



**ALTRI, SGPS, S.A.**  
Public Company

Head Office: Rua Manuel Pinto de Azevedo, 818 – Porto  
Fiscal Number 507 172 086  
Share Capital: 25,641,459 Euro

**Financial information - FY19**  
**(unaudited)**

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards as adopted in European Union (IFRS-EU), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

**Key Indicators 2019**

- 1,099 thousand tons of pulp produced (+0%)
- 1,084 thousand tons of pulp sold (+4%)
  
- Total revenues: 753.5 million Euro (-4%)
- EBITDA: 233.1 million Euro (-20%)
- EBIT: 157.8 million Euro (-32%)
- Consolidated net profit: 100.8 million Euro (-48%)
  
- Nominal remunerated net debt<sup>1</sup> (31 December 2019): 513 million Euro
- Equity: 466 million Euro
  
- Return on capital employed (EBIT / (Equity + Nominal remunerated net debt)): 16%

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<sup>1</sup> Nominal remunerated net debt: Other loans (nominal values) + Bank loans (nominal values) - Cash and cash equivalents

## Financial Information 2019

The financial information was prepared in accordance with the International Financial Reporting Standards, as adopted in European Union (IFRS-EU).

### 2019 Annual Income Statement

thousand Euro	2019	2018	2019/2018 Var%
<b>Total revenues (a)</b>	<b>753,520</b>	<b>784,831</b>	<b>-4.0%</b>
Cost of sales	285,623	255,518	11.8%
External supplies and services	182,781	187,071	-2.3%
Payroll expenses	40,320	39,528	2.0%
Other expenses	6,316	12,645	-50.1%
Provisions and impairment losses	7,274	655	-
Fair value changes in biological assets	-1,937	-3,269	-40.7%
<b>Total expenses</b>	<b>520,376</b>	<b>492,149</b>	<b>5.7%</b>
<b>EBITDA (b)</b>	<b>233,144</b>	<b>292,682</b>	<b>-20.3%</b>
<b>EBITDA margin (c)</b>	<b>30.9%</b>	<b>37.3%</b>	<b>-6.4 pp</b>
Amortisation and depreciation	-75,347	-60,204	25.2%
<b>EBIT (d)</b>	<b>157,797</b>	<b>232,478</b>	<b>-32.1%</b>
<b>EBIT margin (e)</b>	<b>20.9%</b>	<b>29.6%</b>	<b>-8.7 pp</b>
Gains / (losses) related to investments	29	30,809	-99.9%
Financial expenses	-25,525	-20,710	23.2%
Financial income	3,958	8,063	-50.9%
<b>Financial profit / (loss)</b>	<b>-21,538</b>	<b>18,162</b>	<b>-218.6%</b>
<b>Profit before income tax</b>	<b>136,259</b>	<b>250,640</b>	<b>-45.6%</b>
Income tax	-35,436	-56,142	-36.9%
<b>Consolidated net profit for the period</b>			
Attributable to:			
Parent company's shareholders	<b>100,826</b>	<b>194,498</b>	<b>-48.2%</b>
Non-controlling interests	<b>-4</b>	<b>0</b>	<b>-</b>

(a) Total revenues = Sales + Services rendered + Other income

(b) EBITDA = Earnings before taxes - Gains / (losses) in investments + Financial expenses - Financial income + Amortisation and depreciation

(c) EBITDA margin = EBITDA / Total revenues

(d) EBIT = EBITDA + Amortisation and depreciation

(e) EBIT margin = EBIT / Total revenues

**Production reaches to 1,099 thousand tons**

During 2019, Altri produced 1,099 thousand tons of pulp, which included 101.1 thousand tons of dissolving wood pulp (DWP). In terms of pulp sales, during this year 1.084 million tons of pulp were sold, of which 995.3 thousand tons were paper pulp (BHKP) and 88.5 thousand tons of DWP.

During the year of 2019, Altri's total revenue reached 753.5 million Euro, which represents a decrease of about 4% when compared to 2018. Total revenues from units of pulp produced amounted approximately to 667 million Euro. The average BHKP pulp price in 2019 was 764.9 €/ton, which corresponds to a decrease of 13% when compared to the average price recorded in 2018.

