

A close-up photograph of several large, stacked logs of wood. The logs are cut into circular cross-sections, showing the natural grain and texture of the wood. The lighting is bright, highlighting the golden-brown tones of the wood. The logs are stacked in a way that creates a sense of depth and volume.

Pulp and forest

Presentation on Altri

June 2017



Altri's overview

Business development

BHKP Market

Appendix

Forest management

81K ha rented in Portugal

- 20% self sufficiency rate
- Mainly focused on *eucalyptus globulus*
- Biological asset recorded @ 102M€ on BS

Strategic location

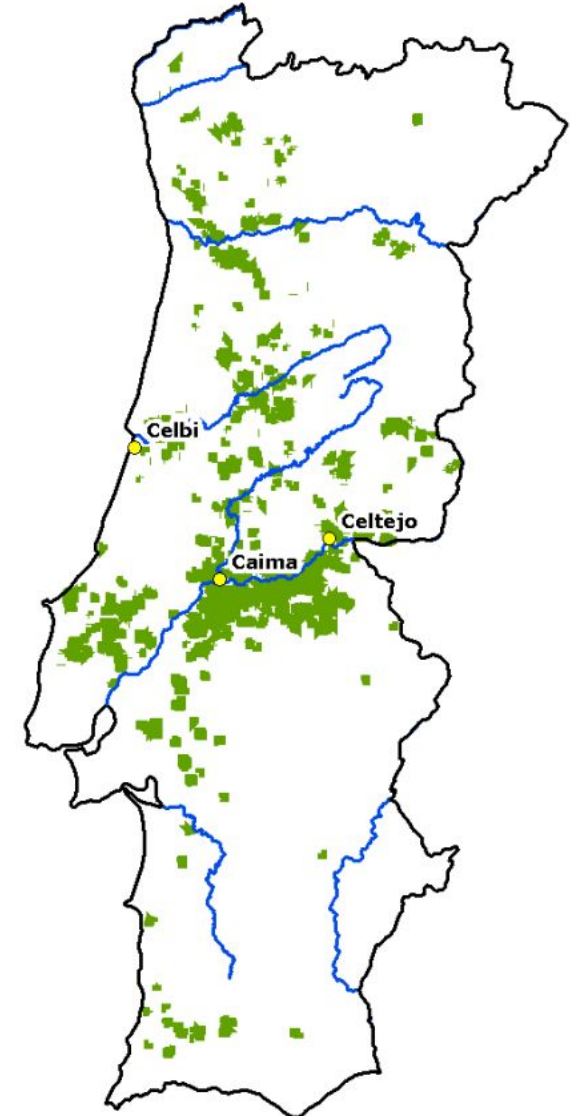
- High yield locations
- 10/12 years growing age
- 10 m³ per ha per year

Focus on R&D

- Over 40 years of experience
- Genetic improvements obtained through traditional breeding

Forest certifications for the whole area under management

- FSC
- PEFC



2 types of pulp produced

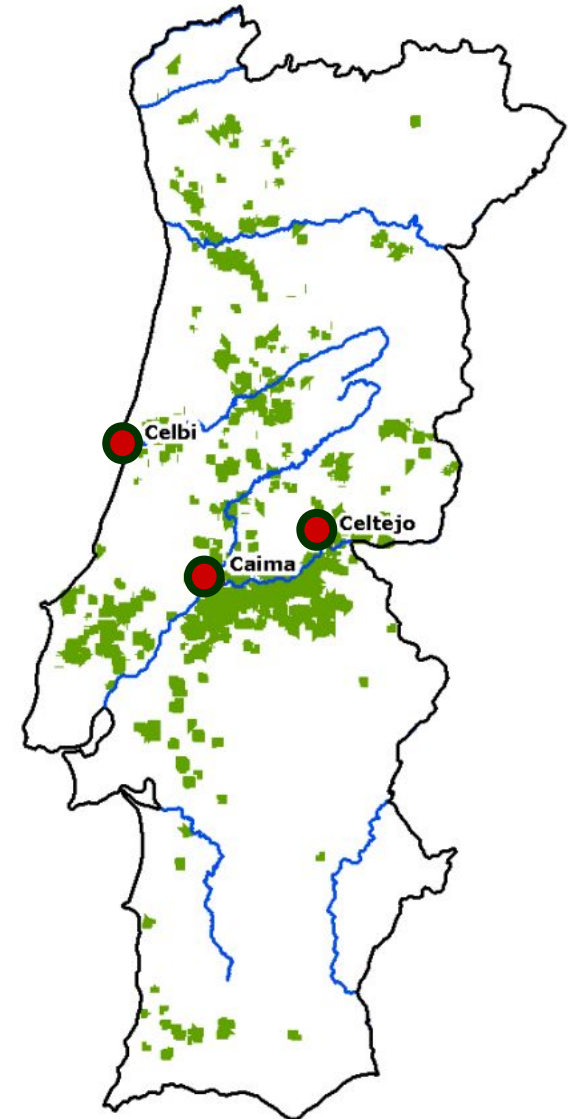
BEKP

- Celbi and Celtejo
- 926 K tonnes produced in 2016

Dissolving pulp

- Caima
- 105 K tonnes produced in 2016

1031 thousand tonnes of pulp produced in 2016



Altri sales: main markets

100% eucalyptus (hardwood) pulp production

Main end uses

- Tissue (49%)
 - Printing and writing (22%)
 - Specialties (15%)
- Paper**
- Dissolving pulp (10%)
- Fabrics (rayon)**

