



ALTRI, SGPS, S.A.
Public Company

**Financial Information – 3rd Quarter of 2020
(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.

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



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1. HIGHLIGHTS

1.1. COVID-19

Since the beginning of the pandemic, Altri Group implemented a set of measures for the prevention, control and surveillance, in order to respond to the demands arising from the COVID-19 pandemic and, in particular, to ensure the permanent well-being of all Employees, their families and the community. Thus, the Group implemented a series of preventive actions and proceeded with the elaboration of the COVID-19 Contingency Plan, to protect the health and safety of its Employees, based on the recommendations of the Portuguese Health Authority to face the pandemic. These measures have been continuously monitored and revised by the Group, whenever necessary, considering the evolution of the pandemic.

As a result of the various measures implemented by the Group, on September 30, 2020, an impact on the income statement is estimated in the amount of approximately 966.8 thousand Euro (including personnel expenses, namely extra shifts and overtime, as well as travel expenses, donations, protective equipment, expenses with hiring companies specialised in disinfecting spaces, among others).

Regarding liquidity risk management, the Group maintained a liquidity reserve in the form of credit lines with its relationship banks, in order to ensure the ability to meet its commitments, without having to refinance in unfavorable conditions. As of September 30, 2020, the amount of consolidated loans¹ maturing in the next 12 months is approximately 150 million Euro. On the same date, the Group has consolidated credit lines available (namely bank overdrafts, pledged current accounts and not used commercial paper programs) in the amount of approximately 148 million Euro. Additionally, the Group's cash and cash equivalents reaches roughly 194 million Euro, representing approximately 63% of its current liabilities.

¹ Consolidated loans: Bank loans + Other loans + Reimbursable government grants + Lease liabilities.

1.2. Altri Group's Third Quarter Activity Summary

- ✓ Pulp production amounts to 277 thousand tonnes;
- ✓ Pulp sales amount to 256 thousand tonnes;
- ✓ Exports reach 89 million Euro;
- ✓ EBITDA of 32.4 million Euro:
 - 23.8 million Euro in the Pulp segment;
 - 8.6 million Euro in the Energy segment.
- ✓ Nominal remunerated debt² of 504.2 million Euro;
- ✓ Quarterly decrease of the nominal remunerated debt amounted to 28.1 million Euro;
- ✓ Accumulated Free Cash Flow³ of the first nine months reached 71 million Euro (dividends paid of 62 million Euro and net debt reduction of 9 million Euro).

The third quarter of 2020 was characterised, mainly, by three factors: (1) the Dollar depreciation against the Euro, which lead to a decrease of the sales price in Euro; (2) a lower total amount of sales, when compared with the first two quarters of the year, due to seasonal markets issues. Nonetheless, these two factors were offset by a third one (3), an operational efficiency achieved by a reduction of the unitary production costs, which allowed to a higher EBITDA when compared with the second quarter of 2020.

During the third quarter of 2020, BHKP sales price remained at 680 USD/ton, being stable at this amount since the beginning of November 2019. However, due to the depreciation of the USD against the EUR in the third quarter of 2020, the average sales price was 582.6 EUR/ton, which corresponds to a decrease of approximately 6% over the previous quarter of this year.

During the quarter under analysis, the industrial units of the Group produced around 277.1 thousand tonnes of pulp, which corresponds to a 2.9% decrease over the same period of the previous year and a 2.8% increase over the previous quarter. On the other hand, pulp sales recorded a 1.5% decrease compared to the same period of 2019 and a 9.5% decrease over the second quarter of 2020, which had been a record quarter in terms of sales.

It should also be noted that the production of renewable electric energy through forest biomass, in the period under analysis, reached about 189.9 GWh, which corresponds to a 21% and 4% increase compared to the third quarter of 2019 and to the second quarter of 2020, respectively.

² Nominal remunerated net debt: Bank loans (nominal values) + Other loans (nominal values) – Cash and cash equivalents.

³ Free Cash Flow: Change in net debt since 31.12.2019 + Dividends paid.

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2. FINANCIAL REVIEW

2.1. 3Q2020 Results

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

3Q2020 Income Statement

thousand Euro	3Q2020	3Q2019	3Q20/3Q19 Var%	2Q2020	3Q20/2Q20 Var%
Total revenues (a)	141,523	174,790	-19.0%	162,363	-12.8%
Cost of sales	59,059	62,986	-6.2%	80,738	-26.9%
External supplies and services	37,582	44,415	-15.4%	40,446	-7.1%
Payroll expenses	9,909	9,323	6.3%	10,424	-4.9%
Other expenses	1,715	2,385	-28.1%	1,048	63.6%
Provisions and impairment losses	900	1,181	-23.8%	-153	-
Total expenses	109,165	120,290	-9.2%	132,503	-17.6%
EBITDA (b)	32,358	54,500	-40.6%	29,860	8.4%
EBITDA margin (c)	22.9%	31.2%	-8.3 pp	18.4%	+4.5 pp
Amortisation and depreciation	-19,553	-19,035	2.7%	-19,775	-1.1%
EBIT (d)	12,805	35,465	-63.9%	10,085	27.0%
EBIT margin (e)	9.0%	20.3%	-11.2 pp	6.2%	+2.8 pp
Results related to investments	-1	101	-	-68	-98.4%
Financial expenses	-7,023	-7,047	-0.3%	-7,191	-2.3%
Financial income	965	1,621	-40.5%	385	150.9%
Financial results	-6,060	-5,325	13.8%	-6,875	-11.9%
Profit before income tax	6,745	30,140	-77.6%	3,210	110.1%
Income tax	8,306	-7,295	-	-794	-
Consolidated net profit for the period					
Attributable to:					
Shareholders of the parent company	15,051	22,845	-34.1%	2,416	-
Non-controlling interest	0	-4	-	-	-

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

(b) EBITDA = Profit before income tax - Results related to 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

The third quarter of 2020, although a seasonally less intense quarter, was characterised by a normalization of demand at European level, which translated into a lower growth rate of demand by tissue paper producers than the recorded in the previous quarter. This trend is related to the high demand for this type of paper during the lockdown period (which occurred during the second quarter). On the other hand, there was a quarterly growth in demand for printing and writing papers compared to the second quarter of the current year. It should be noted, however, that the current demand for this type of paper is significantly lower than the level recorded in the previous year.

Production

tons	3Q2020	3Q2019	3Q20/3Q19 Var%	2Q2020	3Q20/2Q20 Var%
BHKP pulp production	253,557	258,734	-2.0%	245,667	3.2%
DWP pulp production	23,505	26,602	-11.6%	23,850	-1.4%
Total pulp production	277,062	285,336	-2.9%	269,517	2.8%
BHKP pulp sales	231,254	237,754	-2.7%	257,363	-10.1%
DWP pulp sales	24,980	22,316	11.9%	25,727	-2.9%
Total pulp sales	256,235	260,070	-1.5%	283,090	-9.5%

During the third quarter, Altri produced 277.1 thousand tonnes of pulp, of which 253.6 thousand tonnes were paper pulp (BHKP) and about 23.5 thousand tonnes were dissolving wood pulp (DWP). In terms of sales, 256.2 thousand tonnes were sold, of which approximately 25 thousand tonnes were of DWP.

Therefore, Altri's total revenues, during the quarter under analysis, reached 141.5 million Euro, corresponding to a decrease of about 19% compared to the same period from the previous year and a decrease of 13% compared to the second quarter of 2020. Total revenues associated with pulp production units amounted to approximately 119.0 million Euro, which corresponds to a 24% and 15% decrease, over the same quarter of 2019 and to the second quarter of 2020, respectively.

Total revenues associated with the units of energy production through forest biomass amounted to approximately 22.5 million Euro, which corresponds to an increase of 22% compared to the third quarter of 2019 and to an increase of 4% compared to the previous quarter.

The average market pulp price (BHKP) during the third quarter of 2020 was €582.6/ton, which corresponds to a decrease of 20% compared to the average price registered in the same period of 2019 and a 6% decrease over the average price recorded in the previous quarter of the current year.

