a)
Opening balance	719,057	14,264,044	697,453	11,310,766
Equity method:				
Effects on gains and losses in associated companies and joint ventures	(27,261)	2,329,899	-	1,906,741
Closing balance	691,796	16,593,943	697,453	13,217,507

(a) - Includes loans granted.

The total amount of the statement of financial position, equity and net profit for the periods ended on 30 September 2017 and 31 December 2016 for the main joint ventures and associated companies were as follows:

	30.09.2017	31.12.2016
	EDP Bioelétrica (a) / (b)	EDP Bioelétrica (a)
Non-current assets	116,599,664	119,046,942
Current assets	23,024,450	23,102,698
Non-current liabilities	63,554,228	61,633,836
Current liabilities	48,736,068	47,838,608
Equity attributable to shareholders of the parent company	27,333,818	32,677,196
Turnover	37,431,597	39,115,664
Net profit	3,958,598	5,423,422
Total comprehensive income	3,958,598	5,423,422

(a) - Includes loans granted.

(b) - Financial statements non-audited.

EDP – Produção Bioelétrica, S.A. owns shares representing the total share capital of Ródão Power – Energia e Biomassa do Ródão, S.A., Bioródão, S.A. and Sociedade Bioelétrica do Mondego, S.A.

The accounting policies used by these companies do not differ significantly from those used by Altri Group, fact that led to no accounting policies harmonization.

4.3 INVESTMENTS AVAILABLE FOR SALE

As of 30 September 2017 and 31 December 2016 the investments available for sale are as follows:

	Statement of financial position	
	30.09.2017	31.12.2016
Rigor Capital - Produção de Energia, Lda.	10,527,397	10,527,397
Other investments	735,517	735,517
	11,262,914	11,262,914

It is the understanding of the Altri Group that the caption "Investments available for sale" includes financial investments under 20%, in companies where Altri Group has no significant influence on its management and is stated at acquisition cost, reduced by impairment losses, which does not differ significantly from its fair value.

5. CHANGES OCCURED IN THE CONSOLIDATION PERIMETER

During the nine months period ended on 30 September 2017, there were no changes in the consolidation perimeter compared to 31 December 2016.

6. CASH AND CASH EQUIVALENTS

As of 30 September 2017 and 2016, the caption “Cash and cash equivalents” can be detailed as follows:

	30.09.2017	30.09.2016
Cash	44,533	40,485
Bank deposits	232,958,330	151,448,378
Cash and cash equivalents	<u>233,002,863</u>	<u>151,488,863</u>

During the nine months' periods ended on September 30, 2017 and 2016 there were no collections related with financial investments.

During the nine months' period ended on September 30, 2017 there were no payments related to investments and during the nine months' period ended on September 30, 2016 there was just the payment of the acquisition of shares of Sociedade Imobiliária Porto Seguro, S.A..

7. CURRENT AND DEFERRED TAXES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period (five years for Social Security), with the exception when there have been tax losses, cases when there have been granted tax benefits, or tax inspections or claims are in progress, in which cases the periods may be extended or suspended. Therefore, the Company tax returns since 2013 are still subject to review.

The Board of Directors of Altri believes that any potential corrections resulting from reviews/inspections of these tax returns by the tax authorities will not have a significant effect on the consolidated financial statements as of 30 September 2017.

The movements occurred in deferred tax assets and liabilities in the nine months periods ended in 30 September 2017 and 2016 were as follows:

	2017	
	Deferred tax assets	Deferred tax liabilities
Opening balance as of 1.1.2017	39,508,901	18,731,619
Effects on income statement:		
Harmonization of depreciation rates	(247,472)	-
Others	(802,034)	-
Total effect on income statement	<u>(1,049,506)</u>	<u>-</u>
Effects on shareholders' funds:		
Fair value of derivatives	(966,880)	933,635
Closing balance as of 30.09.2017	<u>37,492,515</u>	<u>19,665,254</u>
	2016	
	Deferred tax assets	Deferred tax liabilities
Opening balance as of 1.1.2016	27,060,866	15,871,624
Effects on income statement:		
Increases/(Decreases) in provisions not accepted	581,698	1,370,179
Harmonization of depreciation rates	(174,136)	-
Others	-	-
Total effect on income statement	<u>407,562</u>	<u>1,370,179</u>
Effects on shareholders' funds:		
Fair value of derivatives	162,081	-
Closing balance as of 30.09.2016	<u>27,630,509</u>	<u>17,241,803</u>