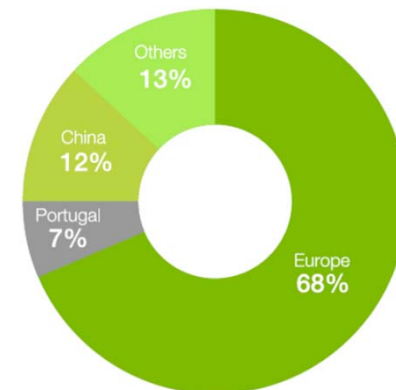
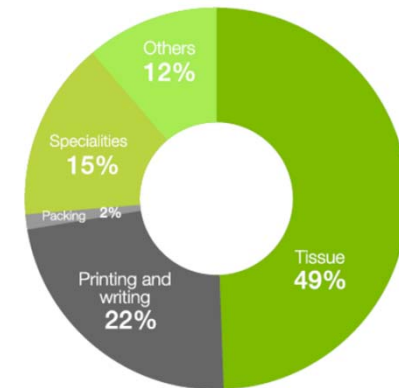
93% of total production exported

- Paper pulp (BEKP): strategic focus on Europe
- Dissolving Pulp (DP): 100% exported to China
 - Main clients: Fulida and Sanyou

1032 thousand tonnes sold in 2016

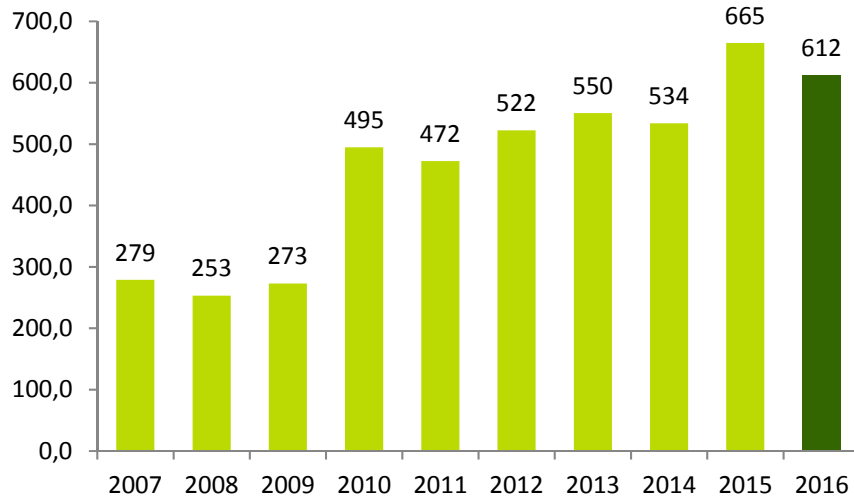
- 926 thousand tonnes of BEKP
- 106 thousand tonnes of DP