In the third quarter of 2020, Altri Group exported 220.5 thousand tonnes of pulp, which corresponds to 86% of its total pulp sales. In monetary terms, quarterly exports amounted to 89.0 million Euro.

Total expenses amounted to 109.2 million Euro, which corresponds to a 9% decrease over the same quarter of 2019 and a 17.6% decrease when compared to the second quarter of 2020.

It should be noted that, at the operational level, a series of measures have been implemented to systematically reinforce the competitive position of all the production units that comprise the Altri Group.

So, Altri Group's EBITDA reached 32.4 million Euro, in the quarter under analysis, an increase of around 40.6% compared to the EBITDA recorded in the same period last year and 8.4% increase compared to the second quarter of 2020.

In terms of segments, EBITDA of the pulp production units amounted to 23.8 million Euro and the EBITDA generated by the forest biomass energy production units amounted to 8.6 million Euro.

EBIT amounted to 12.8 million Euro, which constitutes a decrease of 64% when compared to the same period of 2019 and a 27% increase over the EBIT recorded in the second quarter of 2020.

Altri Group's consolidated net profit reached 15.1 million Euro.

2.2. 9M2020 Results

thousand Euro	9M 2020	9M 2019	9M20/9M19 Var%
Total revenues (a)	469,546	582,124	-19.3%
Cost of sales	220,835	214,037	3.2%
External supplies and services	120,975	135,786	-10.9%
Payroll expenses	29,525	28,335	4.2%
Other expenses	3,957	5,992	-34.0%
Provisions and impairment losses	-1,110	1,181	-
Total expenses	374,181	385,330	-2.9%
EBITDA (b)	95,365	196,794	-51.5%
EBITDA margin (c)	20.3%	33.8%	-13.5 pp
Amortisation and depreciation	-59,094	-56,191	5.2%
EBIT (d)	36,271	140,603	-74.2%
EBIT margin (e)	7.7%	24.2%	-16.4 pp
Results related to investments	50	128	-60.6%
Financial expenses	-20,020	-20,696	-3.3%
Financial income	2,626	3,608	-27.2%
Financial results	-17,344	-16,960	2.3%
Profit before income tax	18,927	123,643	-84.7%
Income tax	5,356	-32,937	-116.3%
Consolidated net profit for the period			
Attributable to:			
Shareholders of the parent company	24,283	90,706	-73.2%
Non-controlling interest	-5	0	-

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

(b) EBITDA = Profit before income tax - Results related to 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

In the first nine months of the year, total revenues amounted to 469.5 million Euro, which corresponds to a 19.3% decrease. In terms of EBITDA, there was a 51.5% decrease to 95 million Euro. The consolidated net profit achieved to 24.3 million Euro.

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3. INVESTMENTS

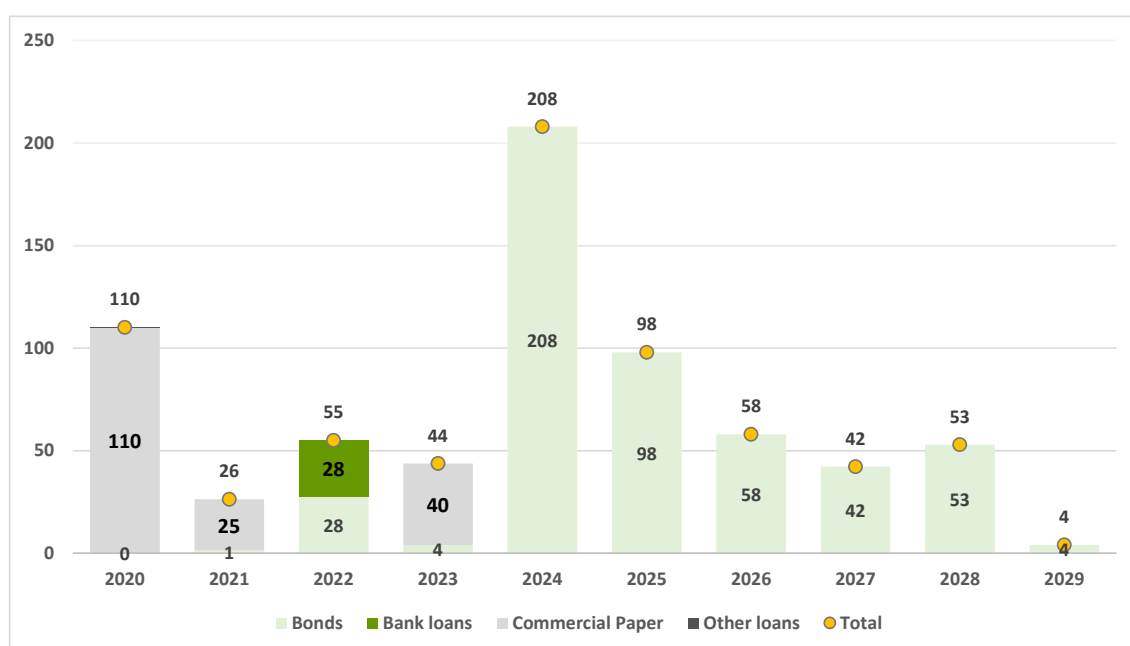
The total net investment⁴ made during the first nine months of 2020 by the Group's units amounted to approximately 27 million Euro. In quarterly terms, the third quarter contributed approximately with 12 million Euro.

4. DEBT

Altri's nominal remunerated net debt on September 30, 2020 amounted to 504.2 million Euro, which corresponds to a quarterly decrease of 28.1 million Euro.

Debt maturity profile

(million Euro)



⁴ Total net investment: Payments in the period related to the acquisition of property, plant and equipment related to the operational activity of the Pulp and Energy segments.

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Key balance sheet indicators

thousand Euro	30.09.2020	31.12.2019	Var%
Biological assets	106,059	104,491	2%
Property, plant and equipment	529,749	555,289	-5%
Right-of-use assets	66,972	69,601	-4%
Goodwill	265,631	265,631	0%
Investments in associated companies	776	725	7%
Others	86,853	89,108	-3%
Non-current assets	1,056,039	1,084,846	-3%
Inventories	91,509	85,966	6%
Trade receivables	77,618	83,739	-7%
Cash and cash equivalents	193,725	181,344	7%
Others	37,444	46,557	-20%
Current assets	400,296	397,605	1%
Total assets	1,456,335	1,482,451	-2%
Equity and non-controlling interests	431,352	466,043	-7%
Bank loans	27,500	27,500	0%
Other loans	533,546	558,765	-5%
Reimbursable government grants	2,942	2,942	0%
Lease liabilities	71,694	70,392	2%
Others	79,856	82,337	-3%
Non-current liabilities	715,539	741,936	-4%
Bank loans	36	6,203	-99%
Other loans	137,295	102,651	34%
Reimbursable government grants	2,847	3,026	-6%
Lease liabilities	9,538	9,316	2%
Trade payables	107,336	102,378	5%
Others	52,392	50,898	3%
Current liabilities	309,444	274,471	13%
Total liabilities and equity	1,456,335	1,482,451	-2%

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5. SUSTAINABILITY

Altri Group reinforced its strong commitment to an efficient water management strategy. This strategy is based on an action plan with two axes: the first aims to reduce the specific use of water, with the adoption of internal measures; and the second involves reusing treated wastewater in industrial units.

Thus, during the third quarter of 2020, Celtejo industrial unit organised the event “Celtejo de Portas Abertas”, an event that registered the presence of several stakeholders, namely mayors, environmental associations and various media. This event took place following the consolidation of the various investments implemented in the recent past, in this Altri Group’s subsidiary. The main theme of this meeting focused on the presentation of the work developed by this unit in the field of reducing water consumption.

The examples presented at the event above are a sample of the scope and complexity of the various measures implemented by the Altri Group related to the circular economy and aligned with the United Nations' sustainable development goals (SDGs).

The consolidation of Altri Group's sustainability roadmap is also underway, through the alignment of its strategic business objectives with the sustainable development goals of the United Nations 2030 Agenda for Sustainable Development.

