



**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 – 1<sup>st</sup> 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.

## Financial Information 1Q 2017

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

### Income Statement – 1Q 2017

thousand Euro	1Q 2017	1Q 2016	1Q17/1Q16 Var%	4Q 2016	1Q17/4Q16 Var%
<b>Total Revenues</b>	159,836	161,706	-1.2%	159,092	0.5%
Costs of sales	69,261	60,240	15.0%	67,153	3.1%
External supplies and services	41,783	40,325	3.6%	42,869	-2.5%
Payroll expenses	7,719	7,789	-0.9%	9,547	-19.1%
Others expenses	950	1,254	-24.2%	291	226.8%
Provisions and impairment losses	0	8	ss	413	ss
<b>Total Expenses (a)</b>	119,714	109,616	9.2%	120,272	-0.5%
<b>EBITDA (b)</b>	40,122	52,090	-23.0%	38,820	3.4%
<b>Margin</b>	25.1%	32.2%	-7,1 pp	24.4%	+0,7 pp
Amortisation and depreciation	13,915	13,263	4.9%	11,387	22.2%
<b>EBIT (c)</b>	26,207	38,827	-32.5%	27,433	-4.5%
<b>Margin</b>	16.4%	24.0%	-7,6 pp	17.2%	-0,8 pp
Gains/Losses in associated companies	495	258	91.9%	1,118	-55.7%
Financial costs	-5,082	-6,569	-22.6%	-8,618	-41.0%
Financial gains	448	1,466	-69.4%	2,668	-83.2%
<b>Financial results</b>	-4,138	-4,845	-14.6%	-4,832	-14.4%
<b>Profit Before Income Tax</b>	22,069	33,982	-35.1%	22,601	-2.4%
Income tax	-4,945	-8,865	ss	-2,667	ss
<b>Profit for the period attributable to parent company's shareholders</b>	17,124	25,117	-31.8%	19,935	-14.1%

(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 first quarter of 2017 was marked by three facts:

- (I) The beginning of a rise trend in the price of pulp, which amounted to 640.5 Euro/ton, which corresponds to an appreciation of around 6% (Euro) compared to the last quarter of the previous year. However, the average price recorded in the first quarter of 2016 was 693.1 Euro/ton, which means that the market price in the quarter under review was 7.6% lower than the price registered in the same period of 2016;

- (II) The continuation of the investment project in the Celtejo industrial unit, with interventions in the recovery boiler, steam reduction and industrial waste water treatment installation, implying a limitation of the factory's 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;
- (III) The suggested adjustment of Legal Regime of Afforestation and Reforestation (RJAR – Regime Jurídico de Arborizações e Rearborizações), which limits the planting of eucalyptus trees, is harmful for 400 thousand forestry producers and could damage competitiveness of the Pulp and Paper Industry, which, nowadays, makes annual wood imports of about 200 million Euro.

### **Cumulative total production of about 541 thousand tons in the last 2 quarters**

Total revenues in the first quarter of 2017 amounted to 159.8 million Euro, a decline of around 1% over the same period of last year and a growth of about 0.5% over the fourth quarter of 2016.

During the period under analysis, approximately 264.4 thousand tons of pulp were produced (+ 5.4% in relation to the first quarter of 2016), of which approximately 26.6 thousand tons of dissolving pulp (+ 15% compared to the same quarter of 2016).

In terms of sales, around 274.3 thousand tons of pulp were sold in the first three months of 2017 (+ 8.2% over the same quarter of 2016), of which approximately 26.6 thousand tons of dissolving pulp (+ 3% compared to the same quarter of the previous year).

It should be noted that cumulatively in the fourth quarter of 2016 and the first quarter of 2017, approximately 540.7 thousand tons of eucalyptus pulp were produced.

## Financial Information 1Q 2017

In terms of exports, during the first three months of 2017, Altri exported around 250.5 thousand tons of pulp, corresponding to a growth of around 8% over the same period of the previous year.