Breakdown 2016 Main markets

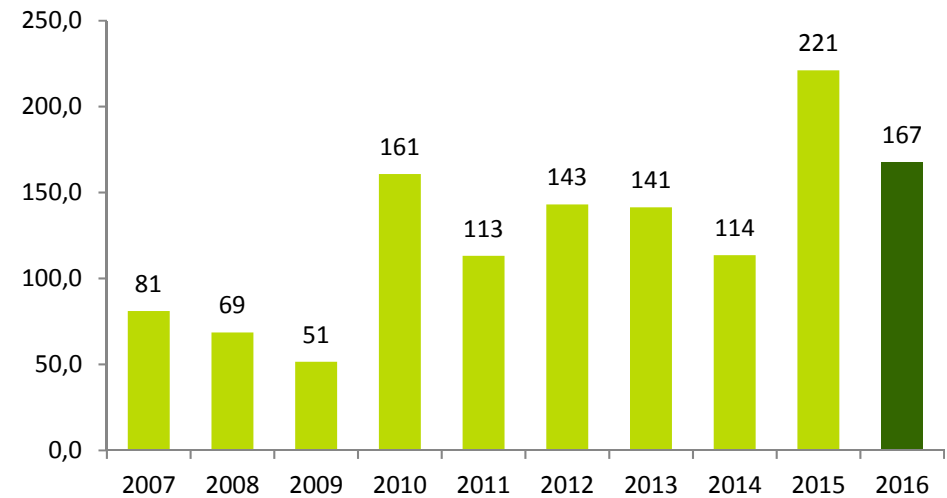


Key financial indicators €million

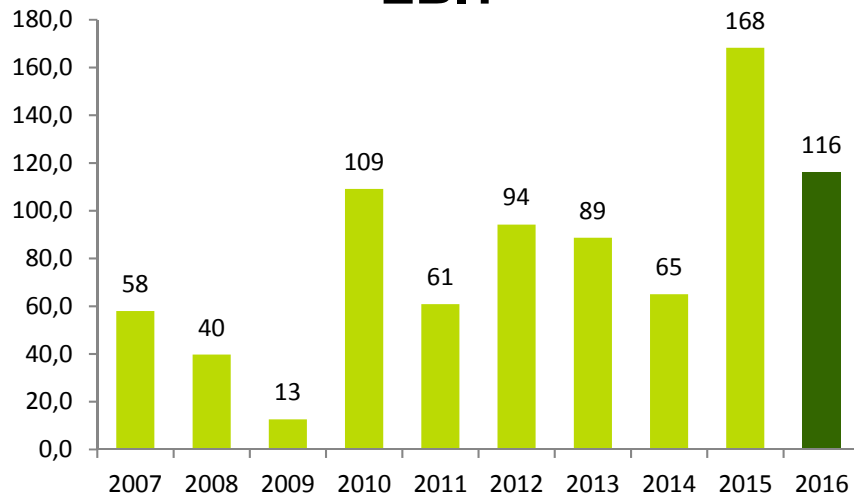
Total revenues



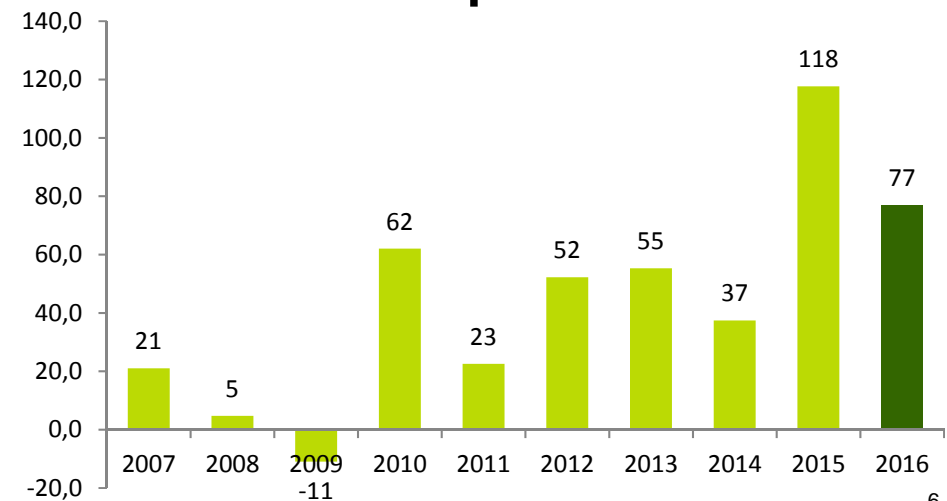
EBITDA



EBIT

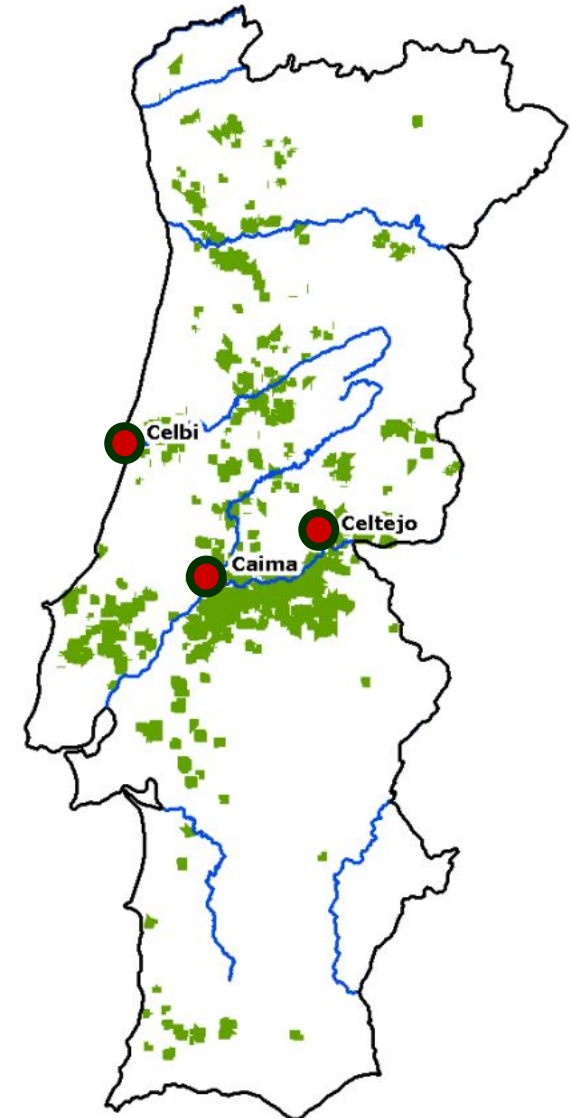
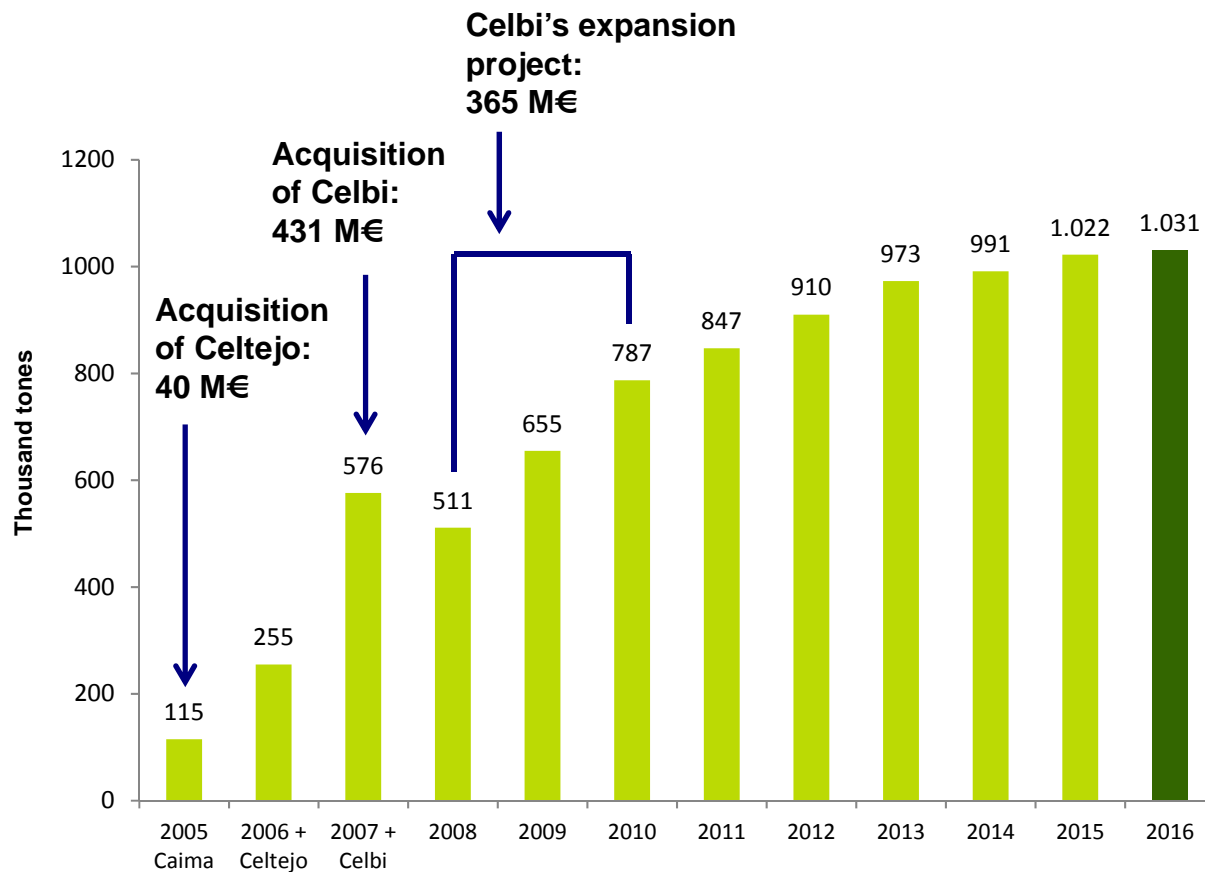