**Exports amount to 530 million Euro**

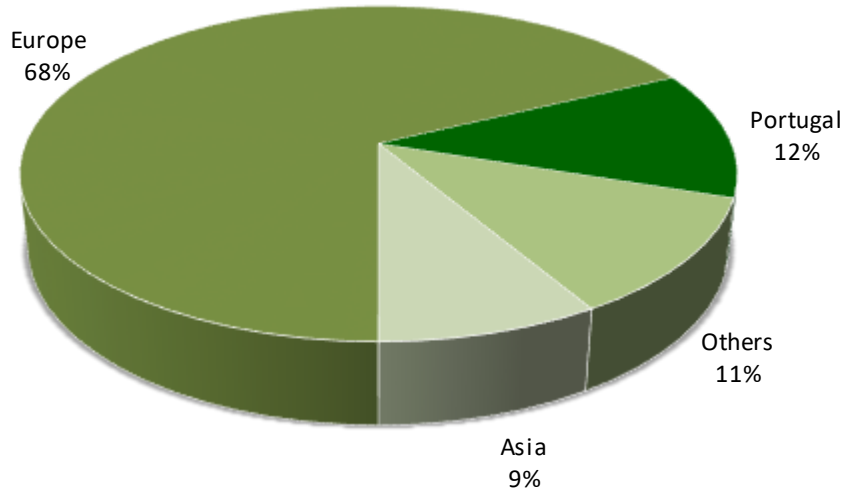
During 2019, exports associated with pulp production units amounted to approximately 530 million euros.

Considering the geographic destination of Altri's sales, Europe (excluding Portugal) is the main market player, representing 68% of Group's sales, which corresponds to 741 thousand tons. On the other hand, Portugal represents 12% of pulp sales, while Asia represents around 9%.

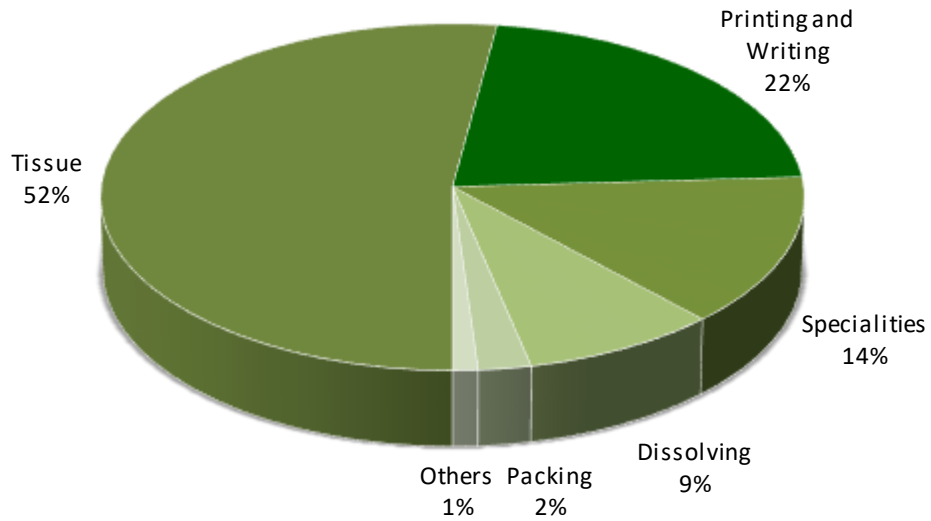
In terms of pulp use, *tissue* paper producers are Altri's main customers, with a share of 52%. *Tissue* is followed by *specialities* and *printing and writing paper*, with market shares of 14% and 22%, respectively. The producers of viscose filaments – DWP consumers – account approximately to 9% of pulp sales.