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8. SHARE CAPITAL

As of 30 September 2017 and 2016 the Company's fully subscribed and paid up capital consisted of 205,131,672 shares with a nominal value of 12.5 cents of a Euro each.

9. BANK LOANS, OTHER LOANS AND REIMBURSABLE SUBSIDIES

As of 30 September 2017 and 31 December 2016, the captions "Bank loans", "Other loans" and "Reimbursable subsidies" can be detailed as follows:

	30.09.2017					
	Nominal value			Book value		
	Current	Non current	Total	Current	Non current	Total
Bank loans	28,000,000	79,500,000	107,500,000	28,205,123	79,500,000	107,705,123
Pledged current accounts	-	-	-	-	-	-
Bank loans	28,000,000	79,500,000	107,500,000	28,205,123	79,500,000	107,705,123
Commercial paper	-	78,500,000	78,500,000	101,679	78,500,000	78,601,679
Bonds	35,000,000	406,000,000	441,000,000	35,636,975	405,211,420	440,848,395
Other loans	41,881,505	432,000	42,313,505	41,881,505	432,000	42,313,505
Other loans	76,881,505	484,932,000	561,813,505	77,620,159	484,143,420	561,763,579
Reimbursable subsidies	1,929,607	17,142,916	19,072,523	1,929,607	17,142,916	19,072,523
	106,811,112	581,574,916	688,386,028	107,754,889	580,786,336	688,541,225

	31.12.2016					
	Nominal value			Book value		
	Current	Non current	Total	Current	Non current	Total
Bank loans	13,500,000	118,000,000	131,500,000	13,854,263	118,000,000	131,854,263
Pledged current accounts	25,000,000	-	25,000,000	25,043,446	-	25,043,446
Bank loans	38,500,000	118,000,000	156,500,000	38,897,709	118,000,000	156,897,709
Commercial paper	58,500,000	115,000,000	173,500,000	58,500,000	115,000,000	173,500,000
Bonds	31,600,000	346,500,000	378,100,000	31,790,307	347,357,627	379,147,934
Other loans	30,564,111	-	30,564,111	30,564,111	-	30,564,111
Other loans	120,664,111	461,500,000	582,164,111	120,854,418	462,357,627	583,212,045
Reimbursable subsidies	3,115,183	14,946,631	18,061,814	3,115,183	14,946,631	18,061,814
	162,279,294	594,446,631	756,725,925	162,867,310	595,304,258	758,171,568

The expenditures with the constitution of the loans were deducted from its nominal value, being these recognized as financial expenses along the loan's life period (Note 12).

10. ACCUMULATED PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the nine months periods ended at 30 September 2017 and 2016 can be detailed as follows:

	30.09.2017			
	Provisions	Impairment losses in accounts		Total
		receivable	inventories and biological assets	
Opening balance	5,064,402	3,717,961	8,319,880	17,102,243
Increases	-	-	-	-
Reversals and utilizations	(9,153)	(1,518)	-	(10,671)
Closing balance	5,055,249	3,716,443	8,319,880	17,091,572

	30.09.2016			
	Provisions	Impairment losses in accounts		Total
		receivable	inventories and biological assets	
Opening balance	5,062,741	3,720,996	7,764,789	16,548,526
Increases	-	-	-	-
Reversals and utilizations	(96,755)	-	-	(96,755)
Closing balance	4,965,986	3,720,996	7,764,789	16,451,771

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The amount recorded under the caption “Provisions” as at 30 September 2017 and 2016 is the best estimate of the Board of Directors in order to face all the losses that may be supported due to claims in force.

11. DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 September 2017 and 2016 the companies of the Group operated with contracts for derivatives related to hedge interest rate variations and as of 30 September 2017 they had contracts of exchange rate derivatives, which are recorded according to their fair value.

Altri Group's companies only use derivatives to hedge cash flows associated with operations related with their activities.

As of 30 September 2017 and 2016 the detail of the financial derivative instruments and its movements occurred in the nine months periods then ended are as follows:

	Exchange rate derivatives				Interest rate derivatives	Total
	Non current assets	Current assets	Non current liabilities	Current liabilities	Current liabilities	
Opening balance as of 31 December 2016	-	-	(2,428,023)	(1,873,584)	(549,066)	(4,850,673)
Derivatives fair value variation/cessation						
Effects on shareholder's funds	1,447,282	2,702,206	2,428,023	1,873,584	(4,361)	8,446,734
Effects on the profit and loss statement	-	-	-	-	(23,436)	(23,436)
Closing balance as of 30 September 2017	<u>1,447,282</u>	<u>2,702,206</u>	<u>-</u>	<u>-</u>	<u>(576,863)</u>	<u>3,572,625</u>

	Interest rate derivatives
Opening balance as of 31 December 2015	(136,786)
Derivatives fair value variation/cessation	
Effects on shareholder's funds	(643,345)
Effects on the profit and loss statement	(26,813)
Closing balance as of 30 September 2016	<u>(806,944)</u>

12. FINANCIAL RESULTS

The financial results for the nine months periods ended at 30 September 2017 and 2016 are detailed as follows:

	30.09.2017	30.09.2016
<u>Financial expenses:</u>		
Interests	12,195,003	10,834,941
Other financial expenses	7,298,570	5,125,792
	<u>19,493,573</u>	<u>15,960,733</u>
<u>Financial income:</u>		
Interests	426,129	473,416
Other financial income	2,603,171	2,824,919
	<u>3,029,300</u>	<u>3,298,335</u>

The caption “Other financial expenses” includes, mainly, expenses with loans setup, which are recognized in the profit and loss statement through the duration of those loans (Note 9) and interest rate derivatives instruments that matured or were paid until that date (Note 11).

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13. EARNINGS PER SHARE

Earnings per share for the nine months periods ended as of 30 September 2017 and 2016 were determined taking into consideration the following amounts:

	30.09.2017	30.09.2016
Share number considered for the computation of basic and diluted earnings	205,131,672	205,131,672
Net profit considered for the computation of basic and diluted earnings	67,984,749	57,043,184
Earnings per share		
Basic	0.33	0.28
Diluted	0.33	0.28

14. OTHER INCOME

As of 30 September 2017 and 2016 the caption of the statement of profit and loss "Other Income" is detailed as follows:

	30.09.2017	30.09.2016
Subsidies to investment and exploitation	3,726,318	3,504,430
Gains on disposal of fixed assets	49,184	215,457
Other income	2,158,416	2,611,060
	<u>5,933,918</u>	<u>6,330,947</u>

15. OTHER EXPENSES

As of 30 September 2017 and 2016 the caption of the statement of profit and loss "Other expenses" is detailed as follows:

	30.09.2017	30.09.2016
Direct taxes and charges	1,141,399	1,185,773
Other costs	1,723,277	3,413,717
	<u>2,864,676</u>	<u>4,599,490</u>

16. SEGMENTAL INFORMATION

On 16 April 2008, was signed the Altri SGPS, S.A. spin-off public deed. Under the terms of that project, the planned reorganization implies the split of Altri's two business units that manage equity holdings in the pulp and paper sector and in the steel and storage systems sector. This reorganization aimed a bigger focus and transparency on ALTRI's business, and giving each of the areas an opportunity to be better seen and better evaluated by the market. This allows for the Altri Group to focus its activity on its core business, production and commercialization of bleached pulp from eucalyptus, so the Board of Directors believes that there is only one business segment and the management information is reported and analysed on this basis.