Net profit



Pulp production: evolution

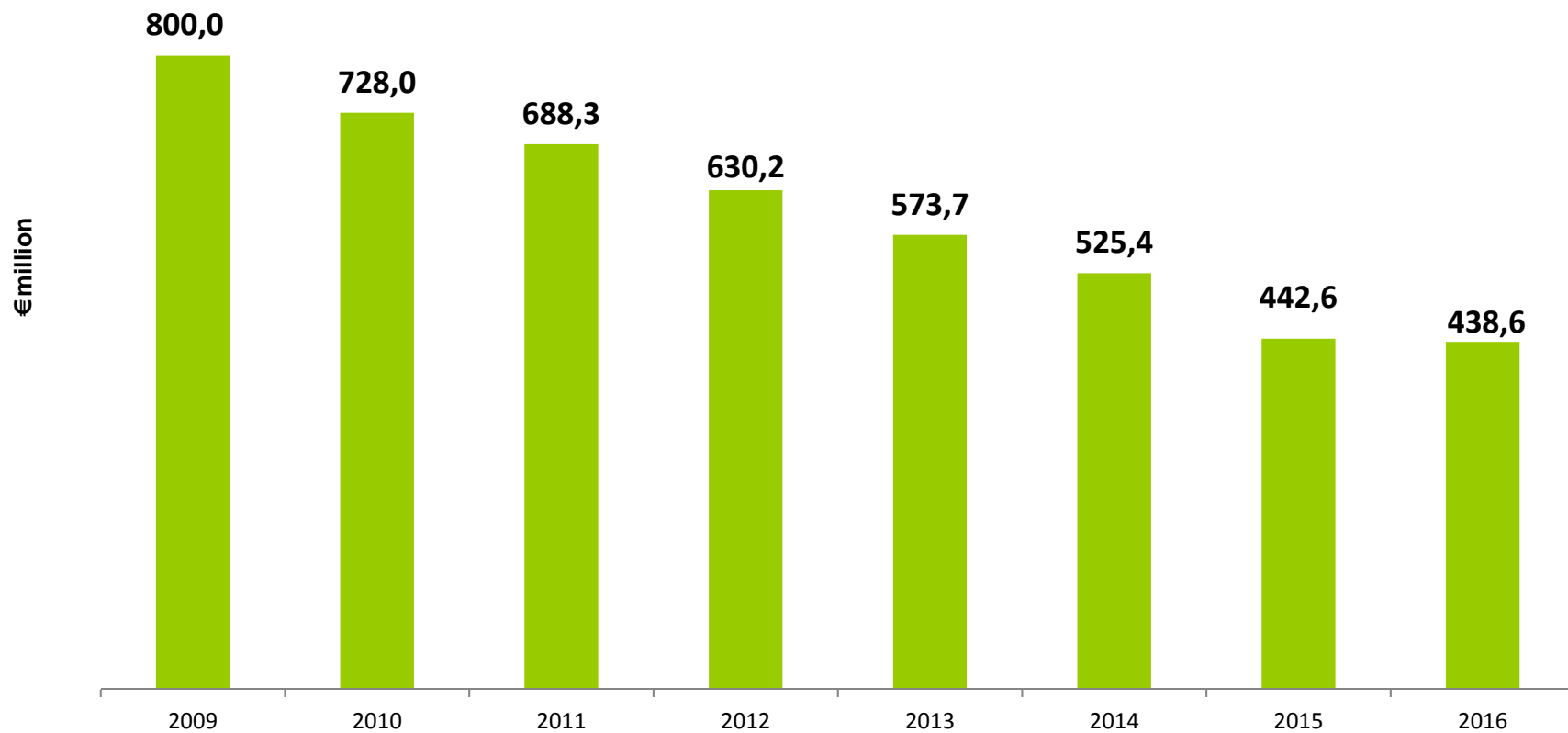
From 115K ton in 2005 to above 1 million in 2016



