



The Navigator Company

9M 2016 Results Presentation

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Speakers



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9M 2016– Growth in a difficult environment

- EBITDA increased by 2.6% to € 301.5million, with margin EBITDA / Sales up to 26.1 %
 - + Another record in paper sales volume and turnover
 - + Good volumes for pulp and tissue
 - + Cost efficiency measure continue
- Energy continues to impact negatively on turnover and EBITDA
- Free cash flow improves to € 101 million
- Significant reduction in financial costs
- Start-up of pellets mill in South Carolina, USA
- Navigator # 1 brand of European Consumers

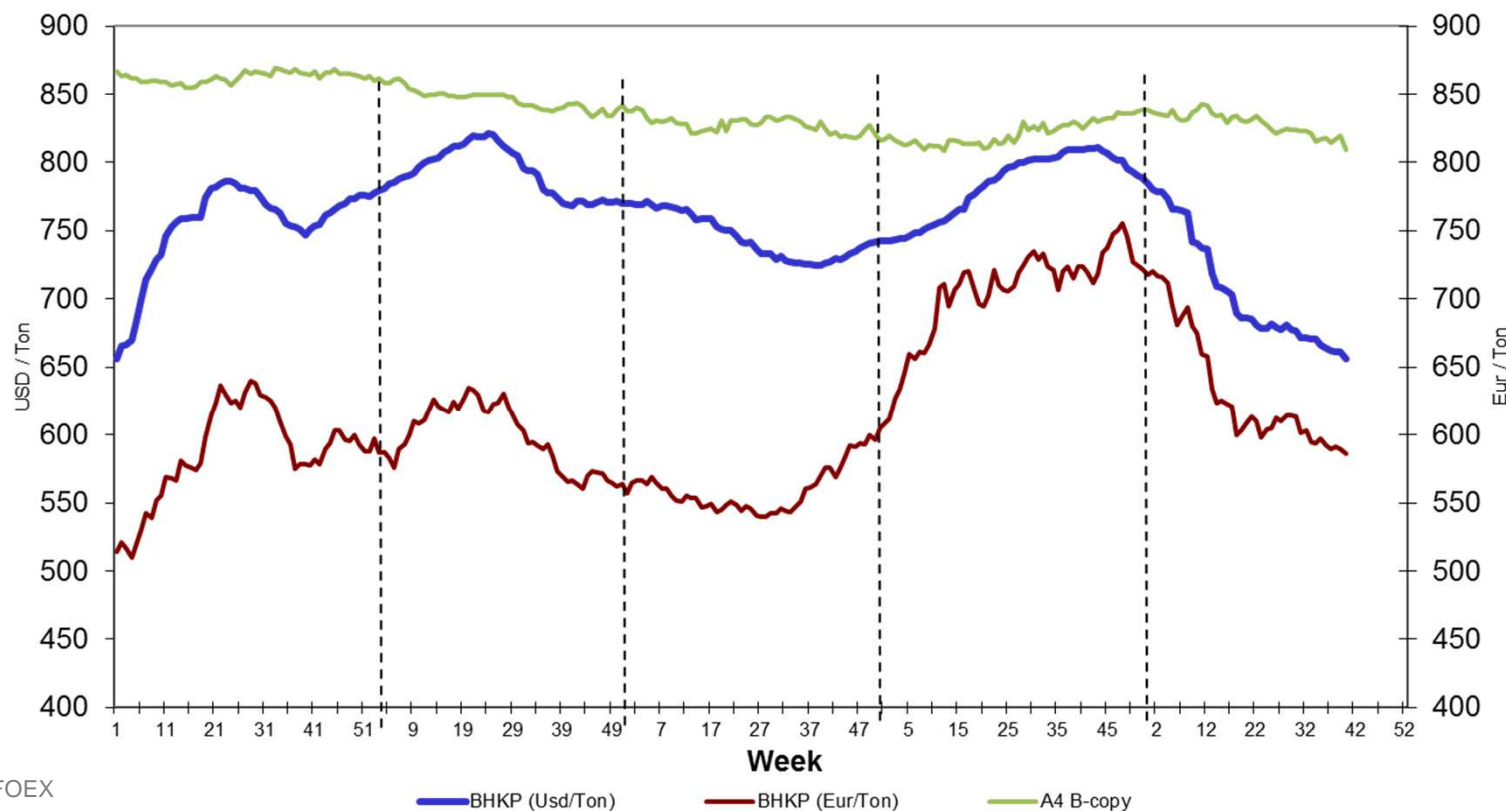
UWF: market deteriorating during Q3 2016

- Market conditions in Europe worsened during Q3 2016, with estimated apparent consumption for UWF declining 6.1% and falling 4% YTD Jan-Sep 2016
- Imports into Europe increased up to 25%, essentially in office papers (+30%), with imports from Asia doubling over the period, triggering overall downwards adjustments in prices
- In the US, apparent consumption decreased 3.3% YoY, with imports declining significantly (-20%) and operating rates remained at 93%
- After a slow start of the for BEKP purchases, demand for pulp picked-up, and global demand for BEKP increased 7.4% until end of August; global capacity utilization rate in BEKP also edged up to 91% over the first 9 months of 2016

