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Affirm sustainability as a competitiveness factor

Macroeconomic Framework

2022 was a year marked by several challenges that impacted the global macroeconomic environment. First, there was the apparent end of the Covid-19 pandemic, as the restrictive measures and impact on everyday life were significantly reduced. This approaching of the end of the pandemic seemed to indicate a global economic recovery, in the sense that most of the world's economies had already returned to pre-pandemic levels of activity and, indeed, this happened in the first weeks of the year. However, on February 24, 2022, Russia began the military invasion of Ukraine, and this event put a brake on the cycle of growth that had been felt until then.

The beginning of the war caused a significant worsening of global economic conditions, with a sharp rise in prices as a result of serious constraints on supply chains, leading to inflation reaching levels above 10% in the Euro Area, the US and the United Kingdom. In an attempt to contain the upward trend of inflation, through the slowdown in consumption, central banks rose the reference interest rates, increasing costs sensitive to changes in interest rates, such as housing costs, and increasing the pressure on the available income of families. The European Central Bank (ECB) rose the reference rates for the first time in more than ten years on 21 July 2022, with four rate increases in 2022, totalling 250 basis points. At the labour market level, wage increases did not follow inflation, reducing the real incomes of households, even with the support of measures taken by governments to soften the impacts of rising prices.

The projections of annual GDP growth at constant prices (in %) of the world economy are mostly in the 2% to 3% for 2023: 1.7% of the World Bank, 2.5% of the European Community, 2.9% of the International Monetary Fund and 2.2% of the OECD, values that fall below the expected growth rates before the pandemic. As for inflation, the forecasts are pointing to a fall to values around 4% in Advanced Economies.

In relation to the Euro Area, in 2022, according to Eurostat data, there was a growth of 3.5%, which appears to be quite positive. However, it was estimated that growth would have been much stronger if war had not been triggered in Ukraine, as the economy was recovering after the pandemic. As for inflation, 2022 ended at 8.4% in the Euro Area, and forecasts are to drop to around 6% to 7% in 2023, as the more restrictive monetary policy produces effects and demand pressures decrease. There are signs that the peak has already been reached, with the favorable evolution of the prices of the energy complex that has been occurring. With regard to unemployment, the unemployment rate in the Euro Area is expected to rise slightly to 7.1% in 2023, compared to 6.8% in 2022.

In Portugal, inflation, which was already rising since the end of 2021, reached historical highs by levels above 10%. Average inflation in 2022 stood at 7.8%, the highest since 1992. This price increase contributed to a contraction in consumption, which was still recovering from the reduction felt in the years of the pandemic. According to *Banco de Portugal*, inflation is expected to slow to 5.8% and 2.4% in 2024 as prices stabilise. As for growth, according to the OECD, it is expected to reach 1.0% in 2023 and 1.2% in 2024.

As far as China is concerned, it is one of the largest pulp importers globally, its economic framework has significant impacts on global demand and pulp prices. After successive and prolonged periods of confinement as a result of new waves of the pandemic, China decreased restrictive measures during the last quarter of 2022. In this way, the Chinese economy slowed down in 2022, but, still, there was an expansion of 3%, far above what was observed in the major world economies. According to the IMF, the forecast for 2023 and 2024 is a recovery in GDP growth, estimated to grow by 5.2% and 4.5%, respectively. The impact of the war on Ukraine has been less felt in China, since none of the countries are China's main economic partners.

Source: IMF – Financial Markets Information, Macroeconomic Framework Report 2022 and Scenario for 2023, 27 February 2023

Pulp Market

Global demand for pulp during 2022 grew by 1.5% vs 2021, with demand for Hardwood pulp increasing at a faster rate reaching 2.9%, according to the PPPC (World Chemical Market Pulp Global 100 Report – December 2022).

In regional terms, and focusing essentially on the Hardwood pulp market, in which Altri Group has a predominant position, we positively highlight Japan (+10.9%), Latin America (+5.7%) and the rest of Asia/Africa (+4.5%). Larger markets like China (+2.1%) and Western Europe (+3.0%) recorded positive evolutions throughout the year, despite a general slowdown during the fourth quarter of 2022.

