



**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 - FY18**  
**(unaudited)**

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards, 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 Figures 2018

- 1,097 thousand tons of pulp produced (+5%)
- 1,055 thousand tons of pulp sold (+0%)
  
- Total revenue: 784.8 million Euro (+18%)
- EBITDA: 292.7 million Euro (+53%)
- Operating income 232.5 million Euro (+69%)
- Net profit: 194.5 million Euro (+102%)
  
- Dividends paid: 61.5 million Euro
- Remunerated net debt (31 December 2018): 433.0 million Euro
- Equity: 521.6 million Euro
  
- Return on capital employed (EBIT / (equity + net debt)): 24%
  
- Dividend per share to be proposed at the Shareholders' General Meeting: 0.72 €/share

## Financial Information 2018

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

### FY2018 Profit and Loss Statement

Thousand Euro	2018	2017	2018/2017 Var%
<b>Total revenues</b>	<b>784,831</b>	<b>665,779</b>	<b>17.9%</b>
Cost of sales	255,518	257,011	-0.6%
External supplies and services	187,071	166,658	12.2%
Payroll expenses	39,528	33,953	16.4%
Other expenses	12,645	8,291	52.5%
Provisions and impairment losses	655	-167	-
Change in the fair value of biological assets	-3,269	8,934	-
<b>Total expenses (a)</b>	<b>492,149</b>	<b>474,681</b>	<b>3.7%</b>
<b>EBITDA (b) margin</b>	<b>292,682 37.3%</b>	<b>191,098 28.7%</b>	<b>53.2% +8.6 pp</b>
Amortisation and depreciation	60,204	53,692	12.1%
<b>EBIT (c) margin</b>	<b>232,478 29.6%</b>	<b>137,406 20.6%</b>	<b>69.2% +9.0 pp</b>
Gains / (losses) related to investments	30,809	2,529	1118.3%
Financial expenses	-20,710	-26,329	-21.3%
Financial income	8,063	4,982	61.8%
<b>Financial profit / (loss)</b>	<b>18,162</b>	<b>-18,818</b>	<b>-196.5%</b>
<b>Profit before income tax</b>	<b>250,640</b>	<b>118,589</b>	<b>111.4%</b>
Income tax	-56,142	-22,520	149.3%
<b>Net profit attributable to parent company's shareholders</b>	<b>194,498</b>	<b>96,068</b>	<b>102.5%</b>

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

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

(c) EBIT = Earnings before interest and taxes

**2018: a historical year**

2018 was a historical year for Altri. Pulp production reached a new record, achieving 1,097 thousand tons of eucalyptus pulp produced, total revenues amounted to around 785 million Euro and EBITDA reached approximately 293 million Euro. In terms of corporate development, during the year under analysis, Altri bought to EDP the remaining 50% of Bioelétrica and its subsidiaries, units which produce electric power through forest biomass.

**Record production reaches 1,097 thousand tons**

Once again, during 2018, Altri achieved a new record in terms of pulp production. Hence, in 2018 there were produced around 1.097 million tons of pulp (more 54 thousand tons when compared to the previous year), which include 106.5 thousand tons of dissolving wood pulp (DWP). In terms of pulp sales, during this year, 1.055 million tons of pulp were sold, of which 950.7 thousand tons of paper pulp and 104.3 thousand tons of DWP.

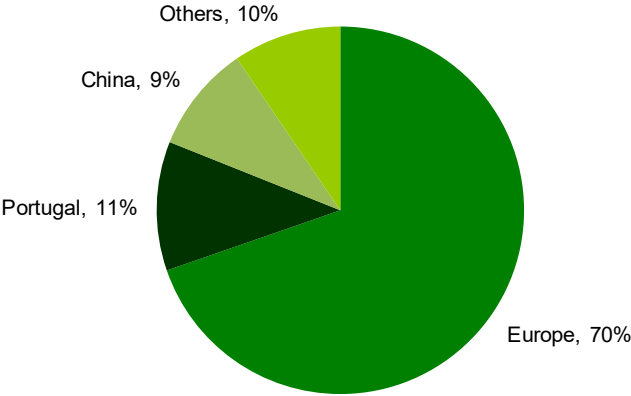
During the year of 2018, Altri's total revenues reached 784.8 million Euro, which represents an increase of 18% when compared to 2017. Revenues from pulp sales amounted to around 679.4 million Euro (a 20% increase when compared to 2017). The average BHKP pulp price in 2018 was 879.4 €/ton, which corresponds to an increase of 21% when compared to the average price recorded in 2017.

Considering the geographical destination of Altri's sales, Europe (excluding Portugal) is the main market, representing 70% of Group's sales, which corresponds to 735 thousand tons. On the other hand, Portugal represents 11% of pulp sales, while China represents around 9%.