# Financial Information 2019

Pulp Sales: Detail by Region



Pulp Sales: Detail by Use





## Financial Information 2019

### Costs Analysis

In 2019, total costs amounted to 520.4 million Euro, which represents a 5.7% increase when compared to the amount recorded in the previous period. It is important to underline that, likewise 2018, in the period under analysis, the biological assets were recorded at their fair value, which caused an increase of 1.9 million Euro in the asset value.

### **EBITDA reached 233.1 million Euro**

EBITDA in 2019 reached 233.1 million Euro, a decrease of 20% over the EBITDA recorded in the previous year, achieving an EBITDA margin of 30.9% (-6.4 p.p.).

EBIT recorded during the year was 157.8 million Euro, which represents a decrease of approximately 32% when compared to the previous year.

Altri's consolidated net profit reached 100.8 million Euro.

## 4<sup>th</sup> quarter of 2019: EBITDA reached 36.4 million Euro

thousand Euro	4Q 2019	4Q 2018	4Q19/4Q18 Var%	3Q 2019	4Q19/3Q19 Var%
<b>Total revenues (a)</b>	<b>171,396</b>	<b>201,213</b>	<b>-14.8%</b>	<b>174,790</b>	<b>-1.9%</b>
Cost of sales	71,586	61,083	17.2%	62,986	13.7%
External supplies and services	46,995	51,491	-8.7%	44,415	5.8%
Payroll expenses	11,985	13,640	-12.1%	9,323	28.5%
Other expenses	324	3,134	-89.7%	2,385	-86.4%
Provisions and impairment losses	6,093	470	-	1,181	-
Fair value changes in biological assets	-1,937	-3,269	-40.7%	0	-
<b>Total expenses</b>	<b>135,046</b>	<b>126,548</b>	<b>6.7%</b>	<b>120,290</b>	<b>12.3%</b>
<b>EBITDA (b)</b>	<b>36,350</b>	<b>74,665</b>	<b>-51.3%</b>	<b>54,500</b>	<b>-33.3%</b>
<b>EBITDA margin (c)</b>	<b>21.2%</b>	<b>37.1%</b>	<b>-15.9 pp</b>	<b>31.2%</b>	<b>-10.0 pp</b>
Amortisation and depreciation	-19,156	-18,525	3.4%	-19,035	0.6%
<b>EBIT (d)</b>	<b>17,193</b>	<b>56,141</b>	<b>-69.4%</b>	<b>35,465</b>	<b>-51.5%</b>
<b>EBIT margin (e)</b>	<b>10.0%</b>	<b>27.9%</b>	<b>-17.9 pp</b>	<b>20.3%</b>	<b>-10.3 pp</b>
Gains / (losses) related to investments	-99	28,322	-100.3%	101	-198.2%
Financial expenses	-4,829	-3,050	58.3%	-7,047	-31.5%
Financial income	350	1,313	-73.3%	1,621	-78.4%
<b>Financial profit / (loss)</b>	<b>-4,578</b>	<b>26,584</b>	<b>-117.2%</b>	<b>-5,325</b>	<b>-14.0%</b>
<b>Profit before income tax</b>	<b>12,616</b>	<b>82,725</b>	<b>-84.7%</b>	<b>30,140</b>	<b>-58.1%</b>
Income tax	-2,500	-8,639	-71.1%	-7,295	-65.7%
<b>Consolidated net profit for the period</b>	<b>10,120</b>	<b>74,086</b>	<b>-86.3%</b>	<b>22,845</b>	<b>-100.0%</b>
Attributable to:					
Parent company's shareholders	10,120	74,086	-86.3%	22,845	-100.0%
Non-controlling interests	-4	-	-	-	-

(a) Total revenues = Sales + Services rendered + Other income

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(c) EBITDA margin = EBITDA / Total revenues

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In operational terms, the fourth quarter of 2019 was characterized by a price reduction of BHKP pulp price, in USD and in EUR. Hence, the BHKP pulp price for sale, recorded by PIX, beginning the quarter under analysis priced at 750 USD/ tad (684 EUR/tad), and ending the quarter priced at 680 USD/tad (612 EUR/tad).

Total revenues in the fourth quarter of 2019 amounted to 171.4 million Euro, a 14.8% decrease over the same period of the previous year and a 1.9% decrease when compared to the previous quarter.