Benchmark price evolution for pulp and paper

- The industry benchmark for paper gained 1.4% YoY (820€ vs 818 €/ton), but declined 3% since the beginning of the year.
- Industry benchmark for pulp lost 9% YoY for both euros and USD; the index lost 15% since the beginning of the year in Euros and 18% in USD

European Market Prices Evolution



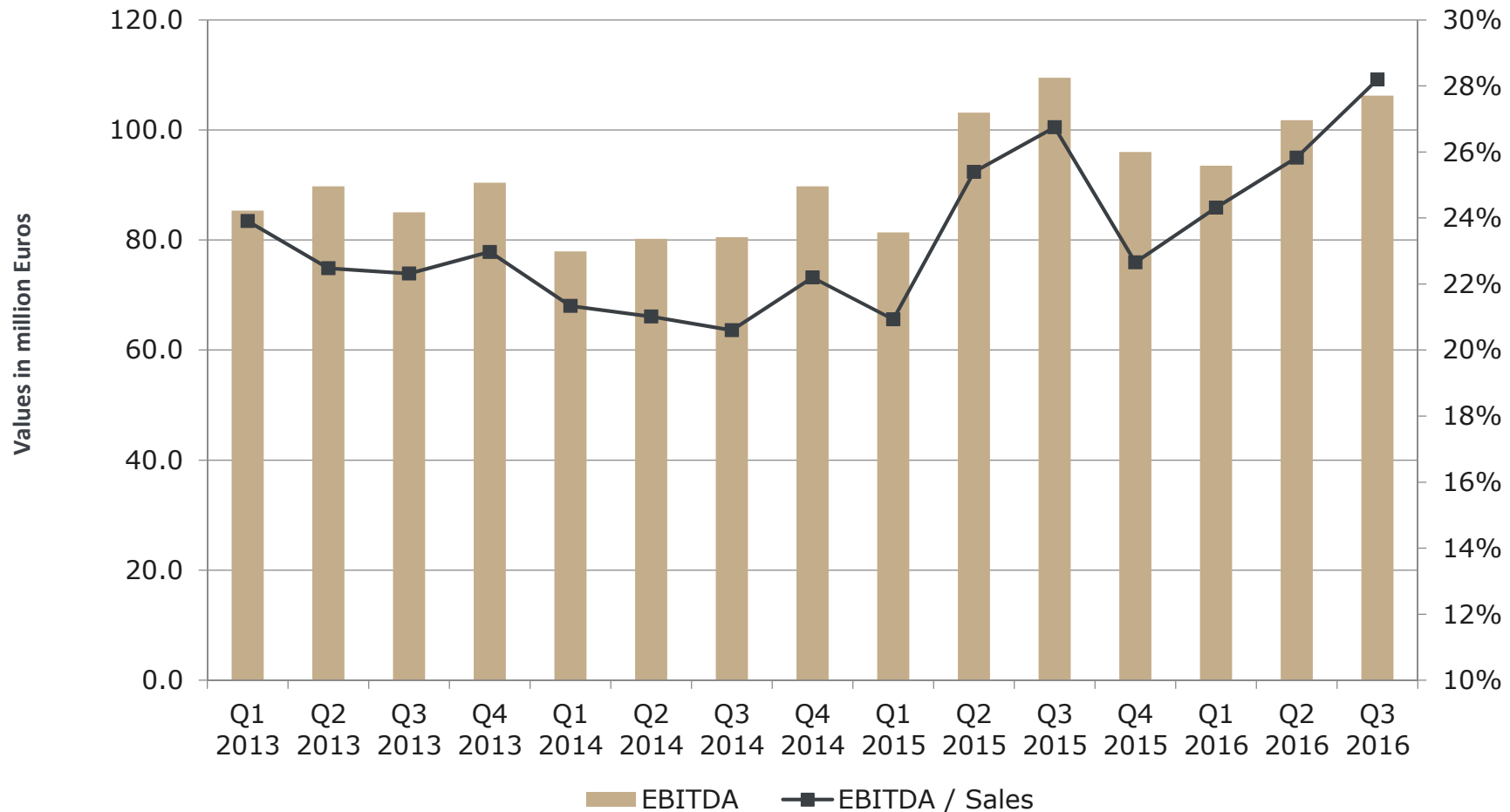
Source: FOEX

Paper, pulp and tissue business performance

- Highest volume sold in a 9 month period - 1 156 thousand tons of UWF (+2.2% YoY) and highest paper turnover (€ 890 million)
- Record sales to international markets (+2,3% YoY)
- Average sales price negatively affected by sales geography and product mix (size and quality)
- Pulp sales increased 9% in volume, declining 3% in value; 93% of pulp sales were directed to Europe, and 64% for Décor and Special papers segments
- Volume of Tissue sold improved 27% YoY sustained by the increase in capacity realized in 2015; sales increased to € 50 million (vs €42 million); average sales price decreased 6% due to change in mix (increase percentage of reels sales)