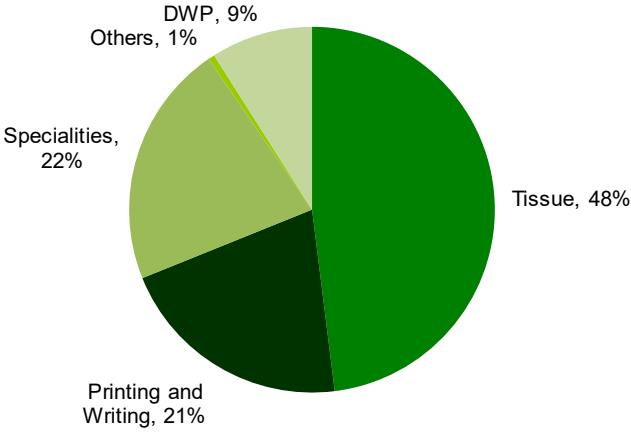
In terms of pulp use, tissue paper producers are Altri's main customers with a share of 48%. Tissue is followed by specialities and printing and writing paper with market shares of 22% and 21%, respectively. The producers of viscose filaments – DWP consumers – account for approximately 9% of pulp sales.

# Financial Information 2018

Pulp Sales: Detail by Region



Pulp Sales: Detail by Use



## Financial Information 2018

### Cost analysis

In 2018, total costs, excluding amortization, financial costs and taxes, amounted to 492.1 million Euro, which represents a 3.7% increase when compared to the previous year. It is important to underline that, likewise 2017, in the year under analysis, biological assets were valued at their fair value, which caused an increase of 3.3 million Euro in the assets' value.

### **EBITDA reached 293 million Euro**

EBITDA in 2018 reached 292.7 million Euro, an increase of 53% over EBITDA recorded in the previous year, achieving an EBITDA margin of 37.3% (+8.6 p.p.).

EBIT recorded during the year was 232.5 million Euro, which represents an increase of approximately 69% when compared to the previous year.

The financial profit amounted to 18.2 million Euro. The caption "Gains / (losses) related to investments" includes, mainly, the gain recorded with the acquisition of the total share capital of Bioeléctrica. Since this acquisition was a step acquisition (Altri previously held 50% of Bioeléctrica's capital), Altri had, under the applicable accounting standards, to revalue the equity interest previously held in Bioeléctrica at its fair value at the acquisition date. This valuation generated a gain, in the consolidated financial statements, in the amount of 26 million Euro.

Altri's net profit reached 194.5 million Euro.

## Financial Information 2018

### 4<sup>th</sup> quarter of 2018: EBITDA reached 74.7 million Euro

Thousand Euro	4Q 2018	4Q 2017	4Q18/4Q17 Var%	3Q 2018	4Q18/3Q18 Var%
<b>Total revenues</b>	<b>201,213</b>	<b>174,987</b>	<b>15.0%</b>	<b>205,193</b>	<b>-1.9%</b>
Cost of sales	61,083	56,816	7.5%	61,084	0.0%
External supplies and services	51,491	44,994	14.4%	46,725	10.2%
Payroll expenses	13,640	9,124	49.5%	8,976	52.0%
Other expenses	3,134	5,427	-	5,011	-37.5%
Provisions and impairment losses	470	-167	-381.6%	1,385	-66.1%
Change in the fair value of biological assets	-3,269	8,934	-	0	-
<b>Total expenses (a)</b>	<b>126,548</b>	<b>125,128</b>	<b>1.1%</b>	<b>123,180</b>	<b>2.7%</b>
<b>EBITDA (b)</b>	<b>74,665</b>	<b>49,858</b>	<b>49.8%</b>	<b>82,013</b>	<b>-9.0%</b>
<b>margin</b>	<b>37.1%</b>	<b>28.5%</b>	<b>+8.6 pp</b>	<b>40.0%</b>	<b>-2.9 pp</b>
Amortisation and depreciation	18,525	12,130	52.7%	16,096	15.1%
<b>EBIT (c)</b>	<b>56,141</b>	<b>37,728</b>	<b>48.8%</b>	<b>65,916</b>	<b>-14.8%</b>
<b>margin</b>	<b>27.9%</b>	<b>21.6%</b>	<b>+6.3 pp</b>	<b>32.1%</b>	<b>-4.2 pp</b>
Gains / (losses) related to investments	28,322	226	-	1,315	-
Financial expenses	-3,050	-6,835	-55.4%	-5,440	-43.9%
Financial income	1,313	1,953	-32.8%	1,390	-5.5%
<b>Financial profit / (loss)</b>	<b>26,584</b>	<b>-4,656</b>	<b>-671.0%</b>	<b>-2,736</b>	<b>-1071.7%</b>
<b>Profit before income tax</b>	<b>82,725</b>	<b>33,072</b>	<b>150.1%</b>	<b>63,181</b>	<b>30.9%</b>
Income tax	-8,639	-4,989	-	-16,579	-
<b>Net profit attributable to parent company's shareholders</b>	<b>74,086</b>	<b>28,083</b>	<b>163.8%</b>	<b>46,602</b>	<b>59.0%</b>

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

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In operational terms, the fourth quarter of 2018 was characterized by a demand reduction of BHKP pulp on a global scale, which originated a decrease in the sales price and an increase in stock levels.

