Press release – 27 October 2016

Results for the first 9 months of 2016

Group again records record paper sales in volume and value, at 1,156 thousand tons and € 890 million

Highlights: First 9 months of 2016 (vs. 9 Months 2015)

- Positive operating performance, with growing sales volumes for paper (up 2%), pulp (up 9%) and tissue (up 27%), counteracting negative trends in pulp and paper prices
- Turnover hit by drop in power sales due to application of new tariffs and consequent switch to self-consumption as previously announced (cutting € 51.2 million from turnover)
- Group again records record paper sales in volume and value, at 1,156 thousand tons and € 890 million
- EBITDA up 2.6% to € 301.5 million, and EBITDA/Sales margin improves to 26.1%
- Growth in Free Cash Flow, which stood at € 101.1 million at the end of September
- Restructured debt permits significant improvement in financial results
- Net debt evolves as expected with Net Debt/EBITDA ratio kept within comfortable levels
- Pellets Mill starts up in US, moving to continuous operation

Highlights 3rd Quarter 2016 (vs. Q2 2016)

- Sales total € 376.8 million (down 4.4%), reflecting slowdown in paper business
- Quarterly EBITDA of € 106.2 million (up 4.4%)
- Free Cash Flow improves in the quarter, with growth in working capital
- Groups cuts net debt by € 70 million and improves Net Debt / Ebitda ratio to 1.8
- New measures in M2 cost reduction programme
- 3rd Sustainability Forum devoted to Forestry Certification
- Navigator Group co-chairs Forest Solutions Group, global WBCSD platform for strategic collaboration to promote sustainable forestry management
- Navigator Brand: top preference of European consumers, leading the Brand Equity Index, and regarded as the office paper brand offering the most value to users.

THE NAVIGATOR COMPANY

Summary of Leading Indicators – IFRS (unaudited figures)

in million euros	9M 2016	9M 2015	% Change (5) 9M 16/ 9M 15
Total sales	**1 155.4**	**1 204.3**	**-4.1%**
EBITDA (1)	**301.5**	**294.0**	**2.6%**
Operating profits	178.0	207.7	-14.3%
Financial results	- 16.6	- 44.9	-63.0%
Net earnings	**134.3**	**141.9**	**-5.4%**
Cash flow	257.8	228.2	29.6
Free Cash Flow (2)	101.1	18.4	82.7
Capex (6)	100.6	154.1	-53.5
Net debt (3)	**723.4**	**587.1**	**136.3**
EBITDA / Sales (%)	**26.1%**	**24.4%**	**1.7 pp**
ROS	11.6%	11.8%	-0.2 pp
ROE	15.1%	13.9%	1.2 pp
ROCE	12.7%	15.4%	-2.7 pp
Equity ratio	47.6%	51.5%	-3.9 pp
Net Debt / EBITDA (4)	1.82	1.53	1.2

in million euros	Q3 2016	Q2 2016	% Change (5) Q3 16/Q2 16
Total sales	**376.8**	**394.0**	**-4.4%**
EBITDA (1)	**106.2**	**101.8**	**4.4%**
Operating profits	70.1	51.5	36.1%
Financial results	- 3.2	- 10.7	-70.6%
Net earnings	**48.8**	**40.7**	**19.8%**
Cash flow	84.9	91.0	0.9
Free Cash Flow (2)	69.7	13.3	56.5
Capex	25.3	26.3	-0.9
Net debt (3)	723.4	793.2	- 69.7
EBITDA / Sales (%)	**28.2%**	**25.8%**	**2.4 pp**
ROS	13.0%	10.3%	2.6 pp
ROE	17.1%	13.7%	3.4 pp
ROCE	14.8%	10.8%	4.0 pp
Equity ratio	47.6%	46.2%	1.4 pp
Net Debt / EBITDA (4)	1.82	1.98	0.9

(1) Operating profits + depreciation + provisions

(2) Var. Net debt + dividends + purchase of own shares

(3) Interest-bearing net debt – liquid assets

(4) EBITDA corresponding to last 12 months

(5) Variation in figures not rounded up/down

(6) 2015 investment figures include € 41 million for purchase of AMS

1. ANALYSIS OF RESULTS

9 Months 2016 vs. 9 Months 2015

The Navigator Company recorded turnover of € 1,155.4 million, as compared to € 1,204.3 million in the first nine months of 2015. The drop in the overall value of sales was due essentially to a reduction in power sales, after review of the tariff paid by the national grid for electricity from the natural gas co-generation plant in Figueira da Foz. In paper business, the Group again achieved strong sales, with UWF at a new record of 1,155.5 thousand tons. Good performance was also recorded in volumes of pulp and tissue.