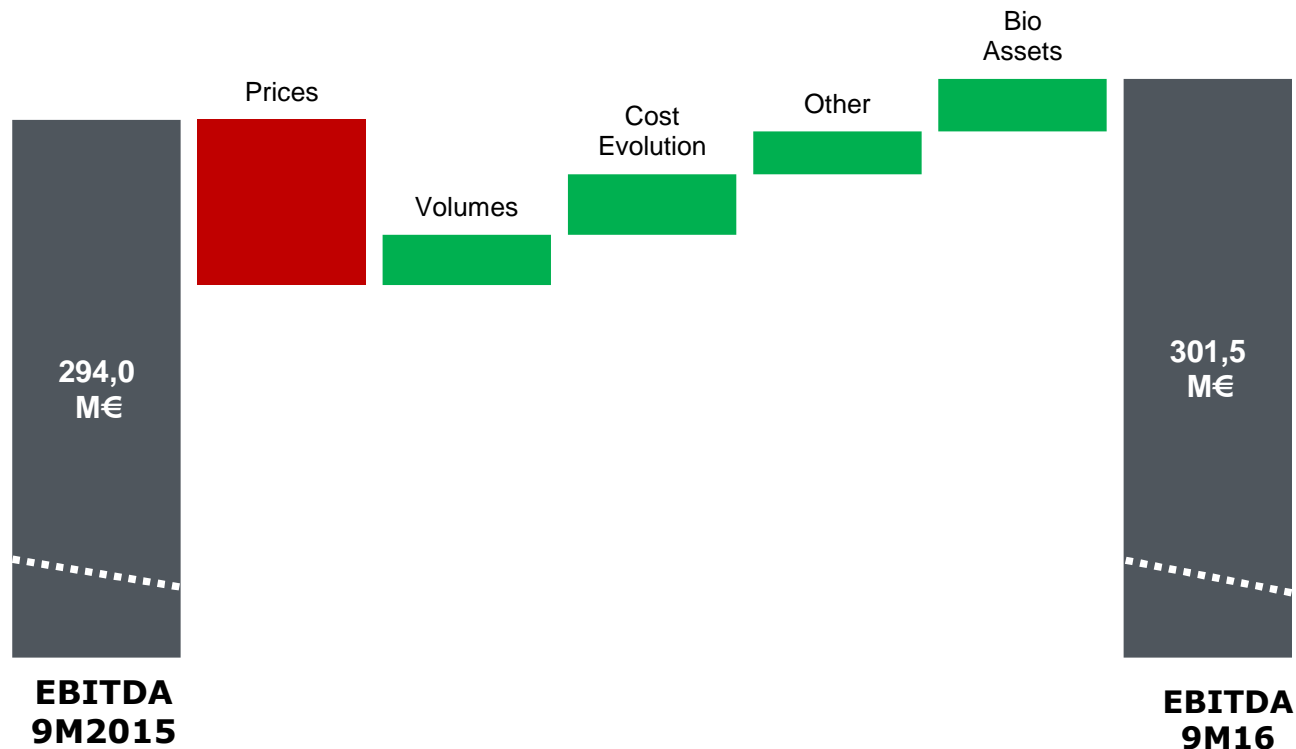
Strong EBITDA and EBITDA / Sales margin in Q2 and Q3

EBITDA in Q3 2016 increased 4.4% versus Q2 2016, with improvement in EBITDA/Sales margin