During the period under analysis, 267.3 thousand tons of pulp were produced, of which 20 thousand tons were from dissolving pulp, which corresponds to a decrease of 6% and 26%, respectively.

In terms of sales, during the fourth quarter of 2019, 272.2 thousand tons of pulp were sold (+5.6% over the same quarter of 2018 and +4.7% over the previous quarter).

# Financial Information 2019

Pulp sales, during the fourth quarter of 2019, amounted to approximately 126.7 million Euro, which corresponds to a 27% decrease over the same period of the previous year and a 5% decrease over the third quarter of 2019.

In terms of costs, it should be noted that, during the period under analysis, there were an annual maintenance programmed stoppage at Caima’s mill and works for the optimisation of the cogeneration turbine at Celtejo’s mill, which demanded a four days non-programmed stoppage.

EBITDA recorded during the last quarter of 2019 was approximately 36.4 million Euro, with an EBITDA margin of 21.2%.

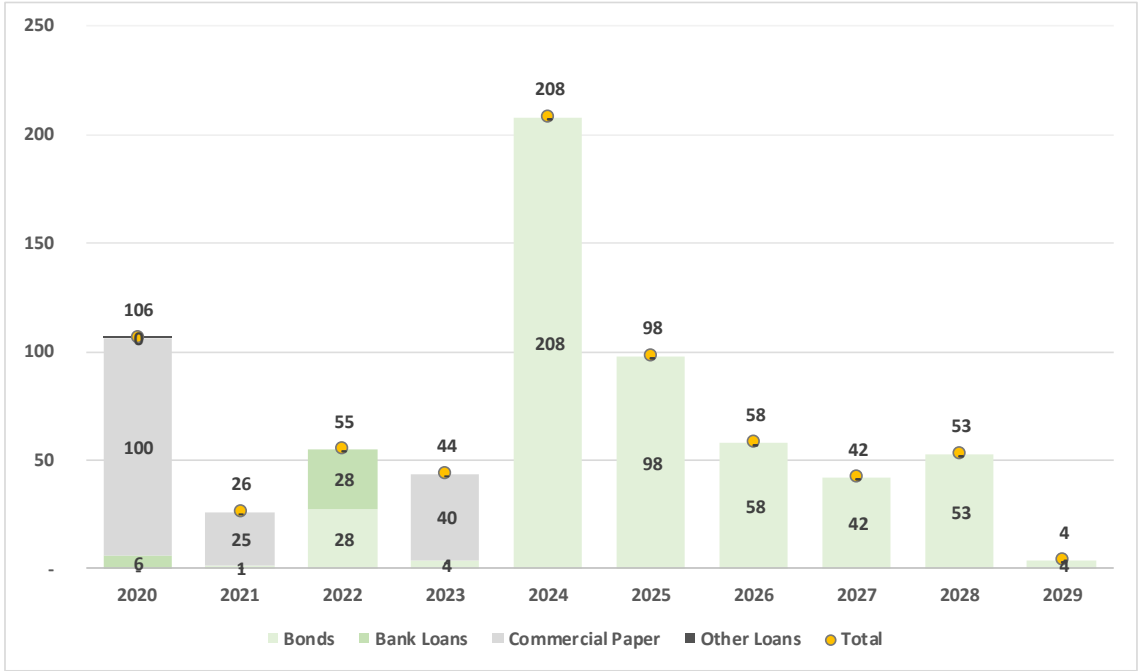
Consolidated net profit for the period under analysis was around 10 million Euro.

**Net debt of 513 million Euro**

The total investment (CAPEX) during 2019 by Group’s industrial units amounted to approximately 70 million Euro.

Altri’s nominal remunerated net debt deducted from cash and cash equivalents, as of December 31 2019, amounted to 513 million Euro.