With the ambitious goal of reaching the target of "zero accidents" in its units, Altri Group has been implementing programs to induce responsible behaviour in order to approach this value.

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6. PULP MARKET

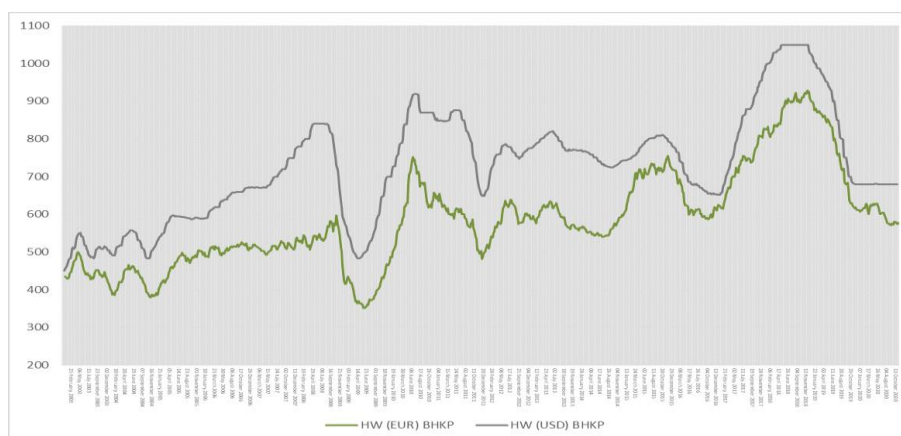
According to data from the Pulp and Paper Products Council (PPPC), World Chemical Market Pulp Global 100 Report, September 2020, the cumulative total demand for the first nine months of 2020 for hardwood pulp increased by 8.8% compared to the same period of 2019. The inventory days on hand at hardwood pulp producers were 41 days at the end of September 2020, which corresponds to a decrease of 20 days compared to the level of inventories that occurred a year ago.

Geographically (cumulative September 2020 vs cumulative September 2019), it is verified that consumption of hardwood pulp in Europe (Western Europe and Eastern Europe) decreased by 1.6%, while the demand from China increased by 17.5%.

In terms of sales price, benchmark is stable at 680USD/ton in Europe since November 2019. However, converting the price to EUR, the average price in the third quarter was 583 EUR/ton, the average price recorded in the second quarter of 2020 was 619 EUR/ton and the average price recorded in the third quarter of 2019 was 731 EUR/ton.

Evolution of BHKP pulp price in Europe from 2010 to November 2020

Source: FOEX



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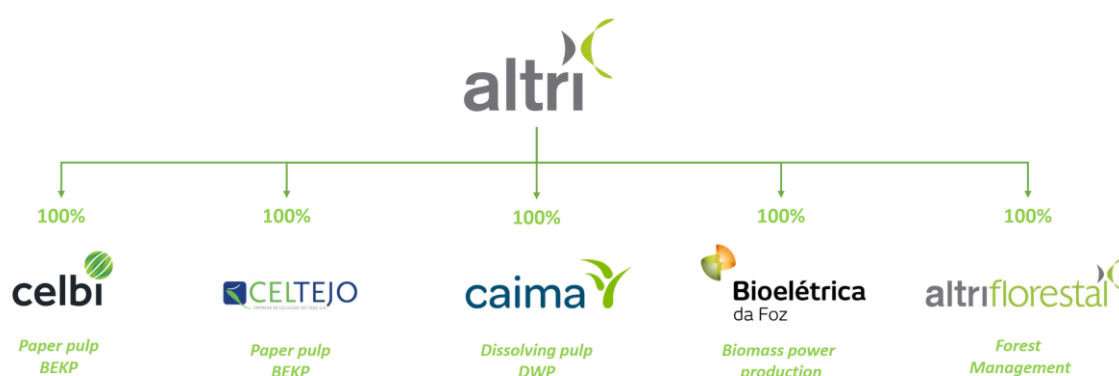
7. ALTRI – Business Profile

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 around 83.5 thousand hectares of forest in Portugal, entirely certified by the Forest Stewardship Council® (FSC®)⁵ and for the Programme 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 2019 reached more than 1 million tonnes/year of eucalyptus pulp.

Altri's current organic structure can be represented as follows:



⁵ FSC-C004615

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8. FUTURE PERSPECTIVES

The current context continues to be characterised by a high level of uncertainty, due to the current pandemic situation, mainly, in Europe and in the United States of America.

Consequently, the entire organization that constitutes the Altri Group is focussed on the importance that constituted the competitiveness of its production units.

Thus, it has been designing and implementing projects that seek to continuously reinforce the positioning of Altri Group as the most efficient European producer. Generically, industrial projects have been based on digital transformation associated with continuous improvement, aimed at a sustained reduction in production costs, as well as in the field of sustainability.

In concrete terms, in the case of Celtejo, the stoppage occurred in October 2020 aimed to consolidate the investment project that started about two years ago. While in the case of Caima, the intervention focused on washing and bleaching lines.

In terms of the evolution of the sale price of the DWP pulp, it is worth noting the implementation, already in the fourth quarter, of two price increases, totalling 80 USD/ton. Currently, the reference price for DWP (hardwood) is 690 USD/ton.

Oporto, November 19, 2020





**Condensed consolidated
financial statements and
notes**

FINANCIAL INFORMATION 3Q2020

Condensed consolidated financial statements and notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019
 (Translation of financial statements originally issued in Portuguese - Note 21)
 (Amounts expressed in Euros)

ASSETS	Notes	30.09.2020	31.12.2019
NON-CURRENT ASSETS:			
Biological assets		106,058,652	104,491,065
Property, plant and equipment		529,748,731	555,289,032
Right-of-use assets		66,971,854	69,601,105
Investment properties		113,310	113,310
Goodwill		265,630,973	265,630,973
Intangible assets		49,800,826	52,042,671
Investments in associated companies	5	775,748	725,472
Other investments		171,494	239,987
Other non-current assets		3,210,260	3,210,260
Derivative financial instruments	12	1,110,610	-
Deferred tax assets		32,446,048	33,501,991
Total non-current assets		<u>1,056,038,506</u>	<u>1,084,845,866</u>
CURRENT ASSETS:			
Inventories		91,508,726	85,965,748
Trade receivables		77,617,680	83,738,646
Assets associated with contracts with customers		7,302,900	7,365,847
Other debts from third parties		9,599,119	18,317,337
Income tax		10,977,649	12,658,843
Other current assets		6,423,613	6,657,394
Derivative financial instruments	12	3,141,145	1,557,085
Cash and cash equivalents	7	193,725,252	181,343,914
Total current assets		<u>400,296,084</u>	<u>397,604,814</u>
Total assets		<u>1,456,334,590</u>	<u>1,482,450,680</u>
EQUITY AND LIABILITIES		30.09.2020	31.12.2019
EQUITY:			
Share capital	9	25,641,459	25,641,459
Legal reserve		5,128,292	5,128,292
Hedging reserve		62,608	(2,493,790)
Other reserves		376,214,067	336,927,499
Consolidated net profit/(loss) for the financial year		24,287,739	100,826,022
Total equity attributable to shareholders of the Parent Company		<u>431,334,165</u>	<u>466,029,482</u>
Non-controlling interests		17,431	13,453
Total equity		<u>431,351,596</u>	<u>466,042,935</u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank loans	10	27,500,000	27,500,000
Other loans	10	533,545,922	558,764,714
Reimbursable government grants	10	2,942,267	2,942,267
Lease liabilities		71,694,456	70,392,159
Other non-current liabilities		11,430,853	14,448,082
Deferred tax liabilities		45,364,535	44,894,324
Pension liabilities		4,768,530	4,768,530
Provisions	11	16,621,038	17,307,171
Derivative financial instruments	12	1,671,321	919,120
Total non-current liabilities		<u>715,538,922</u>	<u>741,936,367</u>
CURRENT LIABILITIES:			
Bank loans	10	35,729	6,202,715
Other loans	10	137,294,667	102,650,962
Reimbursable government grants	10	2,847,177	3,026,144
Lease liabilities		9,538,405	9,316,241
Trade payables		107,336,466	102,377,748
Liabilities associated with contracts with customers		4,333,564	3,568,671
Other debts to third parties		12,571,769	20,505,050
Income tax		3,974,814	4,125,532
Other current liabilities		30,622,457	20,817,950
Derivative financial instruments	12	889,024	1,880,365
Total current liabilities		<u>309,444,072</u>	<u>274,471,378</u>
Total current liabilities		<u>1,456,334,590</u>	<u>1,482,450,680</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