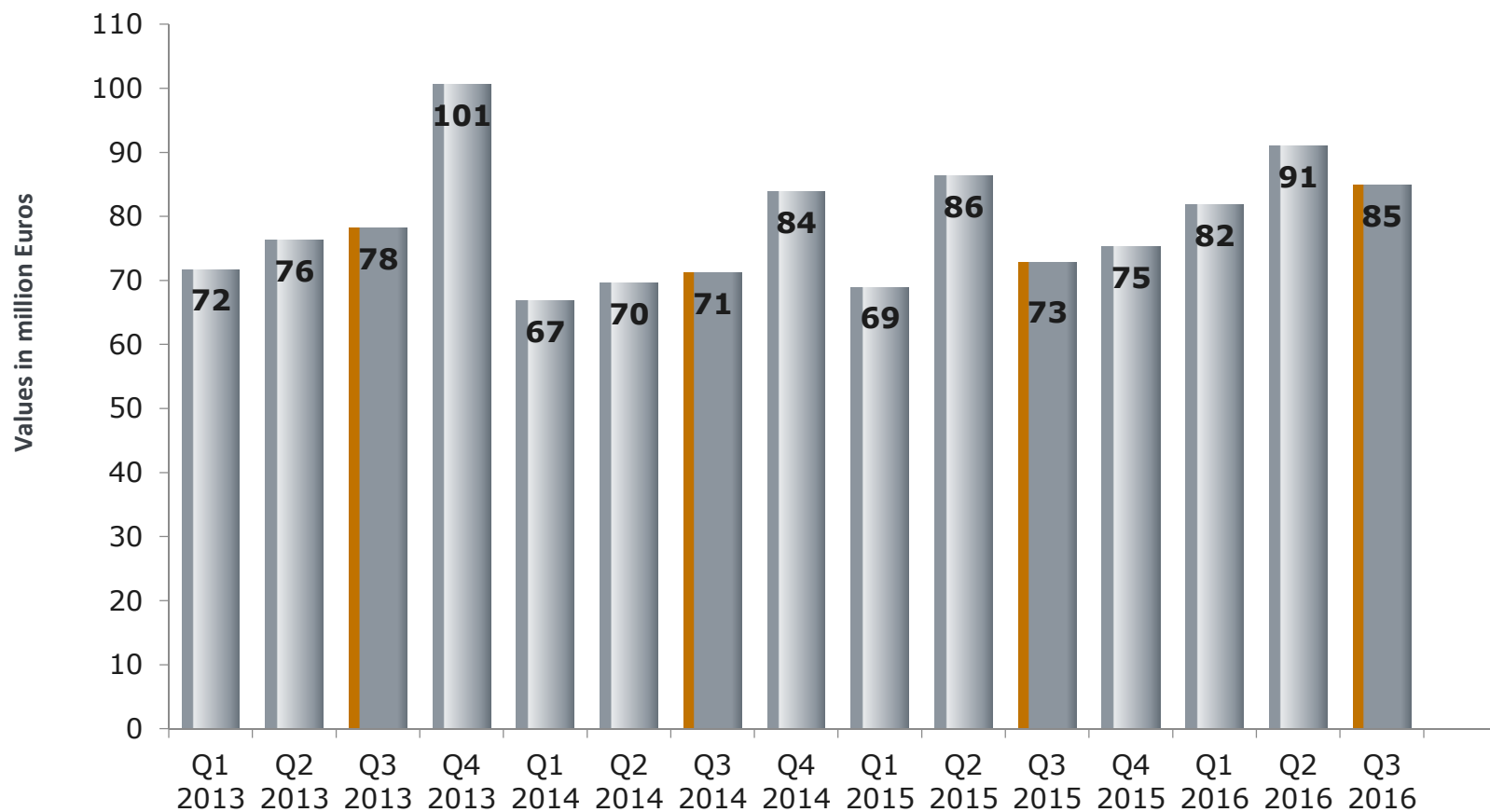
YoY growth in EBITDA sustained by higher volumes and cost improvements

Excluding non recurrent positive impact of the revaluation of biological assets, higher volume and lower costs have compensated for the reduction in prices, yielding a recurrent EBITDA in line with EBITDA for 9M2015



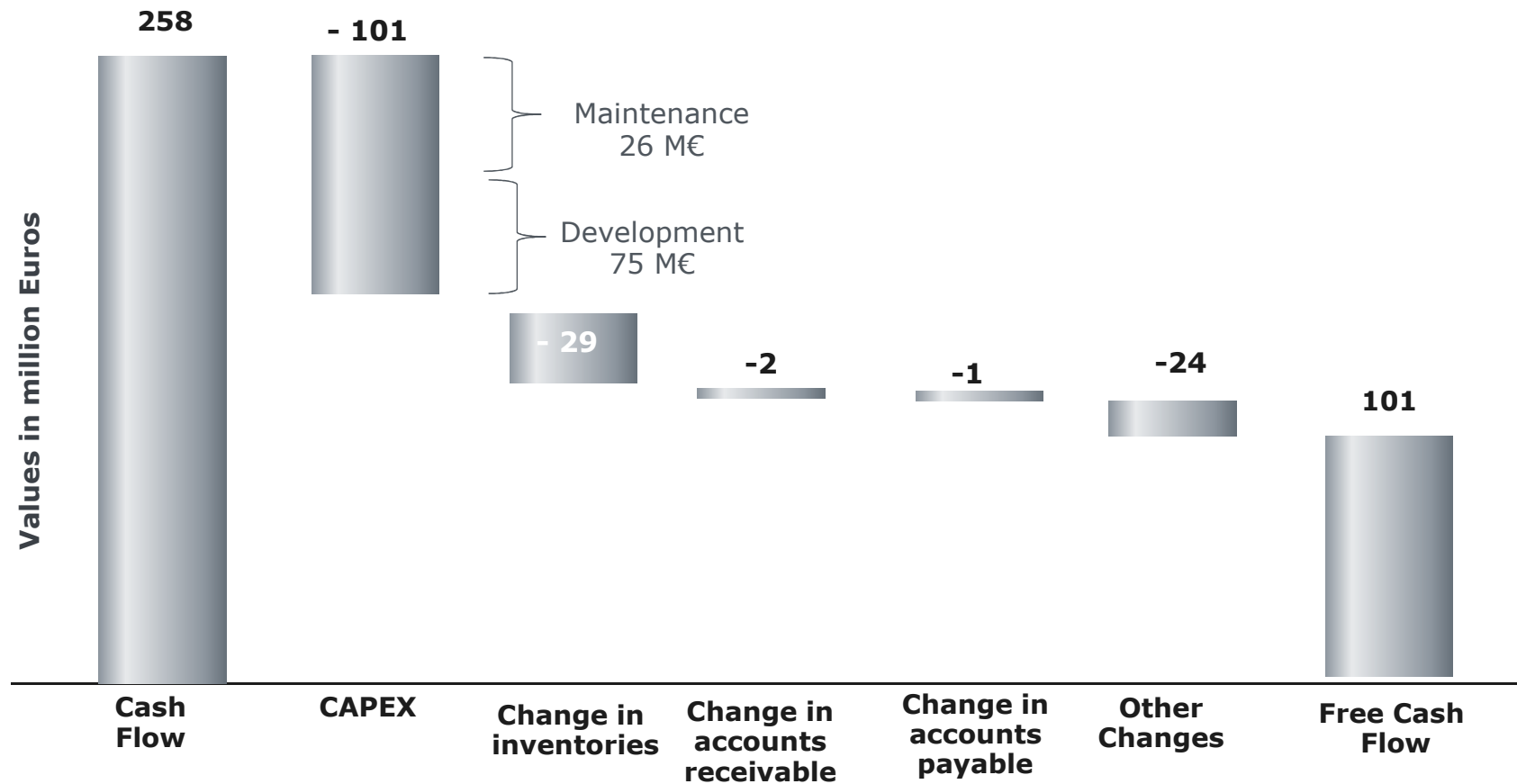
Navigator continues to generate strong operating cash flow