850 million Euros invested until 2010
Financing through financial debt

Deleveraging trend

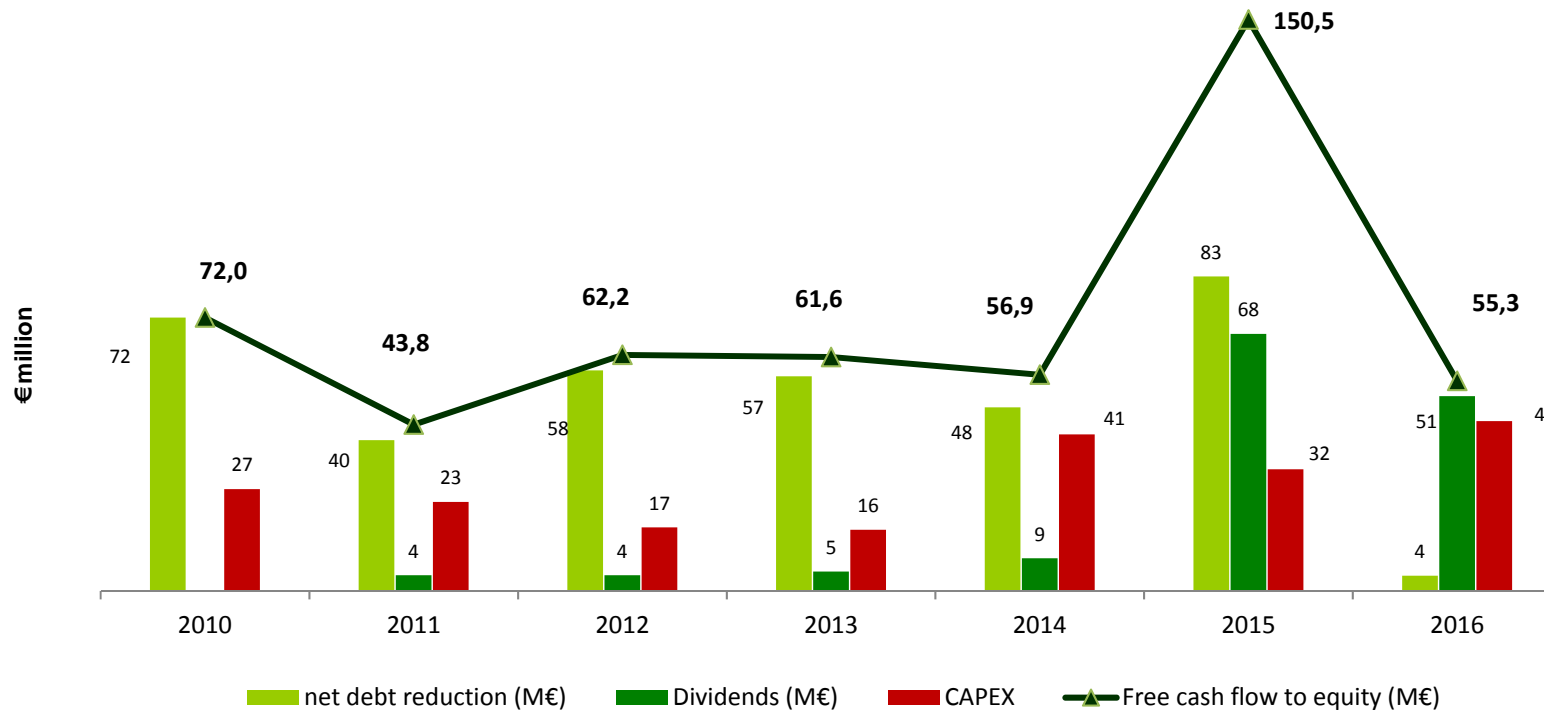
361 million Euros in Net Debt reduction over the last 7 years



Free cash flow evolution

Avg 2010-16 free cash flow per tonne: 68 €/tonne

FCF/tonne	2010	2011	2012	2013	2014	2015	2016
	92 €	52€	68€	63€	57€	147€	53€



After investment phase, main focus on net debt reduction
One of highest FCF per tonne of pulp worldwide



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Altri: looking forward

Ramping up to produce 1 million tons of BHKP

Debottlenecking in Celbi

- 727 thousand tonnes produced in 2016
- 750 thousand tonnes by 2018E

Celtejo

- 199 thousand tonnes produced in 2016
- Undergoing investment to increase capacity above 250 thousand tonnes



Altri: looking forward

Dissolving wood pulp in Caima mill

- 105K tonnes of DP produced in 2016

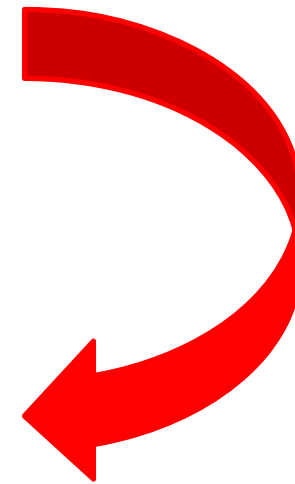
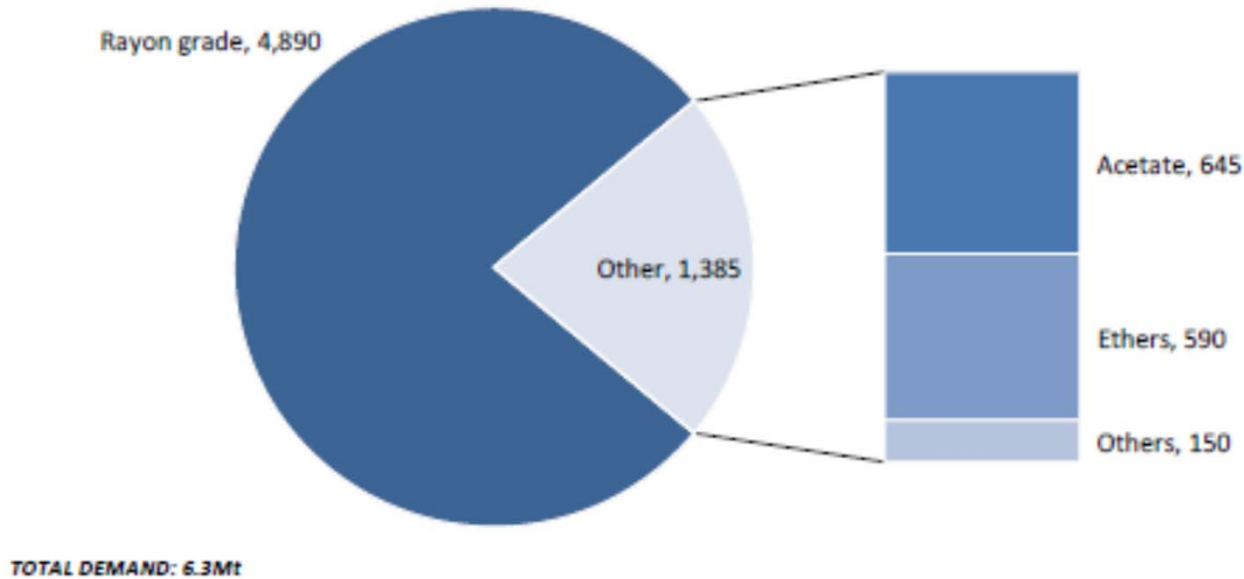
Significant added value