**Net debt maturity profile**





# Financial Information 2019

## Pulp Market

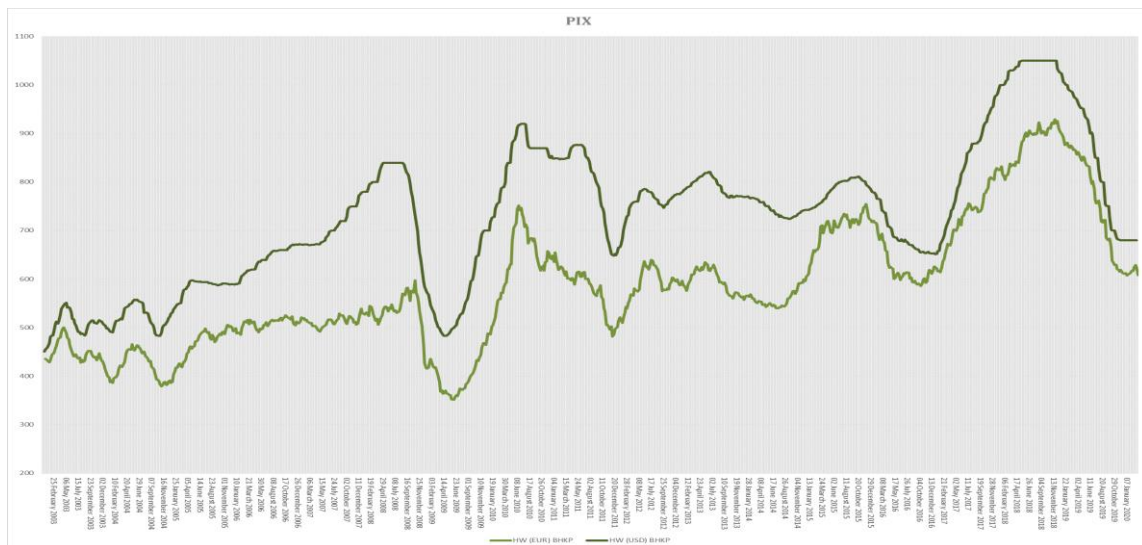
According to data from Pulp and Paper Products Council (PPPC), World Chemical Market Pulp Global 100 Report, in 2019, the total demand for hardwood pulp increased about 6.3%, which represents, in absolute amounts, an increase of 1.5 million tons.

In geographic terms, it was stated a 15.5% increase in China's consumption of BHKP pulp.

In terms of inventory, at the end of December 2019, producers' inventory was around 37 days. It should be noted that at the end of December of 2018, hardwood pulp inventory of producers achieved 62 days and, in November 2019, this inventory was 42 days.

## Evolution of BHKP pulp price in Europe from 2003 until March 2020

Source: *FOEX*



### **Impacts of IFRS 16**

Since 1 January 2019, Altri's Group financial statements reflect the adoption of IFRS 16. The Group did not restate the comparative information regarding 2018, according to the possibility stated in this standard. The main impacts as of 31 December of 2019 are as follows:

EBITDA: increase of 12 million Euro;

Amortisations: increase of 8.9 million Euro;

Financial expenses: increase of 2.5 million Euro;

Asset ("Right of Use"): increase of 69.6 million Euro;

Liability ("Lease Liability"): increase of 79.4 million Euro;

Equity: decrease of 7.9 million Euro (net of deferred taxes).

# Financial Information 2019

## Altri – business profile

Altri is a reference in European eucalyptus pulp producers. In addition to pulp production, the Group 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>2</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 2019 reached more than 1 million tons/year of eucalyptus pulp.

Altri's organic structure is as follows:



<sup>2</sup> FSC-C004615

### **2020 Outlook**

Considering the current reality, it is essential to consider the impacts of Covid-19 on the world economy and on the financial markets, whose consequences will be reflected in the financial performance of different business areas and industries all over the world.

The Group will remain alert and careful in the face of the risks that may arise for its business area, whether in operational, investment or financial terms, being currently implementing prevention, control and surveillance measures that deems necessary for the minimization of eventual impacts.

We are convinced that with prevention, serenity and joint efforts with all of our partners, namely customers, suppliers and local communities, we will be ready to face this difficult period.

Porto, 13 March 2019