Strong operating cash flow YTD 2016 of €258 million, comparing favorably to € 228 million YTD 2015



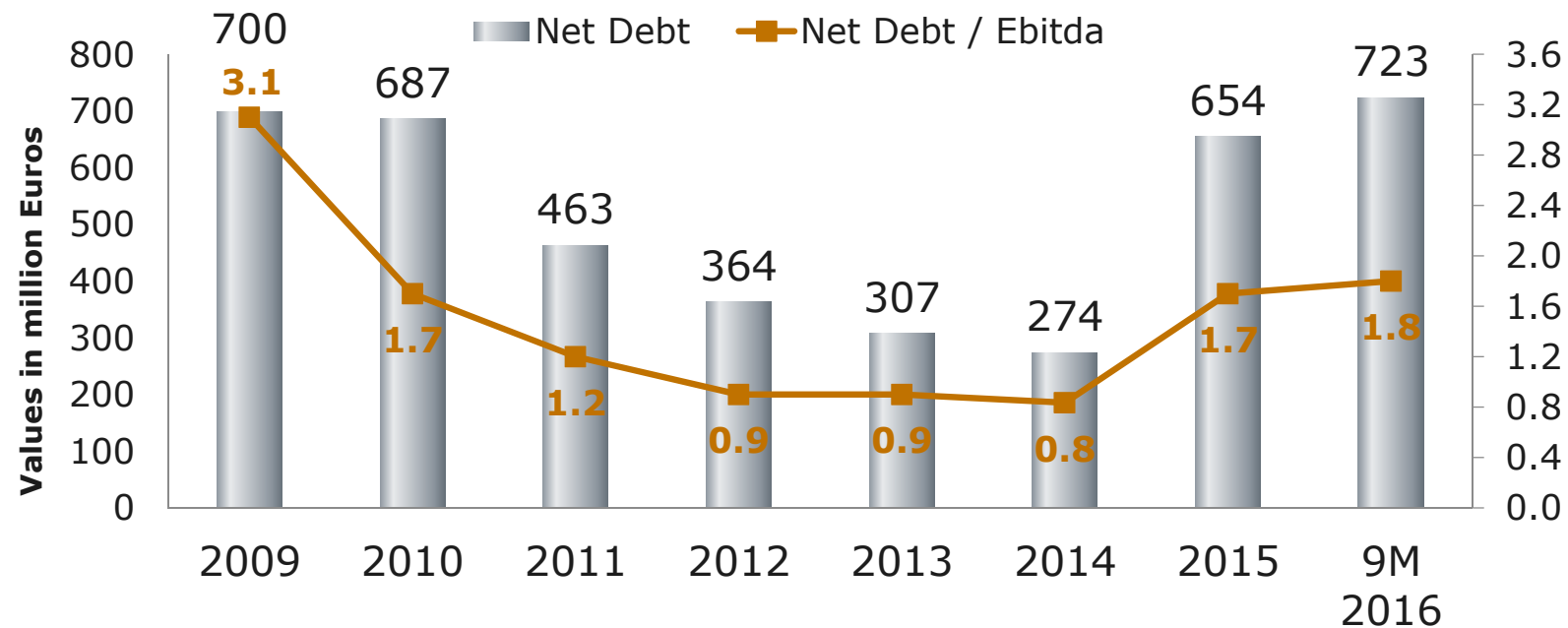
Significant improvement in Free Cash Flow