17. RELATED PARTIES

The subsidiary companies of the Group have between each other transactions that classify as transactions with related parties and which are made at market prices.

In the consolidation procedures the transactions between the companies included in consolidation by the full consolidation method are eliminated, once the consolidated financial statements present the owner and its subsidiaries information as one single company, therefore they are not disclosed in this note.

During the nine months periods ended at 30 September 2017 and 2016, there were no transactions or loans granted to the members of the Board of Directors.

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As of 30 September 2017 and 2016 the balances and transactions with related parties are as follow:

Transactions	Purchases and services obtained		Sales and services rendered		Interest income	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Associated companies and joint ventures (a)	1,759,803	1,622,043	12,825,924	11,293,612	129,765	142,490
Other related parties (b)	4,589,840	3,299,211	-	-	-	-
	<u>6,349,643</u>	<u>4,921,254</u>	<u>12,825,924</u>	<u>11,293,612</u>	<u>129,765</u>	<u>142,490</u>

Balances	Contas a pagar		Contas a receber		Empréstimos concedidos	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Associated companies and joint ventures (a)	309,885	212,810	3,006,327	4,145,017	11,482,905	11,482,905
Other related parties (b)	121,606	69,890	360,260	-	-	-
	<u>431,491</u>	<u>282,700</u>	<u>3,366,587</u>	<u>4,145,017</u>	<u>11,482,905</u>	<u>11,482,905</u>

(a) All entities consolidated by the equity method as of 30 September 2017 and 2016 (Note 4.2);

(b) Were considered as related parties the companies listed below.

Besides the companies included in consolidation (Note 4), entities considered as related parties as of 30 September 2017 can be detailed as follow:

- Actium Capital, SGPS, S.A.
- Adcom Media Anúncios e Publicidade, S.A.
- Alteria, SGPS, S.A.
- A Nossa Aposta – Jogos e Apostas On-line, S.A.
- Caderno Azul, SGPS, S.A.
- Cofihold, SGPS, S.A.
- Cofina Media, S.A.
- Cofina, SGPS, S.A.
- Destak Brasil – Editora de Publicações, S.A.
- Destak Brasil – Empreendimentos e Participações, S.A.
- Elege Valor, SGPS, S.A.
- Expeliarmus – Consultoria, S.A.
- F. Ramada II, Imobiliária, S.A.
- F. Ramada – Investimentos, SGPS, S.A.
- Grafedisport – Impressão e Artes Gráficas, S.A.
- Livrefluxo, SGPS, S.A.
- Mercados Globais – Publicação de Conteúdos, Lda.
- Planfuro Global, S.A.
- Préstimo – Prestígio Imobiliário, S.A.
- Promendo, SGPS, S.A.
- Ramada – Aços, S.A.
- Ramada Storax, S.A.
- Socitrel – Sociedade Industrial de Trefilaria, S.A.
- Storax S.A.
- Storax Benelux, S.A.
- Storax Ltd.
- Storax España, S.L.
- Universal Afir, S.A.
- Valor Autêntico, SGPS, S.A.
- VASP – Sociedade de Transportes e Distribuições, Lda.
- 1 Thing Investments, SGPS, S.A.

18. APPLICATION OF THE NET PROFIT

The Board of Directors proposed, in its annual report, approved at the General Shareholders' Meeting held on 26 April 2017, that the individual net profit of Altri SGPS, S.A. amounting to 59,541,558.30 Euros would be allocated as follows:

Free reserves	8,258,640.30
Distribution of dividends	51,282,918.00

	59,541,558.30
	=====

19. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors and authorized for issuance in 3 November 2017.

20. EXPLANATION ADDED FOR TRANSLATION

These condensed consolidated financial statements are a translation of financial statements 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.

The Board of Directors

Paulo Jorge dos Santos Fernandes

João Manuel Matos Borges de Oliveira

Domingos José Vieira de Matos

Laurentina da Silva Martins

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo de Carvalho Menéres de Mendonça

José Manuel de Almeida Archer



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