Global Demand of Pulp per region

000' TONS	2022	2021	VAR.%
Bleached Hardwood Sulphate	37,723	36,647	2.9%
Bleached Softwood Sulphate	24,578	25,022	-1.8%
Unbleached Sulphite	3,082	2,767	11.4%
Sulphite	110	119	-6.9%
Pulp Global Demand	65,493	64,555	1.5%
Bleached Hardwood per region			
North America	3,356	3,296	1.8%
Western Europe	8,491	8,247	3.0%
Eastern Europe	1,445	1,528	-5.4%
Latin America	2,814	2,662	5.7%
Japan	1,083	977	10.9%
China	14,458	14,160	2.1%
Other Asian Countries /Africa	5,842	5,588	4.5%
Oceania	234	189	23.9%
Total	37,723	36,647	2.9%

Source: PPPC (World Chemical Market Pulp Global 100 Report- December 2022).

One of the relevant factors to confirm the balance of demand and supply of pulp in the European market is the level of stocks in European ports. During the fourth quarter, this level of stocks has steadied around values near the averages of recent years.

Pulp stocks in European Ports

000' TONS	DEZ-22	NOV-22	OUT-22	3T22	2T22	1T22	2021	2020	2019
Stocks (EU Ports)	1,331	1,330	1,313	1,099	1,079	1,124	1,198	1,542	1,912

Note: Monthly figures measured at end of period. Monthly average for annual and quarterly figures. Source: Europulp (Federation of the National Associations of Pulp Sellers in Europe).

During the fourth quarter, the list price of pulp (BHKP) in Europe maintained a stable level at US\$ 1,380/ton. Overall, the European market presented a year 2022 with a high level of demand for BHKP pulp, despite some slowdown felt towards the end of the year.

BHKP average pulp price evolution in Europe (2017 to 4Q22)

US\$/TON	2022								
	4T22	3T22	2T22	1T22	2021	2020	2019	2018	2017
Avg. Pulp Price (BHKP)	1,380	1,368	1,245	1,151	1,014	680	858	1,037	819

Source: FOEX.

Dissolving Pulp (DP) has registered a slight decrease in global demand of 0.2% during the year of 2022, according to Numera Analytics (Global DP Demand Report – December 2022). These demand figures were seen after a slowdown in global demand in the textile industry during the second half of 2022. DP is targeted for textile use and used mainly in Asia, a region that absorbs more than 80% of demand. In geographical terms, China recorded a 0.2% decrease after positive figures during the first half of the year. In terms of DP prices, and in line with the demand, after a sharp rise until the first half of 2022, we have seen a correction during the second half of the year.

Global dissolving pulp demand

000' TONS	2022	2021	VAR.%
North America	482	456	2.4%
Western Europe	606	644	-2.8%
Asia	5,564	5,546	0.3%
China	3,847	3,853	-0.2%
Japan	176	159	7.8%
Taiwan	52	64	-13.7%
Thailand	200	162	38.8%
Other Asia	1,289	1,307	-1.4%
Others	62	83	-31.1%
Total	6,713	6,729	-0.2%

Source: Numera Analytics (Global DP Demand Report – December 2022).

operational performance

In the year 2022, the total volume of pulp produced by Altri reached an all-time high by registering 1,142.6 thousand ADt, 1.5% above the same period last year. In terms of pulp sales, it was recorded a decrease in comparison with the same period of the previous year of 4.0%, due to some slowdown in demand recorded in the last quarter, as commented above.