In spite of higher inventories, working capital improved significantly during Q3 and FCF grew to € 69 million. Accumulated 9 months FCF totaled € 101 million



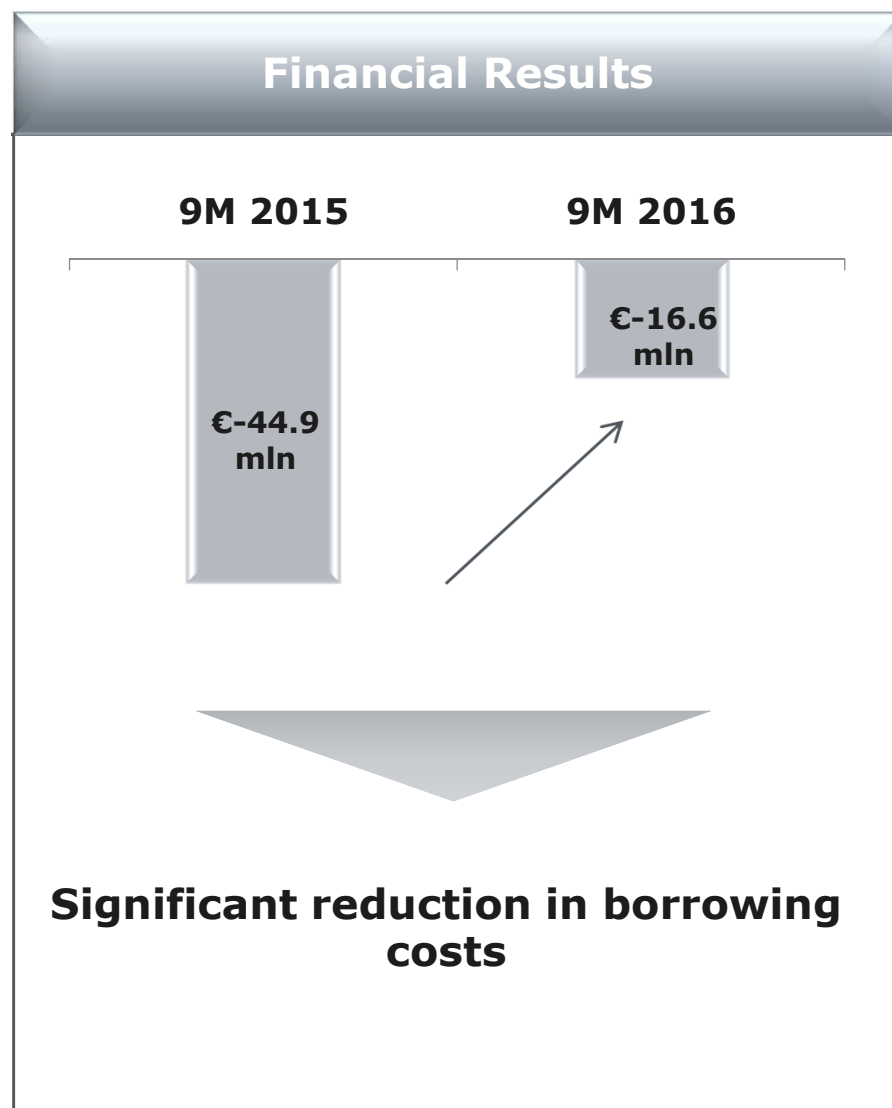
Balance sheet remains strong

Net debt increased mainly due to capital expenditure plan started in 2015 and dividend payment; Net Debt/Ebitda remains within conservative levels



Dividend Payment	2012	2013	2014	2015	2016
Total amount paid (€ million)	164.4	201.4	200.8	440.5	170.0

9M 2016 - Significant improvement in financial results



Improved financial results mainly due to a significant reduction in interest costs following debt restructuring:

- repayment of the € 350 mln Portucel Senior Notes 5.375%
- new debt issued with better conditions and longer maturity;