The Chartered Accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2020

Condensed consolidated financial statements and notes

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019
 (Translation of financial statements originally issued in Portuguese - Note 21)
 (Amounts expressed in Euros)

	Notes	PERIOD ENDED AT		QUARTER ENDED AT	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
Sales		462,219,417	571,668,701	139,067,031	169,952,058
Services rendered		3,028,018	3,343,629	1,005,275	1,179,964
Other income	15	4,298,857	7,111,466	1,450,847	3,657,674
Costs of sales		(220,834,546)	(214,036,505)	(59,058,648)	(62,986,089)
External supplies and services		(120,975,338)	(135,785,816)	(37,582,028)	(44,414,846)
Payroll expenses		(29,524,926)	(28,334,715)	(9,908,801)	(9,323,419)
Amortisation and depreciation		(59,094,066)	(56,190,549)	(19,553,063)	(19,035,126)
Provisions and impairment losses	11	1,110,132	(1,180,865)	(900,000)	(1,180,865)
Other expenses		(3,956,505)	(5,991,897)	(1,715,455)	(2,384,799)
Results related to investments	5	50,276	127,509	(1,124)	100,695
Financial expenses	13	(20,020,447)	(20,696,208)	(7,023,414)	(7,046,904)
Financial income	13	2,625,859	3,608,331	964,759	1,621,490
Profit/(loss) before income tax		18,926,731	123,643,080	6,745,379	30,139,832
Income tax		5,356,286	(32,936,594)	8,305,799	(7,294,845)
Consolidated net profit/(loss) for the financial year		24,283,017	90,706,486	15,051,178	22,844,987
Attributable to:					
Holders of equity in the parent company		24,287,739	90,706,486	15,055,662	22,844,987
Non-controlling interests		(4,722)	-	(4,484)	-
		24,283,017	90,706,486	15,051,178	22,844,987
Earnings per share					
Basic	14	0.12	0.44	0.07	0.11
Diluted	14	0.12	0.44	0.07	0.11

The accompanying notes are an integral part of the condensed consolidated financial statements.

The Chartered Accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2020

Condensed consolidated financial statements and notes

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Translation of financial statements originally issued in Portuguese - Note 21)
(Amounts expressed in Euros)

	Notes	PERIOD ENDED AT		QUARTER ENDED AT	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
Consolidated net profit/(loss) for the financial year		24,283,017	90,706,486	15,051,178	22,844,987
Other comprehensive income:					
Items that may be reclassified to profit or loss in the future					
Changes in fair value of cash flow hedging derivatives - gross amount	12	3,520,731	(4,798,019)	2,494,815	(6,280,067)
Changes in fair value of cash flow hedging derivatives - deferred tax		(964,333)	837,996	(676,959)	1,274,504
Change in exchange rate reserve		48	24,722	(6,577)	15,352
Others		-	53,453	-	1,532
		2,556,446	(3,881,849)	1,811,279	(4,988,680)
Other comprehensive income for the period		2,556,446	(3,881,849)	1,811,279	(4,988,680)
Total consolidated comprehensive income for the period		26,839,463	86,824,637	16,862,457	17,856,307
Attributable to:					
Shareholders in the Parent Company		26,844,185	86,824,637	16,866,941	17,856,307
Non-controlling interests		(4,722)	-	(4,484)	-

The accompanying notes are an integral part of the condensed consolidated financial statements.

The Chartered Accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2020

Condensed consolidated financial statements and notes

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Translation of financial statements originally issued in Portuguese - Note 21)
(Amounts expressed in Euros)

Notes	Attributable to shareholders in the Parent Company						Non-controlling interest	Total equity
	Share capital	Legal reserve	Hedging reserves	Other reserves	Profit and loss result	Total		
Balance as at 1 January 2019	25,641,459	5,128,292	(2,502,304)	298,832,349	194,497,353	521,597,149	-	521,597,149
Appropriation of the consolidated result from 2018	-	-	-	194,497,353	(194,497,353)	-	-	-
Impact of application of IFRS 16	-	-	-	(7,239,153)	-	(7,239,153)	-	(7,239,153)
Distribution of dividends	-	-	-	(147,694,804)	-	(147,694,804)	-	(147,694,804)
Acquisition/Creation of subsidiaries	-	-	-	-	-	-	10,000	10,000
Total consolidated comprehensive income for the period	-	-	(3,960,024)	78,175	90,706,486	86,824,637	-	86,824,637
Balance as at 30 September 2019	25,641,459	5,128,292	(6,462,328)	338,473,920	90,706,486	453,487,829	10,000	453,497,829
Balance as at 1 January 2020	25,641,459	5,128,292	(2,493,790)	336,927,499	100,826,022	466,029,482	13,453	466,042,935
Appropriation of the consolidated result from 2019	-	-	-	100,826,022	(100,826,022)	-	-	-
Distribution of dividends	-	-	-	(61,539,502)	-	(61,539,502)	-	(61,539,502)
Capital increase	-	-	-	-	-	-	8,700	8,700
Total consolidated comprehensive income for the period	-	-	2,556,398	48	24,287,739	26,844,185	(4,722)	26,839,463
Balance as at 30 September 2020	25,641,459	5,128,292	62,608	376,214,067	24,287,739	431,334,165	17,431	431,351,596

The accompanying notes are an integral part of the condensed consolidated financial statements.

The Chartered Accountant

The Board of Directors

FINANCIAL INFORMATION 3Q2020

Condensed consolidated financial statements and notes

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE AND THREE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Translation of financial statements originally issued in Portuguese - Note 21)
(Amounts expressed in Euros)

	Notes	PERIOD ENDED AT		QUARTER ENDED AT	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
Operating activities:					
<i>Cash flows generated by operating activities (1)</i>		<u>120,091,146</u>	<u>133,632,063</u>	<u>43,892,748</u>	<u>11,820,935</u>
Investment activities:					
Receipts arising from:					
Investments		106,200	151,209	-	48,000
Property, plant and equipment		25,594	81,615	498	4,029
Investment grants		45,140	1,822,308	-	75,233
Interest and similar income		559,236	1,694,071	189,390	261,730
Payments relating to:					
Investments		-	(32,075)	-	-
Property, plant and equipment		(26,669,569)	(56,063,359)	(11,806,592)	(16,705,092)
Intangible assets		-	(555,999)	-	-
Loans conceded		-	(4,390,817)	-	-
Investment grants		-	(1,818,120)	-	1
<i>Cash flows generated by investment activities (2)</i>		<u>(25,933,399)</u>	<u>(59,111,167)</u>	<u>(11,616,704)</u>	<u>(16,316,099)</u>
Financing activities:					
Receipts arising from:					
Loans obtained		340,000,000	172,037,608	175,000,000	71,466,633
Capital increase		8,700	-	8,700	-
Other financing transactions		755,857	-	755,857	-
Payments relating to:					
Interest and similar expenses		(10,694,384)	(18,141,083)	(3,741,933)	(7,682,645)
Distributed dividends		(61,539,502)	(147,694,804)	-	-
Loans obtained		(336,439,000)	(176,900,086)	(185,260,033)	(122,957,484)
Reimbursable government grants		(178,967)	-	(178,967)	-
Lease liabilities		(10,588,435)	-	(994,586)	-
Other financing transactions		(3,100,678)	(4,647,498)	(20,567)	(326,388)
<i>Cash flows generated by financing activities (3)</i>		<u>(81,776,409)</u>	<u>(175,345,863)</u>	<u>(14,431,529)</u>	<u>(59,499,884)</u>
Cash and cash equivalents at the beginning of the period		181,343,914	240,476,078	175,880,738	203,646,159
Cash and cash equivalents variation: (1)+(2)+(3)		<u>12,381,338</u>	<u>(100,824,967)</u>	<u>17,844,514</u>	<u>(63,995,048)</u>
Cash and cash equivalents at the end of the period	7	<u>193,725,252</u>	<u>139,651,111</u>	<u>193,725,252</u>	<u>139,651,111</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

The Chartered Accountant

The Board of Directors

1. INTRODUCTORY NOTE

Altri, SGPS, S.A. ('Altri' or 'the Company') is a public company incorporated on 1 March 2005, whose head office is located at Rua Manuel Pinto de Azevedo, 818, in Oporto, and its main activity involves managing shareholdings, while its shares are listed at Euronext Lisbon.