Total pulp sales amounted to 134.9 million Euro, which corresponds to a decrease of around 3% over the same period of the previous year and a growth of around 1.2% over the fourth quarter of 2016.

### Quarterly EBITDA reaches 40 million Euro

Operating costs increased by 9.2% year-on-year, slightly above the 8.2% increase in pulp sales (+ 8.2%), mainly due to the investments in progress in Celtejo that limit the mill's potential in terms of production and operational efficiency. Thus, total costs, excluding depreciation, financial costs and taxes, in the first quarter of 2017 amounted to approximately 119.7 million Euro, which corresponds to a 0.5% reduction compared to the fourth quarter of 2016.

EBITDA for the first quarter of 2017 was approximately 40.1 million Euro, a decrease of about 23% compared to the EBITDA recorded in the same period of 2016. In relation to the fourth quarter of 2016, EBITDA increased by 3.4%.

The financial result was a net expense of 4.1 million Euro, which corresponds to a decrease of about 14% compared to the net financial expense incurred in the fourth quarter of 2016. The average cost of total financial debt is less than 3%.

Altri's consolidated net profit reached approximately 17 million Euro.

## Net debt of 432 million Euro

Altri's nominal debt net of cash and cash equivalents as of 31 March 2017 amounted to 432.2 million Euro, representing a decrease of approximately 6.4 million Euro compared to net debt of 438.6 million Euro recorded in the end of 2016.

The total net investment (CAPEX) made in the 1<sup>st</sup> quarter of 2017 by the industrial units of the Group amounted to 24.4 million Euro.

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

thousand Euro	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>TOTAL</u>
<b>Bank loans</b>	28	31	24	16	20	28	-	-	146
<b>Commercial paper</b>	84	-	-	5	-	5	-	-	94
<b>Bonds</b>	-	55	40	50	35	45	-	141	366
<b>Other loans</b>	33	1	-	-	-	-	-	-	34
<b>TOTAL</b>	<b>144</b>	<b>87</b>	<b>64</b>	<b>71</b>	<b>55</b>	<b>78</b>	<b>-</b>	<b>141</b>	<b>639</b>

It should be noted that, at the end of the first quarter of 2017, Altri's cash and equivalents amounted to approximately 206.6 million Euro.

With regard to 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 USD 10 million per month, covering the period from April 2017 to December 2018.

## Financial Information 1Q 2017

### Key balance sheet indicators

thousand Euro	31.03.2017	31.12.2016	Var%
Biological assets	100,989.0	102,302.6	-1%
Tangible assets	378,030.9	359,638.8	5%
Goodwill	265,531.4	265,531.4	0%
Investments in associated companies and joint ventures	15,478.3	14,983.1	3%
Others	54,998.7	55,072.8	0%
<b>Total non current assets</b>	<b>815,028.2</b>	<b>797,528.7</b>	<b>2%</b>
Inventories	58,547.8	58,890.4	-1%
Customers	92,373.3	92,261.4	0%
Cash and cash equivalents	206,614.6	300,094.3	-31%
Others	35,386.6	36,291.8	-2%
<b>Total current assets</b>	<b>392,922.3</b>	<b>487,537.8</b>	<b>-19%</b>
<b>Total assets</b>	<b>1,207,950.5</b>	<b>1,285,066.5</b>	<b>-6%</b>
<b>Shareholder's equity and non controlling interests</b>	<b>362,755.8</b>	<b>343,642.2</b>	<b>6%</b>
Bank loans	98,250.0	118,000.0	-17%
Other loans	341,913.2	462,357.6	-26%
Reimbursable incentives	16,948.6	14,946.6	13%
Others	56,638.9	48,451.2	17%
<b>Total non current liabilities</b>	<b>513,750.7</b>	<b>643,755.4</b>	<b>-20%</b>
Bank loans	47,474.7	38,897.7	22%
Other current loans	151,885.1	120,854.4	26%
Reimbursable incentives	3,115.2	3,115.2	0%
Suppliers	57,675.0	69,045.1	-16%
Others	71,294.2	65,756.4	8%
<b>Total current liabilities</b>	<b>331,444.1</b>	<b>297,668.9</b>	<b>11%</b>

**Pulp Market**

In accordance with information from the Pulp and Paper Products Council (PPPC Chemical Market Pulp Global 100 Report – March 2017), during the first quarter of 2017, total demand for hardwood pulp increased by 7.5% (comparing to the same period of 2016), reaching around 8.2 million tons. It is highlighted the eucalyptus pulp which recorded an increase in demand of 7.6% in the same period.