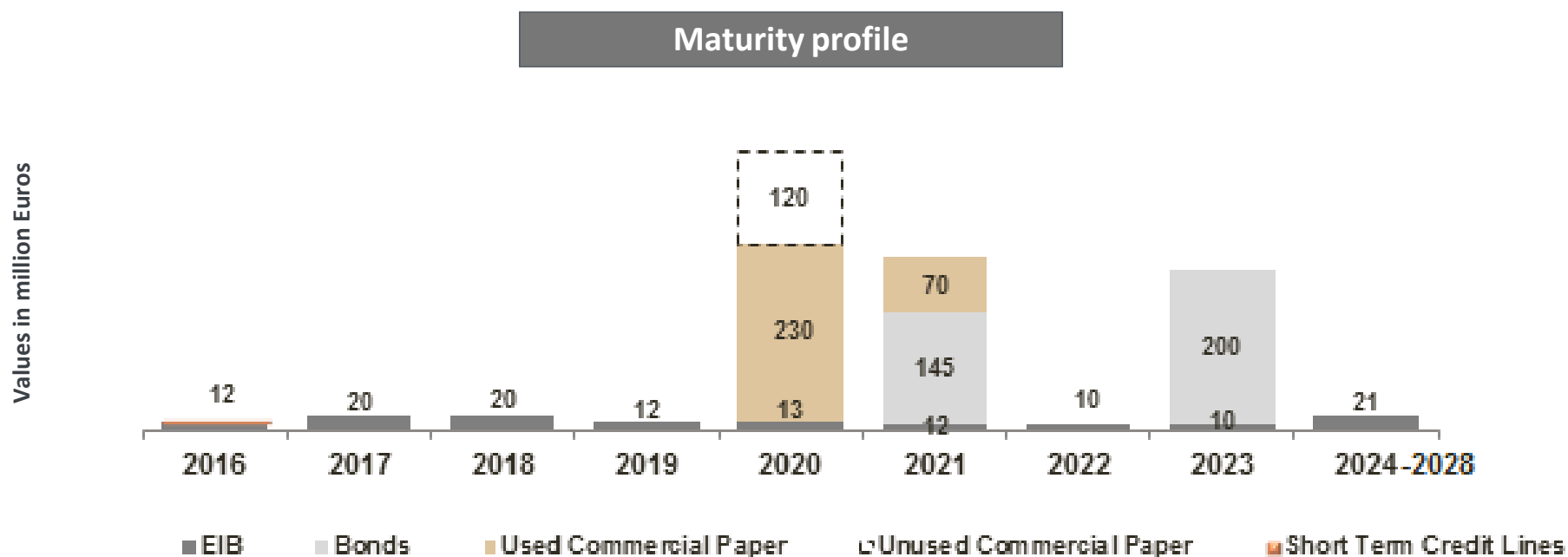
Forex – € 4.3 mln improvement YoY due to EUR/USD in 2015

€ 2.4 mln provision reversion in tax compensatory interests

Q3 2016 financial results include € 6 mln related to the premium paid for the bond redemption (vs € 14.6 mln nonrecurring charges in 2015)

9M 2016: New debt issued

- € 25 mln line from EIB with final maturity in 2028
- Additional € 215 mln financing, with 5 year maturity and all-in costs between 1.50% and 1.65%, through two new bond issues of € 100 mln and € 45 mln, and a new Commercial Paper Program of € 70 mln.
- Estimated cost of debt at the end of September of 1,7%, with 4.8 years average maturity



Continuing cost reducing measures – M2 and Lean System

M2 Project - Enlarged scope and increased estimated impact

95 projects under development, with a revised estimated impact on EBITDA in 2016 of approximately € 15 million; projects under way include:

- + Improve efficiency in paper machines in Setubal and Figueira
- + Road and maritime transports negotiation contracts and operational efficiencies measures