Altri is dedicated to managing shareholdings primarily in the industrial sector, as the parent company of the group of companies shown under Note 5 and referred to as the Altri Group. There is no other company above it that includes these consolidated financial statements. The Altri Group's current activities focus on producing bleached eucalyptus pulp at three production plants and on generating electricity via waste consumption and forest biomass.

Faced with this reality in the Altri Group, its Board of Directors considers there are two business segments, namely, production and commercialization of bleached eucalyptus pulp and electricity generation via waste consumption and forest biomass, being management information also prepared and examined on that basis (Note 16).

The Altri Group's condensed consolidated financial statements are shown in Euros, in amounts rounded off to the nearest Euro. This is the currency used by the Group in its transactions and, as such, is deemed to be the functional currency.

2. MAIN ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The condensed consolidated financial statements, for the nine months period ended on 30 September 2020, were prepared in accordance with IAS 34 – Interim Financial Reporting and include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows, as well as, the selected explanatory notes. These condensed consolidated financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Altri Group for the financial year ended 31 December 2019.

The accounting policies adopted for preparation of the attached condensed consolidated financial statements were consistently applied during the periods being compared.

The Board of Directors assessed the capacity of the Company, its subsidiaries and associates to operate on a going concern basis, based on the entire relevant information, facts and circumstances, of financial, commercial or other nature, including events subsequent to the condensed consolidated financial statements' reference date, as available regarding the future. As a result of the assessment conducted, the Board of Directors concluded that it has adequate resources to keep up its operations, which it does not intend to cease in the short term. Therefore, it was considered appropriate to use the going concern basis in preparing the condensed consolidated financial statements.

The attached condensed consolidated financial statements were prepared based on the accounting books and records of the company, its subsidiaries, and associates, adjusted in the consolidation process, in the assumption of going concern basis. When preparing the condensed consolidated financial statements, the Group used historical cost as its basis, modified, where applicable, via fair value measurement of i) biological assets measured at fair value, and ii) certain financial instruments, which are recorded at their fair value.

The preparation of condensed consolidated financial statements requires the use of estimates, assumptions and critical judgements in the process of determining accounting policies to be adopted by the Group, with significant impact on the book value of assets and liabilities, as well as on income and expenses for the period. Although these estimates are based on the best experience of the Board of Directors and on its best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas with significant assumptions and estimates are disclosed in Note 2.4 of the accompanying notes to the consolidated financial statements of the Group for the financial year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the period, there were no changes in accounting policies. Likewise, no material errors were recognised in relation to previous financial years.

New accounting standards and their impact in these condensed consolidated financial statements:

Up to the date of approval of these financial statements, the European Union endorsed the following accounting standards, interpretations, amendments and revisions, mandatorily applied to the financial year beginning on 1 January 2020:

	Effective date (financial years begun on or after)
Amendments to references to the Conceptual Framework in IFRS Standards	01 Jan 2020
Amendment to IFRS 3 - Business combinations	01 Jan 2020
Amendment to IAS 1 and IAS 8 - Definition of material	01 Jan 2020
Amendments to standards IFRS 9, IAS 39 and IFRS 7 - Interest rate Benchmark reform (IBOR Reform)	01 Jan 2020
IFRS 16 (Amendments) – COVID-19 - Related Rent Concessions	01 Jun 2020

The adoption of these standards and interpretations had no relevant impact on the Group's financial statements.

On the approval date of these financial statements, the following accounting standards, amendments and interpretations were not yet endorsed by the European Union:

	Effective date (financial years begun on or after)
IFRS 4 (Amended) - Deferral of effective dates to apply two optional solutions (temporary exemption from IFRS 9 and overlay approach)	01 Jan 2021
Amendments to standards IFRS 9, IFRS 7, IFRS 4 and IFRS 16 - Interest rate Benchmark reform (Phase 2)	01 Jan 2021
Amendment to IFRS 3 - Reference to the Conceptual Framework	01 Jan 2022
IAS 16 (Amended) - Proceeds before Intended Use	01 Jan 2022
IAS 37 (Amended) - Onerous Contracts – Cost of Fulfilling a Contract	01 Jan 2022
Annual Improvement Project 2018-2020	01 Jan 2022

IAS 1 (Amended) - Classification of Liabilities as Current or Non-current

01 Jan 2023

IFRS 17 - Insurance contracts; including amendments

01 Jan 2023

The Group has not adopted any standard, amendment or interpretation that has been issued but not yet effective, for the preparation of the consolidated financial statements for the period ending 30 September 2020, given that application is not mandatory. The impact of the referred standards is currently being assessed.

4. SIGNIFICANT EVENTS: COVID-19

Since the beginning of the pandemic, the Altri Group implemented a set of measures for the prevention, control and surveillance, with prevention / contingency plans being developed that cover the entire organisation, from the operational areas to the central structures, in all the Group's businesses.

During the third quarter, Altri Group maintained its process of monitorisation and assessing of the implemented measures, in order to respond to the demands arising from the COVID-19 pandemic. From all the actions implemented within the scope of the monitoring and evaluation of pandemic developments, we highlight the following:

- The Altri Group implemented a set of measures for the prevention, control and surveillance of this infection. As a result of the various measures implemented by the Group, on September 30, 2020, a negative impact on the income statement is estimated in the amount of approximately 966.8 thousand Euro (including personnel expenses, namely extra shifts and hours, as well as travel expenses, donations, protective equipment, expenses with hiring companies specialised in disinfecting spaces, among others).
- With regard to liquidity risk management, the Group maintained a liquidity reserve in the form of credit lines with its relationship banks, in order to ensure the ability to meet its commitments, without having to refinance in unfavorable conditions. As of September 30, 2020, the amount of consolidated loans¹ maturing in the next 12 months is approximately 150 million Euro. On the same date, the Group has consolidated credit lines available (namely bank overdrafts, pledged current accounts and not used commercial paper programs) in the amount of approximately 148 million Euro. Additionally, the Group's cash and cash equivalents reaches roughly 194 million Euro, representing approximately 63% of its current liabilities.

Within Altri Group, the three plants continue to produce fully, as well as the power plants. During this period, and until today, operations at all units that make up the Altri Group's business universe were carried out at the usual pace, with no disruptions. Given the operational activity of the Altri Group, the assessment and conclusions with reference to 31 December 2019, with respect to the hedging derivative instruments' accounting, remains valid at 30 September 2020.

It is worth mentioning that based on the results of the Altri Group, reinforced by the performance of its operating segments during the nine months period ended 30 September 2020, and considering the information available up to this date, the conclusions in the preparation of the annual financial statements at 31 December 2019, regarding recoverability of the financial and non-financial assets, namely with regard to the potential impacts of the COVID-19 pandemic, remain unchanged. The sensitivity analyses were disclosed in the notes to the financial statements for the year ended 31 December 2019.

Nevertheless, circumstances of extended social and macroeconomic conditions with negative impact on the value chain could result in negative effects on the results of the Altri Group with a consequence on the recoverable value of its assets.