Operating indicators (2022)

000' TONS	2022	2021	2022/2021
Production Pulp BHKP	1,046.8	1,029.0	1.7%
Production Pulp DWP	95.7	96.6	-0.9%
Total Production	1,142.6	1,125.7	1.5%
Pulp Sales BHKP	1,010.9	1,060.2	-4.7%
Pulp Sales DWP	96.7	93.0	4.0%
Total Sales	1,107.6	1,153.2	-4.0%



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During the year 2022, total revenues of the Altri Group amounted to € 1,066.2 M, a 34.4% increase vs 2021. This growth essentially results from the positive evolution in pulp prices. EBITDA reached € 301.4 M in 2022, an increase of 32.4% vs 2021 with an EBITDA margin of 28.3%, a decrease of 0.4 p.p. when compared to the same period of the previous year. Despite the high inflation felt in the various costs during 2022, Altri Group managed to maintain practically the same level of profitability at the EBITDA level and even an improvement at the operating profit level. The net profit of continued operations of the Altri Group reached € 152.1 M in 2022, an increase of 23.0% compared with 2021.

Income statement highlights of 2022

€ M	2022	2021	2022/2021
Pulp	883.8	661.6	33.6%
Other*	182.4	131.8	38.4%
Total Revenues	1,066.2	793.4	34.4%
EBITDA	301.4	227.7	32.4%
EBITDA mg	28.3%	28.7%	-0.4 pp
EBIT	237.4	163.8	45.0%
EBIT mg	22.3%	20.6%	+1.6 pp
Net profit of cont. operations	152.1	123.7	23.0%

Note: Financial information in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU)

* Other : includes essentially i) sale of biomass and rendering of operations and maintenance services to Greenvolt's biomass plants in Portugal and ii) sale of electric energy (cogeneration) related to the cellulosic fibre production process

Investment

The total net investment made by the Altri Group during the year 2022 reached € 45.3 M, which compares with the € 26.1 M in 2021. The total investment for the twelve month period of 2022 includes € 10.3 M related to the new biomass boiler for the Caima industrial unit.

€ M	2022	2021
Total net investment	45.3	26.1

Debt

The Altri Group's net debt was € 325.8 M at the end of 2022, a decrease vs € 344.0 M at the end of 2021. This reduction was achieved in a year in which the Altri Group recorded a substantial increase in the level of investment, a relevant level of dividend distribution and an increase in working capital needs. This level of debt is equivalent to a Net Debt/EBITDA LTM ratio of 1.1x. The Total net debt level, when adding lease liabilities, was around € 408.0 M at the end of 2022.

€ M	2022	2021
Net debt	325.8	344.0

Taxonomy

During this 2022 financial year, all activities reported by Altri as eligible in the three Taxonomy indicators (Turnover, CapEx and OpEx) met the alignment criteria. In Annex K. Taxonomy we detail the process of alignment of the different activities with the mitigation objective and their compliance with the requirements of not significantly harming the other climate objectives, as well as compliance with the minimum social safeguards.



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Turnover:

Percentage of turnover for eligible and aligned activities

	2022		
BUSINESS ACTIVITIES	TURNOVER (EURO)	PROPORTION OF TURNOVER (% OF TOTAL)	PROPORTION OF ALIGNED TURNOVER (% OF TOTAL)
A. Eligible activities			
4.8 – Electricity generation from bioenergy	8,626,973	1%	1%
4.20 – Cogeneration of heat/cool and power from bioenergy	60,566,130	6%	6%
Sub-total eligible activities (A)	69,193,103	7%	7%
B. Ineligible activities			
Turnover of ineligible activities (B)	982,708,933	93%	93%
Total turnover of consolidated business (A+B)	1,051,902,036	100%	100%

Capital Expenditure (CapEx):

Percentage of capital expenditure for eligible and aligned activities

	2022		
BUSINESS ACTIVITIES	CAPEX (EURO)	PROPORTION OF CAPEX (% OF TOTAL)	PROPORTION OF ALIGNED CAPEX (% OF TOTAL)
A. Eligible activities			
1.3. – Forest management	23,310,946	34%	34%
4.1 – Production of electricity from photovoltaic solar technology	2,647,307	4%	4%
4.8 – Electricity generation from bioenergy	11,962,220	17%	17%
4.20 – Cogeneration of heat/cool and power from bioenergy	1,593,620	2%	2%
5.1. Construction, extension and operation of water collection, treatment and supply systems	78,887	- %	- %
5.3. Construction, extension and operation of waste water collection and treatment	10,877,664	16%	16%
Sub-total eligible activities (A)	50,470,644	73%	73%
B. Ineligible activities			
CapEx of ineligible activities (B)	18,776,326	27%	27%
Total consolidated CapEx (A+B)	69,246,970	100%	100%