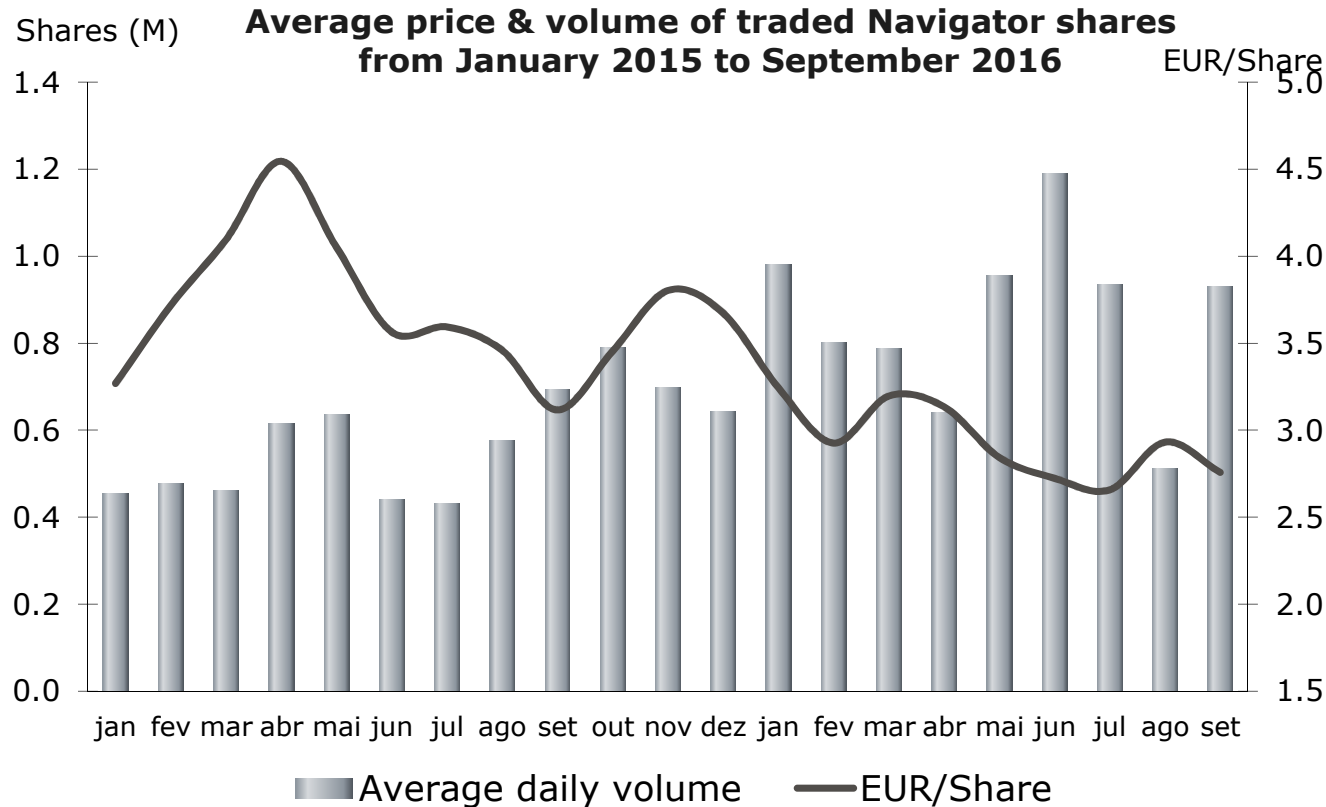
“Navigator Lean System” Programme

First cycle of Lean Management Programme coming to a end:

- + 29 new areas for improvement identified; example: packaging materials in Setubal paper mill
- + Expansion of the programme to new pilot areas such as Tissue plant at Vila Velha Rodão

Current share price - Strong upside ?

Shares lost 29% YTD Sep2016, negatively pressured by Portuguese market performance and sector sentiment; improvement in average liquidity and sustainable dividend yield of 9%



Navigator Shares	% Change
9M 2016	-29%
YTD 2016*	-26%
Dividend Yield	9%

*YTD October 25 2016

Capex of € 101 million (vs.€ 154 million YoY)

Current business

Pulp, paper
and tissue:
26 M€

- Turbogenerators repair
- Photovoltaic Central (Setubal paper mill)
- Recurrent capex

Future business

Mozambique:
7 M€

Pellets
plant:
€ 68 M€

- Plantations & Social development plan (+ € 5.5 million in biological assets)
- Construction of electrical and control facilities; conclusion of mechanical installations

Start-up of Pellets Plant in the USA

- Colombo Energy Inc project in Greenwood, South Carolina, concluded and continuous operations started; first shipload to Europe during Q4 2016
- Initial tests point to a premium product with high calorific value
- 40% of the mills output secured for 10 years; sales efforts proceeding both in the industrial market (Europe and Japan/Korea) and residential market (Europe and US)



Update on Mozambique project

- Political and economic situation remains unstable, slowing the pace of operations
- Planting work continued during the first 9 months of 2016: around 4,400 ha planted in Zambézia, using sapplings supplied by the Forestry Nurseries in Luá, the largest facility of its kind in Africa; total planted area of 10.800 hectares
- The Group renewed its local management team and has currently a local headcount of 279
- First year of Social Development Plan sucessfully completed, with the launching of several actions to support families and local communities: funding of private agricultural extensions, with the participation of 4,500 households and distribution of seeds for different crops (corn, sesame, sweet potato)
- Work started on an experimental operation to export woodchips from Zambézia via the port of Nacala

Update on Tissue & other growth projects

- Cacia's project to build new line for tissue paper and converting capacity, with 70 thousand tons per year, involving 120 million capex, still under revision
- Navigator intends to continue developing its existing tissue business:
 - two new processing lines at the Vila Velha de Ródão plant, increasing its finished product capacity by approximately 9 thousand tons,
 - total investment of around € 5 million.
- Other growth projects include the increase in pulp capacity announced in the 2016 first-half report:
 - Total investment estimated at € 82 million and work is due to start during the final quarter of 2016.
 - Goal to increase annual capacity by 70 thousand tons, to a total of 650 thousand tons of BEKP pulp;
 - Expanded capacity is planned to come online in March 2018.
 - Decision still pending

Outlook

- Pulp market remains under pressure with significant growth in supply expected for 2016, 2017 and 2018; some positive effects may come:
 - delays in the coming of short and long fibre capacity in the market;
 - widening price differential between short fibre pulp and long fibre pulp;
 - strong pulp purchases in China and ongoing closures of obsolete capacity by the Chinese authorities.
- In paper, pressure from increase in imports into Europe from Asian producers continues and prices have adjusted downwards:
 - Navigator has also revised prices for its products, the effects of which will be felt essentially as from the 4th quarter.

Summary

- Operating results for the first 9M 2016 were solid, supported by:
 - + strong sales effort
 - + focus on cost cutting measures
- In this adverse context, the Group continues to work on the variables it is able to influence:
 - + Pursue further cost reduction programs
 - + diversifying and expanding its sales base
 - + promoting diverse multi-channels campaigns to strengthen its mill brands.



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