Despite the measures mentioned above, and at this stage, which is characterised by widespread uncertainty in the social and economic context, the Altri Group will remain attentive and careful in the

¹ Consolidated loans: Bank loans + Other loans + Reimbursable government grants + Lease liabilities.

management of its business, and in the evaluation and monitoring of the actions already implemented and / or to be implemented, in order to manage and anticipate, as far as possible, the impacts of this pandemic on its operational and financial performance.

With regard to short-term impacts, the following should be noted:

Pulp segment:

The first quarter of 2020, despite the pandemic, started positively in commercial terms, with regard to the demand for pulp, which is the raw material for tissue production. The high demand from Customers is explained by the increased consumption of paper products for domestic use, as well as for hygiene and protection use, also explained by the pandemic.

During the second quarter of 2020, there was a stabilisation in the levels of demand for tissue and a gradual recovery in the demand for graphic paper (printing and writing) explained by the cessation of mandatory containment measures.

The third quarter of 2020 was characterised, mainly, by three factors, namely, the Dollar depreciation against the Euro, which lead to a decrease of the sales price in Euro; a lower total amount of sales, when compared with the first two quarters of the year, due to a seasonal markets issues; and lastly, these two factors were partial offset by an operational efficiency achieved by a reduction of the unitary production costs, which allowed to a higher EBITDA when compared with the second quarter of 2020.

The production of tissue has been considered an essential activity and, as such, the raw material used in its production (paper pulp) was also considered an essential good. For this reason, the Altri Group maintains its activity as part of this supply chain.

Given the strong partnership with its Suppliers, no constraint in the supply chain and supply of raw materials has occurred up to this date.

Since the beginning of November 2019, BHKP sales price recorded by PIX in USD has been stable in 680 USD/ton.

At this date, there is an expectation in the market that the increase in the selling price will take place gradually until the end of 2020. Namely, in terms of the evolution of the sale price of the DWP pulp, it is worth noting the implementation, already in the fourth quarter, of two price increases, totaling 80 USD/ton. Currently, the reference price for DWP (hardwood) is 690 USD/ton.

Despite the fact that the Altri Group maintained the credit insurance levels in its pulp sales, even under a pandemic situation, there has been no relevant difficulties in terms of collection up to this date. Additionally, there were no contractual defaults or changes to existing contracts with customers.

Energy segment:

Given the business model of this segment, up to this date, turnover has not been significantly impacted as a result of the pandemic, with all sales made to the public grid. Likewise, there hasn't been any relevant difficulties in terms of collection or in terms of other important operational issues.

Employees:

Ensuring the permanent well-being of all Employees, their families and the community has always been and will continue to be a priority of the Altri Group.

The Altri Group put in place a set of additional preventive measures to protect the health and safety of its Employees, based on the recommendations of the Portuguese Health Authority to deal with the pandemic.

The human resources department, based on the recommendations of the Portuguese Health Authority, proceeded with the elaboration of a Group's COVID-19 Contingency Plan. This plan has been continuously adjusted considering the evolution of the pandemic, being essential for the purposes of containing the impacts of the pandemic between our employees and the local community.

Several measures have been implemented, namely:

- Following the most recent recommendations of the Government and the national health authorities, which highlight the convenience of widespread use of masks in the community, the Altri Group has made the use of masks mandatory from the entry point in each subsidiary;
- Still as a contingency measure in the fight against COVID-19, thermal cameras with thermographic technology were installed in the main entries of the subsidiaries Caima, Celbi and Celtejo;
- Mitigation actions were reinforced at cafeterias, namely, extended meal times to allow a smaller number of employees per hour; greater spacing between cafeteria tables, among other actions that were assessed and deemed efficient for protecting our Employees;
- Resumption of measures such as teleworking and lagged shifts;
- Within the scope of the continuous dissemination of the Contingency Plan to employees, there has been regular communication on several topics, of which the following stand out: communication of risk behaviors to be avoided, the five most common mistakes in the use of masks, among others.

Altri's Board of Directors wants to formally address a special thanks to all its Employees, for the absolutely exemplary and noteworthy way in which they all endeavored to overcome this phase that we are going through.

5. INVESTMENTS

5.1 INVESTMENTS IN SUBSIDIARIES

The companies included in the consolidation by the full consolidation method, respective registered offices, proportion of capital held and main activity as at 30 September 2020 and 31 December 2019 are as follows:

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Condensed consolidated financial statements and notes

Company	Registered office	Effective held percentage		Main activity
		30.09.2020	31.12.2019	
<u>Parent company:</u>				
Altri, SGPS, S.A.	Porto			Holding (company)
<u>Subsidiaries:</u>				
Altri Abastecimento de Madeira, S.A.	Figueira da Foz	100%	100%	Timber 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 Eucalyptus pulp
Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.	Constância	100%	100%	Generation of thermal energy and electricity
Caima – Indústria de Celulose, S.A.	Constância	100%	100%	Production and commercialization of Eucalyptus pulp
Captaraiz Unipessoal, Lda.	Figueira da Foz	100%	100%	Real estate
Celtejo – Empresa de Celulose do Tejo, S.A.	Vila Velha de Ródão	100%	100%	Production and commercialization of Eucalyptus pulp
Celulose Beira Industrial (Celbi), S.A.	Figueira da Foz	100%	100%	Production and commercialization of Eucalyptus pulp
Infloira – Sociedade de Investimentos Florestais, S.A.	Figueira da Foz	100%	100%	Forest management
Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A.	Porto	100%	100%	Real estate
Viveiros do Furadouro Unipessoal, Lda.	Óbidos	100%	100%	Plant production in nurseries and services related with forest and landscapes
Florestsul, S.A.	Figueira da Foz	100%	100%	Forest management
Sociedade de Energia Solar do Alto Tejo (SESAT), Lda.	Nisa	80%	80%	Renewable energy sources
Bioelétrica da Foz, S.A.	Figueira da Foz	100%	100%	Electricity generation using waste and biomass sources
Bioródão, S.A.	Figueira da Foz	100%	100%	Electricity generation using waste and biomass sources
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	100%	100%	Production and commercialization of electric and thermal energy through cogeneration
Sociedade Bioelétrica do Mondego, S.A.	Figueira da Foz	100%	100%	Electricity generation using waste and biomass sources
Ribatejo Green, Lda	Algés	70%	70%	Electricity generation
Amieira Green, Lda	Algés	70%	70%	Electricity generation
Paraimo Green, Lda	Algés	70%	70%	Electricity generation
Piara Solar, Lda	Algés	70%	70%	Electricity generation
Maio Green, Lda	Algés	70%	70%	Electricity generation

All subsidiaries above were included in the Altri Group's consolidated financial statements using the full consolidation method.

5.2 INVESTMENT IN ASSOCIATED COMPANIES

Associated companies and proportion of capital held as at 30 September 2020 and 31 December 2019 are as follows:

Company	Statement of financial position		Effective shareholding percentage	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
<u>Associated companies:</u>				
Operfoz – Operadores do Porto da Figueira da Foz, Lda.	775,748	725,472	33.33%	33.33%
	<u>775,748</u>	<u>725,472</u>		

Operfoz has its registered office at Figueira da Foz and its main activity is operation of ports. This entity was included in the Altri Group's consolidated financial statements using the equity method.

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Condensed consolidated financial statements and notes

The movements in the balance of this caption in the periods ended 30 September 2020 and 31 December 2019 are detailed as follows:

	Statement of financial position	
	30.09.2020	31.12.2019
Opening balance	725,472	696,660
Equity method:		
Effects on gains and losses related to associated companies	50,276	28,812
Closing balance	775,748	725,472

The accounting policies used by the associated company are not significantly different from those used by the Altri Group, and as such no harmonization of the accounting policies was necessary.

6. CHANGES IN THE CONSOLIDATION PERIMETER

During the nine months period ended on 30 September 2020, there were no changes in the consolidation perimeter compared to 31 December 2019.