Despite a significant reduction in capacity in the European paper industry, which permitted an improvement in the capacity utilization rate of 1pp, conditions in the UWF market gradually worsened over the course of 2016, with a reduction in apparent consumption estimated at around 4% while total imports into to the European market climbed by over 25%. Paper imports from Asia increased significantly, in particular in office papers, triggering an overall downwards adjustment in prices. In this difficult environment, Navigator achieved UWF sales of 1,155.5 thousand tons, up by 2.2% in relation to the first nine months of 2015, setting a new record in terms of volume. The Group increased its European sales at the same time as achieving significant growth in sales to international markets. The European A4 copy-B price index performed well (up 1.4%), and Navigator's average price for Europe was in line with the previous year. However, the Group's average price for all markets was down on the previous year due essentially to a less favorable mix in formats. In value, paper sales totalled € 890 million, a new record for the period.

Conditions in the BEKP pulp market remained tough throughout the first nine months of 2016 and benchmark prices for hardwood pulp (PIX – BHKP) were down at the end of September by 15% in euros and 18% in USD. Navigator nonetheless recorded strong operating performance: the volume of pulp placed on the market stood at around 201 thousand tons, up by around 9%, thanks to the capacity expansion at the Cacia mill, which has resulted in increased availability of pulp for the market. The slump in the pulp market was also reflected in the Group's average sale price, and total sales declined in value by 3%.

Major developments in the energy sector in the first nine months of 2016 included the completion of maintenance and repair work on the turbo generators at the Cacia and Setúbal pulp mills. Other planned maintenance work was carried out, notably at the natural gas cogeneration plant at the Setúbal Industrial Complex and on the Setúbal biomass power station. Total gross power generation in the period was accordingly down by 12.3% in relation to the same period in 2015.

As anticipated, natural gas cogeneration at Figueira da Foz switched in February to an own consumption only basis, reducing the volume of power sales to the national grid but also reducing purchases of electricity for one of the paper mills. Power sales decreased in volume (MWh) by 22.4%. The combined effects of reductions in power purchases and sales, and in purchases of fuel, essentially natural gas, brought down EBITDA by approximately € 8.1 million in relation to the same
period in 2015.

In the tissue sector, the volume of sales of products and goods from the Vila Velha de Ródão plant (in tons sold) grew by approximately 27% in the first nine months of 2016, thanks to the expansion in production and converting capacity over the course of 2015. The increase in quantities sold, combined with a slight decline in the average sales price, caused by changes in the product mix (increased sales of reels), resulted in tissue sales worth close to € 50 million.

In terms of cost factors, the Group experienced an increase in the average cost of wood purchases. Despite an improvement in specific consumption, increased use of imported wood and the consequent deterioration in the supply mix added to the overall acquisition cost. Wood still needs to be imported from Spain and outside Iberia to make up the shortfall in local supplies; forestry operations were also hit by the fires which occurred during the summer.

As observed in the first half, logistical costs for paper were brought down further thanks essentially to falling oil prices, increased use of ports closer to the mills (Setúbal and Figueira) and improvements and greater efficiency in the Group's commercial operations.

Attention should be drawn to Navigator's efforts to reduce maintenance costs in all of its industrial facilities, which have reflected positively in costs registered at the annual maintenance stoppages. The reduction in maintenance costs recorded in the first nine months of 2016 is inflated by the changed timing of maintenance stoppages in some of the Group's plants, which in 2015 were carried out and included in the accounts up to September, and in 2016 will only be completed and reflected in the accounts in the 4th quarter.

Personnel costs were up by approximately € 5.2 million in relation to the first nine months of 2015. This increase was only to be expected in view of the expanding workforce: at the end of September employee numbers had risen by 401, to a total of 3,063, as a result of new business ventures and incorporation into the business model of activities which were previously outsourced. Excluding the impact of employees in new business areas and insourcing, and other non-recurrent impacts, personnel expenditure calculated on a comparable basis for 2015 and 2016 would instead have fallen by approximately € 0.8 million, or 1%.

In this context, EBITDA for the first nine months of 2016 totalled 301.5 million, as compared with a figure of € 294 million for the previous year.

In addition to the operating performance mentioned above, EBITDA in the period reflects the impacts of a series of non-recurrent factors, most notably:

- Revaluation of biological assets in Portugal had a positive impact of around € 10.5 million, resulting essentially from the adjustment of the discount rate;

- Impairment of biological assets in Mozambique brought down EBITDA by € 3.5 million (the total amount of impairments in Mozambique was approximately €18 million, with the outstanding amount recognised under Depreciation, amortisation and impairments).

- The fire at the Vila Velha de Ródão tissue mill in May had a negative impact of € 2.4 million;

- Indemnity payments for the TG3 and TG4 breakdowns in Cacia in 2015 added € 2.3 million to EBITDA.

Without these non-recurrent factors, EBITDA for the first nine months of 2016 would have been largely equivalent to that recorded in the same period in 2015.

Operating cash flow stood at € 257.8 million, up by 13.0% on the same period in the previous year, whilst free cash flow totalled € 101.1 million (vs. 18.4 million). Free cash flow was kept down by the level of capital expenditure (€ 100.6 million), and working capital improved in relation to the end of the first half, with a reduction in accounts receivable and payable to clients and suppliers, as well as in accounts receivable from the State. As previously reported, the anti-dumping duty applied to paper sales in the United States is not reflected in EBITDA, but continues to have a negative impact on free cash flow, totalling approximately € 8 million in the first nine months.