- One of the lowest cost producers worldwide
- Prime quality rayon grade producer
- Ambition to produce higher value added products: specialty grades
- Step by step approach



Altri: looking forward

Dissolving pulp project in Caima mill



Value added strategic objective



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Global BHKP pulp market

Global hardwood demand grew 4.6% (CAGR) between 1990 – 2015

European hardwood demand grew 2.6% (CAGR) between 1990 – 2015

- From 4.8 M tonnes in 1990 to 9.2 M tonnes in 2015 (+4.3 M tonnes)
 - Mkt share decreased from 50% in 1990 to 31% in 2015
-

Chinese demand grew 16.0% (CAGR) between 2000 – 2015

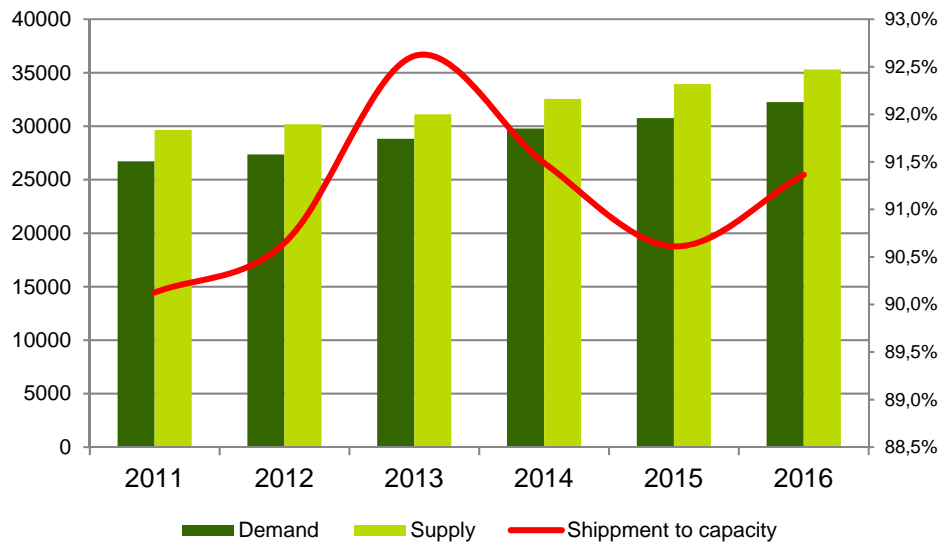
- From 1.1 M tonnes in 2000 to 9.2 M tonnes in 2015 (+8.0 M tonnes)
 - Mkt share grew from 7% in 2000 to 31% em 2015
-

Organic growth in Europe

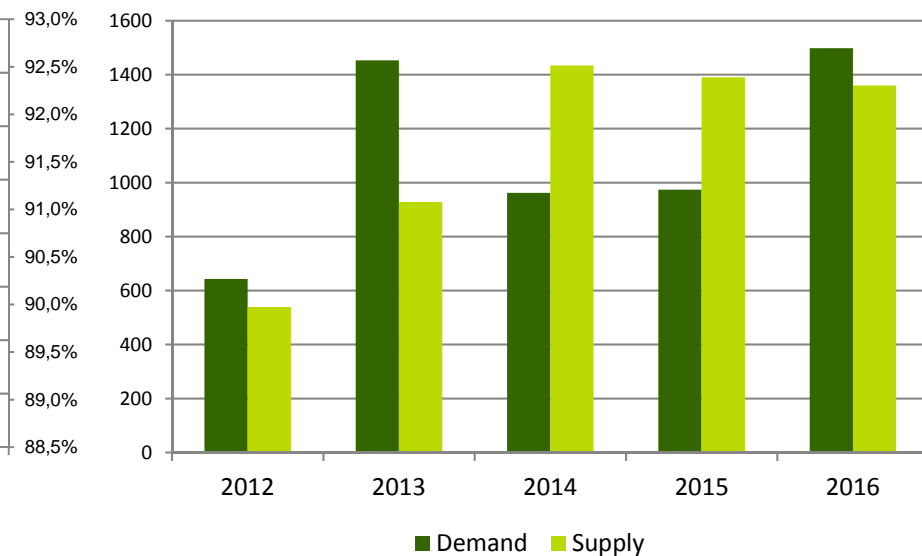
Strong exogenous growth driven by Chinese demand

Global BHKP pulp market

Global BHKP market
2011-2016 (thousand tonnes)



BHKP supply and demand
2012-2016 (incremental thousand tonnes)