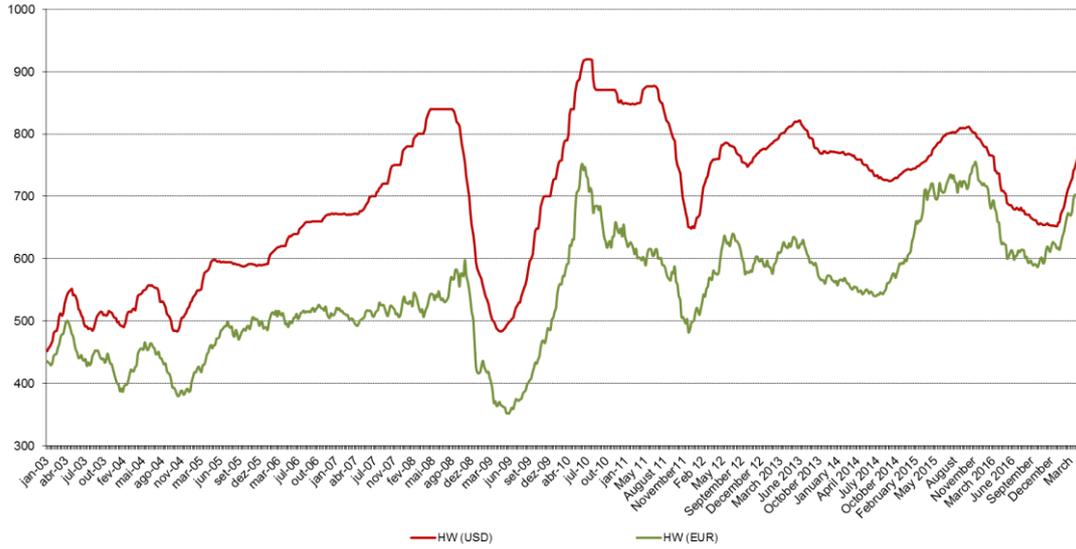
Geographically, the consumption of hardwood pulp in Europe decreased 4.4% while in China the increase reached 24.4%. In relation with eucalyptus pulp, the demand decreased 5.0% in Europe and increased 25.3% in China. In terms of stock days, in March 2017, hardwood pulp had 37 days of inventory (adjusted seasonally), compared to 45 days in March 2016.

The 1<sup>st</sup> quarter of 2017, in terms of BEKP pulp price evolution, was characterized by an increase of the price (both in USD and EUR) of 3.9% and 6%, respectively, when compared to the previous quarter. The average price in the first quarter of the year amounted to 680.5 USD/ton (vs. 655.1 USD/ton in the previous quarter and 762.4 USD/ton in the same quarter of 2016), while in Euro recorded 640.5 EUR/ton (vs. 604.5 EUR/ton in the previous quarter and 693.1 EUR/ton in the same quarter of 2016).

# Financial Information 1Q 2017

Evolution of BEKP pulp price in Europe since 2003 until March 2017 (EUR)

Source: *FOEX*



**Outlook – 2<sup>nd</sup> Quarter 2017**

During the second quarter of 2017 it is scheduled the annual stoppage of the industrial unit Caima.

In terms of the pulp market, a favourable evolution of the BEKP pulp sales price is expected during the second quarter of this year.

**Altri – Business Profile**

Altri is a reference in European 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 Forest Stewardship Council® (FSC®)<sup>1</sup> 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 installation.