At Altri Group the quarter was also characterized by an increase in stock levels, related with the programmed maintenance stoppage at Celbi's industrial unit, which occurred in February 2019.

It should also be noted that the operation of electric power production through biomass of Bioeléctrica was fully consolidated for the first time in December. Therefore, the consolidated profit and loss statement includes a month of Bioeléctrica and its subsidiaries' activity.

Total revenues in the fourth quarter of 2018 amounted to 201.2 million Euro, a 15% increase over the same period of the previous year and a 2% decrease when compared to the previous quarter.

## Financial Information 2018

EBITDA recorded during the last quarter of 2018 was approximately 74.7 million Euro, with an EBITDA margin of 37.1%, which corresponds to an 8.6 p.p. increase when compared to the EBITDA margin reported in the same period of 2017.

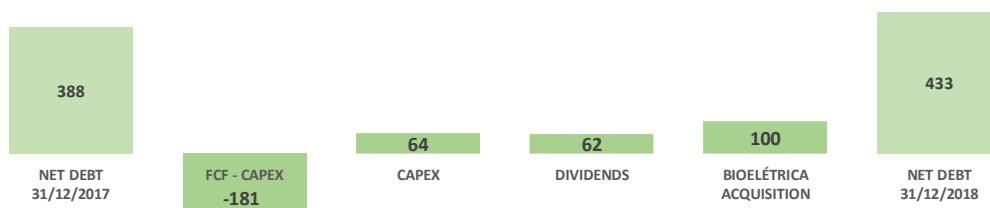
Net profit for the period was impacted by the gain associated with the acquisition of Bioelétrica, with a positive impact of 26 million Euro. Hence, the net profit increased to 74.1 million Euro, more 164% relatively to the net profit recorded in the fourth quarter of 2017 and corresponding to a 59% increase when compared to the previous quarter of 2018.

### **Net debt of 433 million Euro impacted by the full consolidation of Bioelétrica**

Total investment (CAPEX) during 2018 by Group's industrial units amounted to 110.8 million Euro, of which 46.8 million Euro are related to the construction of the new biomass power plant at Figueira da Foz.

Altri's nominal remunerated net debt as of December 31, 2018 amounted to 433 million Euro. Thus, net debt increased around 45 million Euro over the net debt of 388 million Euro recorded in the end of 2017, mainly as a result of Bioelétrica acquisition.

### **Evolution of net debt during 2018**



### **Dividends' proposal to be approved at the Shareholders' General Meeting**

Regarding FY2018, the Board of Directors will propose to the Shareholders' General Meeting the payment of a 0.72 Euro/share dividend.



# Financial Information 2018

## Pulp Market

According to data from Pulp and Paper Products Council (PPPC), World Chemical Market Pulp Global 100 Report, in 2018, the total demand for hardwood pulp increased about 0.4%, which represents, in absolute amounts, an increase of 0.35 million tons.

However, the consumption slowdown was really sharpened during December, when demand for hardwood pulp amounted to 2.8 million tons, which corresponds to a decrease of 18% over the demand recorded in December 2017.

In terms of BHKP pulp price, the fourth quarter of 2018, was characterized by a downward trend, achieving an average market price (PIX) of 1,045 USD/ton, when compared to an average market price of 1,050 USD/ton during the third quarter.

## Evolution of BHKP pulp price in Europe from 2003 until March 2019

Source: FOEX



A horizontal banner with a background image of green leaves. The text "Financial Information 2018" is written in white, bold, sans-serif font across the center.

## Financial Information 2018

### **2019 Outlook**

In operational terms, during the first quarter of 2019, in February, occurred the programmed maintenance stoppage at Celbi's industrial unit, which lasted more than 15 days. Considering the stock levels accumulated in previous quarters, no material changes in the volumes sold during the first quarter of 2019 are expected.

The schedule for the programmed maintenance stoppages at Altri's industrial units in 2019 is as follows:

Celtejo: May

Caima: October

In terms of CAPEX, Altri estimates to invest around 80 million Euro in 2019, of which 30 million are allocated to the conclusion of the biomass power plant construction at Figueira da Foz, which is expected to start operating during the third quarter of 2019.

**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 80 thousand hectares of forest in Portugal, entirely certified by the Forest Stewardship Council® (FSC®)<sup>1</sup> 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 2018 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 this 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.

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<sup>1</sup> FSC-C004615

# Financial Information 2018

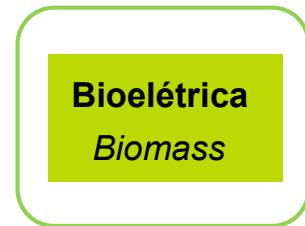
Altri's organic structure is as follows:



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Oporto, March 13, 2019