7. CASH AND CASH EQUIVALENTS

As at 30 September 2020 and 2019, Cash and cash equivalents are as follows:

	30.09.2020	30.09.2019
Cash	32,585	26,343
Bank deposits	193,692,667	139,636,818
Cash and cash equivalents on the statement of financial position	193,725,252	139,663,160
Bank overdrafts (Note 10)	-	(12,049)
Cash and cash equivalents on the statement of cash flows	193,725,252	139,651,111

8. CURRENT AND DEFERRED TAXES

According to current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for Social Security), except when there have been tax losses, tax benefits granted, or when inspections, complaints or challenges are in progress, in which cases, depending on the circumstances, the deadlines are extended or suspended. Therefore, the Group's tax returns since 2016 may still be 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 condensed consolidated financial statements as of 30 September 2020.

9. SHARE CAPITAL

As at 30 September 2020 and 31 December 2019, the Company's share capital was fully subscribed and paid up, consisting of 205,131,672 shares with a nominal value of 12.5 cents of Euro each.

10. BANK LOANS, OTHER LOANS AND REIMBURSABLE GOVERNMENT GRANTS

As at 30 September 2020 and 31 December 2019, 'Bank loans', 'Other loans' and 'Reimbursable government grants' can be detailed as follows:

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30.09.2020						
	Nominal value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	-	27,500,000	27,500,000	35,729	27,500,000	27,535,729
Bank overdrafts	-	-	-	-	-	-
Bank loans	-	27,500,000	27,500,000	35,729	27,500,000	27,535,729
Commercial paper	135,000,000	40,000,000	175,000,000	135,052,245	40,000,000	175,052,245
Bond loans	-	495,400,000	495,400,000	2,194,422	493,545,922	495,740,344
Other loans	48,000	-	48,000	48,000	-	48,000
Other loans	135,048,000	535,400,000	670,448,000	137,294,667	533,545,922	670,840,589
Reimbursable government grants	2,847,178	2,942,267	5,789,445	2,847,177	2,942,267	5,789,444
	<u>137,895,178</u>	<u>565,842,267</u>	<u>703,737,445</u>	<u>140,177,573</u>	<u>563,988,189</u>	<u>704,165,762</u>

31.12.2019						
	Nominal value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	6,000,000	27,500,000	33,500,000	6,202,715	27,500,000	33,702,715
Bank overdrafts	-	-	-	-	-	-
Bank loans	6,000,000	27,500,000	33,500,000	6,202,715	27,500,000	33,702,715
Commercial paper	100,000,000	65,000,000	165,000,000	100,098,828	65,000,000	165,098,828
Bond loans	-	495,700,000	495,700,000	2,360,134	493,764,714	496,124,848
Other loans	192,000	-	192,000	192,000	-	192,000
Other loans	100,192,000	560,700,000	660,892,000	102,650,962	558,764,714	661,415,676
Reimbursable government grants	3,026,144	2,942,267	5,968,411	3,026,144	2,942,267	5,968,411
	<u>109,218,144</u>	<u>591,142,267</u>	<u>700,360,411</u>	<u>111,879,821</u>	<u>589,206,981</u>	<u>701,086,802</u>

The book value includes accrued interests and the expenditures with the issuance of the loans. These expenses were deducted from its nominal value and are being recognised as financial expenses along the life period of the loan (Note 13).

11. ACCUMULATED PROVISIONS AND IMPAIRMENT LOSSES

The movement occurred under provisions and impairment losses in the nine months periods ended 30 September 2020 and 2019 can be detailed as follows:

30.09.2020				
	Provisions	Impairment losses in receivables	Impairment losses in inventories	Total
Opening balance	17,307,171	3,624,622	14,837,369	35,769,162
Increases	112,649	-	900,000	1,012,649
Utilizations	(789,629)	-	-	(789,629)
Reversals	-	(2,962)	(2,007,170)	(2,010,132)
Transfers	(9,153)	-	-	(9,153)
Closing balance	<u>16,621,038</u>	<u>3,621,660</u>	<u>13,730,199</u>	<u>33,972,897</u>

30.09.2019				
	Provisions	Impairment losses in receivables	Impairment losses in inventories	Total
Opening balance	14,390,330	3,630,547	8,336,698	26,357,575
Increases	5,752	-	1,175,113	1,180,865
Utilizations	-	-	-	-
Transfers	(9,152)	-	-	(9,152)
Closing balance	<u>14,386,930</u>	<u>3,630,547</u>	<u>9,511,811</u>	<u>27,529,288</u>

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The amount recorded under 'Provisions' includes the dismantling provision of the power generation plants operated by Bioelétrica da Foz and its subsidiaries.

The increase recorded in the nine months period ended 30 September 2020 refers to the unwinding of the discount. This discount that results from the passage of time is recorded against the caption "Financial expenses".

The amount recorded under the caption 'Provisions' is the best estimate from the Board of Directors in order to address the entirety of losses to be incurred with currently ongoing legal proceedings.

12. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 2020 and 31 December 2019, the Altri Group had in force derivative financial instrument contracts associated with hedging interest rate changes and derivative financial instrument contracts associated with hedging exchange rate changes. All these instruments are recorded at fair value.

Altri Group subsidiaries only use derivatives to hedge cash flows associated with operations generated by their activity.

As at 30 September 2020 and 31 December 2019, the fair value of derivative financial instruments is as follows:

	30.09.2020				31.12.2019			
	Asset		Liability		Asset		Liability	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Interest rate derivatives	-	-	-	1,254,583	-	-	111,003	919,120
Exchange rate derivatives	3,141,145	1,110,610	889,024	416,738	1,557,085	-	1,769,362	-
	3,141,145	1,110,610	889,024	1,671,321	1,557,085	-	1,880,365	919,120

The movement in the fair value of the derivative financial instruments during the nine months period ended 30 September 2020 can be broken down as follows:

	Interest rate derivatives	Exchange rate derivatives	Total
Opening balance	(1,030,123)	(212,277)	(1,242,400)
Change in fair value			
Effects on equity	(176,960)	3,697,691	3,520,731
Effects on the income statement	(158,596)	(3,402,701)	(3,561,297)
Effects on the statement of financial position	111,096	2,863,280	2,974,376
Closing balance	(1,254,583)	2,945,993	1,691,410

13. FINANCIAL RESULTS

The financial results for the nine months periods ended 30 September 2020 and 2019 are detailed as follows:

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	30.09.2020	30.09.2019
Financial expenses		
Interest expenses	10,540,324	11,803,422
Other financial expenses and losses	9,480,123	8,892,786
	<u>20,020,447</u>	<u>20,696,208</u>
Financial income		
Interest income	29,403	214,847
Other financial income and gains	2,596,457	3,393,484
	<u>2,625,859</u>	<u>3,608,331</u>

During the nine months period ended on 30 September 2020, the caption 'Other financial expenses and losses' includes, among others, expenses incurred with loans, which are being recognised as an expense over the life of the respective loan (Note 10) and the expenses on exchange rate derivatives (Note 12). The caption 'Other financial income and gains' includes, mainly, exchange rate gains.

14. EARNINGS PER SHARE

Earnings per share for the nine months period ended 30 September 2020 and 2019 were calculated based on the following amounts:

	30.09.2020	30.09.2019
Number of shares for basic and diluted earning calculation	205,131,672	205,131,672
Result for the purpose of calculating earnings per share	24,283,017	90,706,486
Earnings per share		
Basic	0.12	0.44
Diluted	0.12	0.44

15. OTHER INCOME

As at 30 September 2020 and 2019, the caption 'Other Income' is detailed as follows:

	30.09.2020	30.09.2019
Investment and exploration subsidies	3,384,054	3,456,790
Gains on sales of assets	81,263	168,959
Others	833,540	3,485,717
	<u>4,298,857</u>	<u>7,111,466</u>

16. INFORMATION BY SEGMENTS

The Altri Group shows the following reportable segments:

- i) **Pulp**
Comprising essentially the three pulp mills in Portugal: Celulose Beira Industrial (Celbi), S.A., in Figueira da Foz; Celtejo – Empresa de Celulose do Tejo, S.A., in Vila Velha de Ródão; and Caima – Indústria de Celulose, S.A., located in Constância, and the forestry activity; and
- ii) **Energy**
Consisting of Bioelétrica da Foz, S.A. and its subsidiaries, comprising five power plants generating energy from forest biomass, for sale to the public grid.