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<sup>1</sup> FSC-C004615

# Financial Information 1Q 2017

## ALTRI, SGPS, S.A.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts expressed in Euro)

<b>ASSETS</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>NON CURRENT ASSETS:</b>		
Biological assets	100,988,950	102,302,637
Tangible fixed assets	378,030,864	359,638,821
Investment property	113,309	113,310
Goodwill	265,531,404	265,531,404
Intangible assets	677,370	643,354
Investments in associated companies and joint ventures	15,478,314	14,983,101
Investments available for sale	11,262,914	11,262,914
Other non current assets	3,892,000	3,544,289
Deferred tax assets	39,053,092	39,508,901
<b>Total non current assets</b>	<b>815,028,217</b>	<b>797,528,731</b>
<b>CURRENT ASSETS:</b>		
Inventories	58,547,840	58,890,414
Customers	92,373,266	92,261,372
Other debtors	2,691,873	4,297,543
State and other public entities	29,536,275	29,538,312
Other current assets	3,158,468	2,455,926
Cash and cash equivalents	206,614,566	300,094,254
<b>Total current assets</b>	<b>392,922,288</b>	<b>487,537,821</b>
<b>Total assets</b>	<b>1,207,950,505</b>	<b>1,285,066,552</b>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>		
<b>SHAREHOLDERS' FUNDS:</b>		
Share capital	25,641,459	25,641,459
Legal reserve	5,128,292	5,128,292
Other reserves	314,861,924	235,894,619
Consolidated net profit / (loss)	17,124,089	76,977,826
Total shareholders' funds attributable to the parent company's shareholders	362,755,764	343,642,196
Non controlling interests	-	-
<b>Total shareholders' funds</b>	<b>362,755,764</b>	<b>343,642,196</b>
<b>LIABILITIES:</b>		
<b>NON CURRENT LIABILITIES:</b>		
Bank loans	98,250,000	118,000,000
Other loans	341,913,157	462,357,627
Reimbursable incentives	16,948,631	14,946,631
Other non current liabilities	29,001,532	19,698,356
Deferred tax liabilities	18,981,619	18,731,619
Pension liabilities	2,528,818	2,528,818
Provisions	5,061,351	5,064,402
Derivatives	1,065,542	2,428,023
<b>Total non current liabilities</b>	<b>513,750,650</b>	<b>643,755,474</b>
<b>CURRENT LIABILITIES:</b>		
Bank loans	47,474,746	38,897,709
Other loans	151,885,053	120,854,418
Reimbursable incentives	3,115,183	3,115,183
Suppliers	57,674,958	69,045,134
Other current creditors	29,507,037	14,915,753
State and other public entities	17,014,590	14,318,318
Other current liabilities	23,329,382	34,099,716
Derivatives	1,443,142	2,422,650
<b>Total current liabilities</b>	<b>331,444,091</b>	<b>297,668,881</b>
<b>Total shareholders' funds and liabilities</b>	<b>1,207,950,505</b>	<b>1,285,066,552</b>

**ALTRI, SGPS, S.A.**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS**

(Amounts expressed in Euro)

	<u>1Q2017</u>	<u>1Q2016</u>
Sales	154,999,151	157,663,504
Services rendered	2,411,633	2,198,818
Other income	2,425,030	1,843,640
Cost of sales	(69,261,460)	(60,239,977)
External supplies and services	(41,783,093)	(40,325,058)
Payroll expenses	(7,719,061)	(7,789,024)
Amortisation and depreciation	(13,915,112)	(13,262,855)
Provisions and other impairment losses	-	(8,196)
Other expenses	(950,237)	(1,253,979)
Gains and losses in associated companies and joint ventures	495,213	258,113
Financial expenses	(5,081,710)	(6,569,155)
Financial income	448,451	1,466,100
Profit before income tax	<u>22,068,805</u>	<u>33,981,931</u>
Income tax	(4,944,716)	(8,864,868)
Consolidated net profit	<u>17,124,089</u>	<u>25,117,063</u>
<b>Consolidated net profit</b>	<b><u>17,124,089</u></b>	<b><u>25,117,063</u></b>

Porto, May 5, 2017

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The Board of Directors