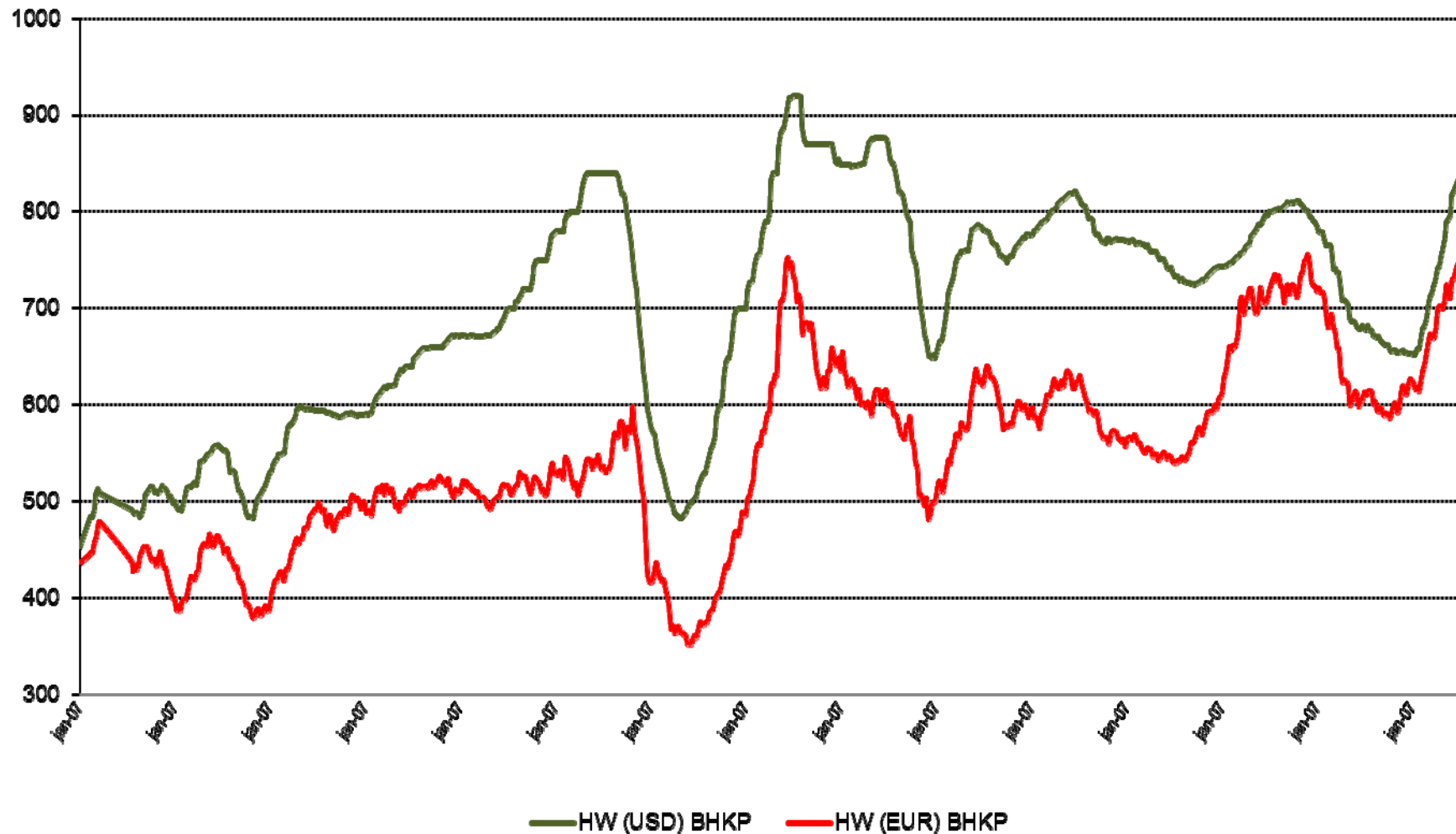
From 2012-2016

- Supply increased, on average, around 1.1 million tons/year
- Demand grew, on average, around 1.1 million tons/year

2016: total hardwood demand grew 1.5 million tons (PPPC)

Global BHKP pulp market

Pulp price weekly evolution: 2007 to date USD & EUR





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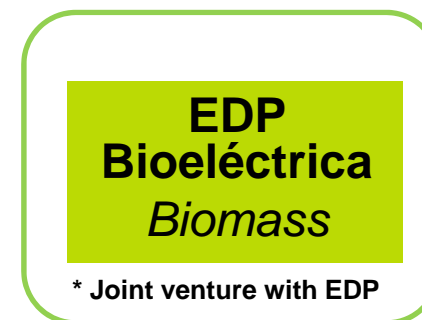
Business structure and shareholders