Operating income totalled € 178 million, as compared to the figure of € 207.7 million recorded in the first nine months of 2015. This reduction is the result of an increase of € 25.7 million in the account for Depreciation and impairment, reflecting essentially upwards adjustment of the depreciation of some of the Group's assets, as a result of reassessment of their useful lives, and also the depreciation, for the first time, of the new capital projects in Cacia and Vila Velha de Ródão. This account also includes a number of non-recurrent adjustments resulting from the write-off of fixed assets as a result of the fire in Vila Velha de Ródão (€ 1.9 million) and the revaluation of assets in Mozambique (€ 14.5 million).

Financial results in the period were negative in the amount of € 16.6 million, comparing very favourably with a negative value of € 44.9 million in the first nine months of 2015. This reflects essentially a significant reduction in interest expense, down by approximately € 11.1 million, despite the increase in average borrowing, as a result of the Group restructuring its debt over the past twelve months. Net financial income also reflects a cost of € 6 million relating to the premium on the call exercised in May 2016 for € 150 million; nonetheless, this cost is approximately € 8.6 million lower than the redemption premium recorded in September 2015 for € 200 million. Stronger figures for net financial income also reflect an improvement of approximately € 4.3 million in the results achieved on exchange rate hedges, as compared to the losses recorded in the previous year, and also a reversal of provisions relating to compensatory interest with a value of € 2.4 million.

Consolidated net income for the period therefore stood at € 134.3 million, as compared with the figure of € 141.9 million recorded in the first nine months of 2015.

3rd Quarter 2016 vs. 2nd Quarter 2016

Third quarter sales in 2016 were down in value on the previous quarter, in line with the expected seasonal trends for this time of year. The Group recorded a reduction of 4.4% in turnover, reflecting essentially a drop in sales volume for UWF paper and tissue paper, and a downwards adjustment in paper and pulp prices in the 3rd quarter.

The volume of paper sales stood at 380 thousand tons, down by 4.4% from the second quarter, a tough comparison as the second quarter sales volume set a new record for that period. The average sales price also declined, due to an increased volume of sales outside Europe and the US, in nontraditional markets.

Sales of BEKP pulp performed well, growing by over 9% in relation to the volume recorded in the preceding quarter. However, given the downward tendency in prices since the start of the year, the value of pulp sales has not kept up with this growth, and ended the period approximately 3% up from the figure recorded in the first quarter of the year.

In power business, normal production was resumed after the completion of repair work on the turbogenerators at the Cacia and Setúbal mills, and total power generated by the Group rose by 2.3%. The value of sales also evolved positively, increasing by 13.9%.

In this environment, EBITDA for the quarter totalled € 106.2 million, as compared to € 101.8 million in the second quarter; the EBITDA/Sales margin also performed better, rising to 28.2% (from 25.8%). It is important to note that EBITDA in the second quarter was negatively

About The Navigator Company

The Navigator Company is the new brand, inheriting the legacy of the former Portucel Soporcel group as of February 2016.

The Navigator Company is Portugal's third leading exporter, generating the highest National Value Added. The Group accounts for approximately 1% of Portugal's GDP, around 3% of the country's total exports of goods, nearly 8% of all containerized cargo and 7% of all containerized and conventional cargo exported through Portuguese ports.

During 2015, the Group reached a new record high of paper production and increased its revenue by 5.6% to more than € 1.6 billion.

The leading European manufacturer and the sixth largest in the world, of uncoated woodfree (UWF) printing and writing paper, the Group is also Europe's top producer, and the fifth largest in the world, of BEKP- Bleached Eucalyptus Kraft Pulp.

The Group has successfully pursued a strategy of innovation and development of its own brands, which today account for 62% of sales of manufactured products. Special mention should be made of the Navigator brand, the world's best-selling product in the premium office paper market.

In tissue business, the completion and successful start-up in September of the second reel production machine was a significant milestone, and allowed to double annual production capacity from 30,000 to 60,000 tons. The increase in quantities sold, combined with some improvement in the average sales price, resulted in growth of 9% in tissue sales, which stood at € 55.8 million.

The Group sells its products to 123 countries over five continents, with its prime markets in Europe and the United States, making it the Portuguese company with the broadest international sales base.

It is a vertically-integrated forestry group, with its own forestry research institute, and the world leader in the genetic improvement of the *Eucalyptus globulus*. It manages vast tracts of forest in Portugal certified under the FSC® and PEFC™ systems (FSC license C010852 and PEFC license 13-23-001), and boasts an annual production capacity of 1.6 million tons of paper, 1.4 million tons of pulp (of which 1.1 million is integrated into paper) and an annual power generation of 2.5 TWh, reaching an annual revenue of approximately 1.5 billion euros.

The Group operates the largest nurseries of forestry plants in Europe, with an annual production capacity of approximately 12 million certified plants of various species, intended for the renewal of Portugal's woodlands.

As part of its strategy of international expansion, the Group has recently purchased AMS, a tissue paper manufacturer, and it is developing a major vertically-integrated forestry project in Mozambique, as well as a pellets factory in the USA.

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