Operating Expenses (OpEx):

Percentage of operational expenses for eligible and aligned activities

	2022		
BUSINESS ACTIVITIES	OPEX (EURO)	PROPORTION OF ELIGIBLE OPEX (% OF TOTAL)	PROPORTION OF ALIGNED OPEX (% OF TOTAL)
A. Eligible activities			
1.3. – Forest management	4,636,054	10%	10%
4.8 – Electricity generation from bioenergy	733,577	2%	2%
4.20 – Cogeneration of heat/cool and power from bioenergy	2,537,675	5%	5%
5.1. Construction, extension and operation of water collection, treatment and supply systems	175,700	- %	- %
5.3. Construction, extension and operation of waste water collection and treatment	702,383	1%	1%
Sub-total eligible activities (A)	8,785,389	18%	18%
B. Ineligible activities			
OpEx of ineligible activities (B)	39,008,149	82%	82%
Total consolidated OpEx (A+B)	47,793,538	100%	100%



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stock market evolution

Stock exchange evolution of Altri's shares and PSI (%)



(Note: PSI was regarded as an index with an initial value identical to that of the security under analysis in order to enable a better comparison between share prices)

Altri's share price closed the year of 2022 at 5.005 euros per share. Market capitalisation at the end of 2022 was about 1,027 million euros.

During the year 2022, Altri's shares were traded at a maximum price of 6.845 euros per share and at a minimum of 4.842 euros per share. In total, approximately 284.9 million Altri shares were traded in that period, corresponding to 138.9% of the issued capital.

2022

Market capitalisation

1,027 M€

Maximum

6.845

€/share

Minimum

4.842

€/share

138.9%

of the issued capital



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The main events that marked the evolution of the Group's shares in 2022 can be chronologically described as follows:

- **As of 17 March 2022**, the Group announced its financial performance for the year 2021, reaching a consolidated net profit of continued operations of 123.7 million euros. Total revenue amounted to 793.4 million euros. Consolidated EBITDA amounted to 227.7 million euros. On that date, shares closed at 5.965 euros per share;
- **In the announcement made on 3 May 2022**, under the conditions presented in the respective proposal, Altri informed the market that the dividends for the year 2021 would be paid from 25 May. On 25 May 2022 a cash dividend of 0.24 euros per share was distributed and the financial investment in Greenvolt was also distributed to shareholders in the form of a dividend in kind. The delivery of shares to shareholders took place on the same date, and the Altri Group became the direct and indirect holder of 19.08% of Greenvolt. As a result of this distribution, Altri Group lost control over this subsidiary;
- **Through the announcement made on 26 May 2022**, the Group released the results for the first quarter of 2022. In that period, total consolidated revenue amounted to 249.2 million euros, EBITDA reached 61.0 million euros, while the consolidated net profit of continued operations reached 29.8 million euros;
- **On 10 June 2022**, Altri Group made public the offer to sell subscription rights of Greenvolt shares, in the context of the capital increase announced by Greenvolt. The Altri Group decided not to participate in this capital increase but considered that Altri's shareholders should be given the opportunity to do so directly. After the successful sale of the rights and after the capital increase operation that was concluded during July, Altri Group became the holder of a 16.64% participation in Greenvolt;
- **As of 28 July 2022**, Altri announced to the market its results for the first half of 2022, reaching total revenues of 521.7 million euros, EBITDA of 130.8 million euros and a consolidated net profit of continued operations of 69.6 million euros;
- **As of 24 November 2022**, the results for the third quarter were released. During the first nine months of the year, the Group recorded total revenues of 805.9 million euros, EBITDA reached 223.4 million euros and the consolidated net profit of continued operations was 117.4 million euros.

Altri's stock exchange evolution (%)



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