100%

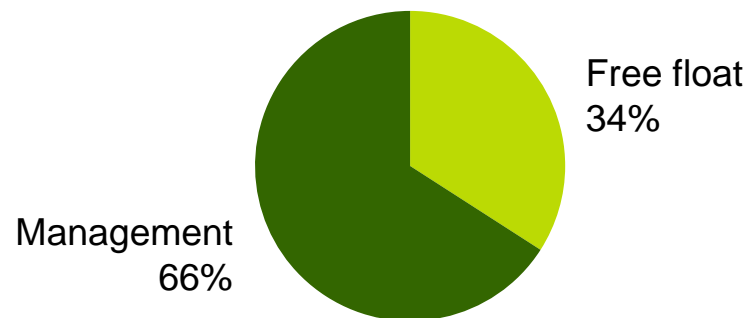


50%*



Major shareholders

205.132 million shares



Biomass power production

50% joint venture with EDP

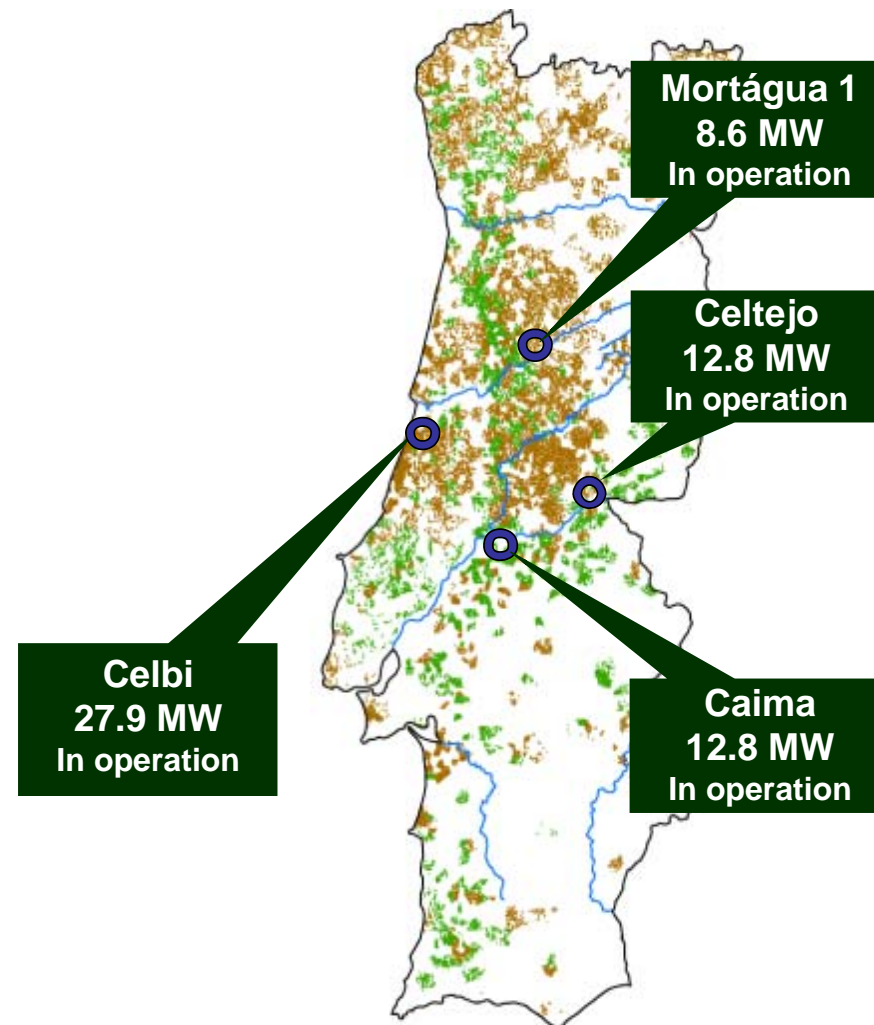
- 62 MW in operation
- #1 biomass player in Portugal
- Equity accounting

Tariff

- 106€/MWh updated yearly on recorded inflation
- Feed in tariff granted for 25 years

Financial highlights 2016

- Turnover: 47.8 M€
- EBITDA: 17.5 M€
- EBITDA margin of 37%
- Net profit of 5.9 M€
- Net debt: 45.9 M€



1Q17 P&L

ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

(Amounts expressed in Euro)

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

1Q17 BS – assets

ALTRI, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts expressed in Euro)

<u>ASSETS</u>	<u>31.03.2017</u>	<u>31.12.2016</u>
NON CURRENT ASSETS:		
Biological assets	100,988,950	102,302,637
Tangible fixed assets	378,030,864	359,638,821
Investment property	113,309	113,310
Goodwill	265,531,404	265,531,404
Intangible assets	677,370	643,354
Investments in associated companies and joint ventures	15,478,314	14,983,101
Investments available for sale	11,262,914	11,262,914
Other non current assets	3,892,000	3,544,289
Deferred tax assets	39,053,092	39,508,901
Total non current assets	<u>815,028,217</u>	<u>797,528,731</u>
CURRENT ASSETS:		
Inventories	58,547,840	58,890,414
Customers	92,373,266	92,261,372
Other debtors	2,691,873	4,297,543
State and other public entities	29,536,275	29,538,312
Other current assets	3,158,468	2,455,926
Cash and cash equivalents	206,614,566	300,094,254
Total current assets	<u>392,922,288</u>	<u>487,537,821</u>
Total assets	<u>1,207,950,505</u>	<u>1,285,066,552</u>

1Q17 BS – shareholders' funds & liabilities

SHAREHOLDERS' FUNDS AND LIABILITIES	31.03.2017	31.12.2016
SHAREHOLDERS' FUNDS:		
Share capital	25,641,459	25,641,459
Legal reserve	5,128,292	5,128,292
Other reserves	314,861,924	235,894,619
Consolidated net profit / (loss)	17,124,089	76,977,826
Total shareholders' funds attributable to the parent company's shareholders	<u>362,755,764</u>	<u>343,642,196</u>
Non controlling interests	-	-
Total shareholders' funds	<u>362,755,764</u>	<u>343,642,196</u>
LIABILITIES:		
NON CURRENT LIABILITIES:		
Bank loans	98,250,000	118,000,000
Other loans	341,913,157	462,357,627
Reimbursable incentives	16,948,631	14,946,631
Other non current liabilities	29,001,532	19,698,356
Deferred tax liabilities	18,981,619	18,731,619
Pension liabilities	2,528,818	2,528,818
Provisions	5,061,351	5,064,402
Derivatives	1,065,542	2,428,023
Total non current liabilities	<u>513,750,650</u>	<u>643,755,474</u>
CURRENT LIABILITIES:		
Bank loans	47,474,746	38,897,709
Other loans	151,885,053	120,854,418
Reimbursable incentives	3,115,183	3,115,183
Suppliers	57,674,958	69,045,134
Other current creditors	29,507,037	14,915,753
State and other public entities	17,014,590	14,318,318
Other current liabilities	23,329,382	34,099,716
Derivatives	1,443,142	2,422,650
Total current liabilities	<u>331,444,091</u>	<u>297,668,881</u>
Total shareholders' funds and liabilities	<u>1,207,950,505</u>	<u>1,285,066,552</u>



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