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The Group identified these two reportable segments, considering that these are Group facilities that carry on business where revenues and expenses can be separately identified and relative to which separate financial information is produced. Compared to 31 December 2019, the Group revised its method of monitoring operations, not distinguishing the other segment from the pulp segment. The identification of the reportable segments made by the Group is consistent with the way the Board of Directors conducts and controls them, and on which it makes decisions.

The contribution of the business segments to the consolidated income statement for the nine months period ended 30 September 2020 is as follows:

	Energy	Pulp	Total	Eliminations	Consolidated
Sales	65,932,391	396,287,026	462,219,417	-	462,219,417
Sales - intersegmental	3,013,987	291,172,330	294,186,317	(294,186,317)	-
Services rendered	-	3,028,018	3,028,018	-	3,028,018
Services rendered - intersegmental	-	35,243,533	35,243,533	(35,243,533)	-
Other income	166,809	4,132,048	4,298,857	-	4,298,857
Other income - intersegmental	0	858,353	858,353	(858,353)	-
Total operating income	69,113,187	730,721,308	799,834,495	(330,288,203)	469,546,292
Cost of sales	(30,167,400)	(480,065,113)	(510,232,513)	289,397,967	(220,834,546)
External supplies and services	(13,627,906)	(147,626,240)	(161,254,146)	40,278,808	(120,975,338)
Payroll expenses	-	(29,530,128)	(29,530,128)	5,202	(29,524,926)
Amortisation and depreciation	(11,016,642)	(48,077,424)	(59,094,066)	-	(59,094,066)
Provisions and impairment losses	-	1,110,132	1,110,132	-	1,110,132
Other expenses	(964,808)	(3,206,759)	(4,171,567)	215,062	(3,956,505)
Total operating expenses	(55,776,756)	(707,395,532)	(763,172,288)	329,897,039	(433,275,249)
Operating results	13,336,431	23,325,776	36,662,207	(391,164)	36,271,043
Results related to investments					50,276
Financial results					(17,394,588)
Profit/(loss) before income tax					18,926,731
Income tax					5,356,286
Net profit/(loss)					24,283,017
Attributable to:					
Holders of equity in the parent company					24,287,739
Non-controlling interests					(4,722)
					24,283,017

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The contribution of the business segments to the consolidated income statement for the nine months period ended 30 September 2019 is as follows:

	Energy	Pulp	Total	Eliminations	Consolidated
Sales	44,395,324	527,273,376	571,668,701	-	571,668,701
Sales - intersegmental	2,056,858	260,037,495	262,094,352	(262,094,352)	-
Services rendered	-	3,343,629	3,343,629	-	3,343,629
Services rendered - intersegmental	-	37,568,741	37,568,741	(37,568,741)	-
Other income	110,079	7,001,387	7,111,466	-	7,111,466
Other income - intersegmental	0	2,408,703	2,408,703	(2,408,703)	-
Total operating income	46,562,260	837,633,331	884,195,592	(302,071,796)	582,123,795
Cost of sales	(19,268,977)	(451,068,271)	(470,337,248)	256,300,744	(214,036,505)
External supplies and services	(11,725,121)	(167,718,567)	(179,443,689)	43,657,872	(135,785,816)
Payroll expenses	-	(28,343,601)	(28,343,601)	8,886	(28,334,715)
Amortisation and depreciation	(6,455,120)	(49,735,429)	(56,190,549)	-	(56,190,549)
Provisions and impairment losses	-	(1,180,865)	(1,180,865)	-	(1,180,865)
Other expenses	(80,804)	(7,844,399)	(7,925,203)	1,933,307	(5,991,897)
Total operating expenses	(37,530,023)	(705,891,132)	(743,421,155)	301,900,809	(441,520,346)
Operating results	9,032,237	131,742,199	140,774,436	(170,988)	140,603,449
Results related to investments					127,509
Financial results					(17,087,878)
Profit/(loss) before income tax					123,643,080
Income tax					(32,936,594)
Net profit/(loss)					90,706,486
Attributable to:					
Holders of equity in the parent company					90,706,486
Non-controlling interests					-
					<u>90,706,486</u>

17. RELATED PARTIES

Altri Group subsidiary companies have relationships with each other that qualify as transactions with related parties, which were carried out at market prices.

In the consolidation procedures, transactions between companies included in the consolidation using the full consolidation method are eliminated, since the consolidated financial statements show information on the holder and its subsidiaries as if it were a single company, and so they are not disclosed under this note.

During the nine months periods ended 30 September 2020 and 2019, there were no transactions with the Board of Directors, nor were they granted loans.

As at 30 September 2020 and 2019, balances and transactions with related entities during the nine months periods ended on those dates can be summarised as follows:

	Purchases and acquired services		Sales and services rendered		Juros auferidos	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Transactions						
Associated companies (a)	2,593,038	1,693,947	-	-	-	-
Other related parties (b)	2,405,976	6,555,576	-	-	-	-
	<u>4,999,014</u>	<u>8,249,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Payables		Receivables		Loans granted	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Balances						
Associated companies (a)	259,914	124,371	-	29,838	-	291,563
Other related parties (b)	195,249	5,155,591	-	-	-	-
	<u>455,163</u>	<u>5,279,962</u>	<u>-</u>	<u>29,838</u>	<u>-</u>	<u>291,563</u>

(a) Entities included in the consolidation using the equity method as at 30 September 2020 and 2019 (Note 5.2)

(b) The companies listed below were considered as other related parties

Along with the companies included in the consolidation (Note 5), entities deemed related as at 30 September 2020 can be shown as follows:

- Actium Capital, S.A.
- A Nossa Aposta – Jogos e Apostas On-line, S.A.
- Caderno Azul, S.A.
- Cofihold, S.A.
- Cofihold II, S.A.
- Cofina Media, S.A.
- Cofina, SGPS, S.A.
- Elege Valor, Lda.
- Expeliarmus – Consultoria, Lda.
- F. Ramada II, Imobiliária, S.A.
- Ramada Investimentos e Indústria, S.A.
- Grafedisport – Impressão e Artes Gráficas, S.A
- Livrefluxo, S.A.
- Mercados Globais – Publicação de Conteúdos, Lda.
- Planfuro Global, S.A.
- Préstimo – Prestígio Imobiliário, S.A.
- Promendo Investimentos, S.A.
- Ramada – Aços, S.A.
- Socitrel – Sociedade Industrial de Trefilaria, S.A.
- Universal Afir, S.A.
- Valor Autêntico, S.A.
- VASP – Sociedade de Transportes e Distribuições, Lda.
- 1 Thing, Investments, S.A.

18. APPROPRIATION OF NET PROFIT

Regarding the 2019 financial year, the Board of Directors proposed in its annual report, which was approved in the General Meeting held on April 30, 2020, that the individual net profit of Altri, SGPS, S.A. in the amount of EUR 114,428,315, should be allocated as follows:

Free reserves	EUR 52,888,813
Dividends	EUR 61,539,502

The distribution of profits for the financial year results in the payment of a gross dividend of EUR 0.30 per share.

19. SUBSEQUENT EVENTS

From 30 September 2020 to the date of issue of this report, there were no other relevant facts that could materially affect the financial position and future results of the Altri Group and its subsidiary and associated companies included in the consolidation.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 19 November 2020.

21. TRANSLATION NOTE

These consolidated financial statements are a translation of the financial statements originally issued in Portuguese in accordance with IAS 34 – Interim Financial Reporting and with the International Financial Reporting Standards as adopted by the European Union, 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

Alberto João Coraceiro de Castro

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

Maria do Carmo Guedes Oliveira

Paula Simões de Figueiredo Pimentel Freixo

José Armindo Farinha Soares de Pina

José António Nogueira dos Santos

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