Speakers

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Q1 2017 – Strong volumes and cost reduction

- Negative impact of pulp and paper prices mitigated by cost reduction and increased sales volume
- Sales improved 2.1% sustained by good operating performance; very strong volumes QoQ:
  - BEKP + 40%
  - Tissue + 24%
  - Energy + 15%
- High level of UWF volumes, but slightly down QoQ
- Energy activity normalised
- € 90.2 million in EBITDA (vs. € 93.5 million in Q1 2016), impacted by lower pulp and paper prices
- Improving market conditions during the quarter with significant order book and higher prices intra quarter
- Cost reduction program with positive impact of € 6 million in Q1 2017
## Cash flow remains strong during Q1 2017

| (million euros)            | Q1 2017 | Q1 2016 | %  
|----------------------------|---------|---------|-----
| Total Sales                | 392.7   | 384.5   | +2.1%  
| EBITDA                     | 90.2    | 93.5    | -3.6%  
| EBITDA/Sales (%)           | 23.0%   | 24.3%   | -1.3 pp  
| Net Income                 | 35.6    | 44.7    | -20.5%  
| Free Cash Flow             | 24.2    | 18      | +33.9%  
| Net Debt                   | 616.6   | 636.4   | -3.1%  
| Net Debt / EBITDA          | 1.6     | 1.6     | -    
| ROCE                       | 11.1%   | 12.0%   | -0.9 pp
Pulp prices: upward trend in spite of lower pulp prices in Q1

Average prices for BHKP in Euros during Q1 2017 were 6% below Q1 2016, (9% below in USD), but 6% above Q4 2016 (5% in USD).
BEKP - Market conditions improvement continues

• BHKP market continues to improve and upward pulp price momentum remains
  
  + Very strong demand in both Europe and China – high level confidence that prices continue to rise in May
  
  + Some major suppliers are shifting sales volume from European customers to more profitable markets (Asia and Middle East)
  
  + Reduction in supply due to several maintenance and unplanned downtime during Feb-May - ~1.1 Mt supply of SW and HW (6% of world capacity); ~600 K t BHKP
  
  + Cost increase for pulp mills (oil, energy, chemical products etc.)
Paper
Market impacted by several events (I)

**World**

**USA**
ADD attracted European volumes
European producers placing more volumes in USA

**ASIA**
Capacity Changes
e.g. Bilt -600 kt (India/Malaysia)
Pollution Controlling capacity shut in China (unknown volume)
Growing Demand (China)
Pipeline stocks depleted (China) trying to building up

Source: Risi; EMGE Euro-Graph; The Navigator Company
Europe

- The valuation of USD against the Euro have made prices in Asia and Latin America more interesting than in Europe.

- Operating rates during Q1 2017 improved significantly to 97%, with shipments increasing throughout the quarter.

  + European deliveries substituting exports.
  
  + Imports have declined 30% QoQ: since H2 2016, all world regions have been redirected volumes from Europe and are placing them either domestically or in other better paying regions.
  
  + Producers destocking and using full capacity.
Benchmark price evolution for paper

The average price for paper lost 4.0% QoQ (803 vs. 836 €/ton), but shows signs of improvement, with last price for March at 808 €/ton

Source: FOEX

NVG announced 2 price increases for Feb. and April
NVG Paper sales - Main Highlights

371 Kton
YTD Mar Sales

- 27 Kt USA 8%
- 51 Kt Intern. 14%
- 33 Kt Africa 9%
- 255 Kt Europe 69%

Mill Brands
60%
173 Kt

Premium 50%
Standard 37%
Eco 13%

153 Kt Certified Sales

Source: The Navigator Company
Paper performance in Q1 2017

- Sales of 371 thousand tons of UWF – second best first quarter registered
- Decrease in average sales price YoY (-3.2%), but improvement from December 2016 until March 2017 (+2.6%)
- NVG announced price increase in overseas markets (Jan.) and Europe (Feb.)
- Recovery in product mix: premium products share up to 50% and mill brands up to 60%
- Increase of UWF market share in Europe to 20% (+0.3pp) and to 24% in cut-size (+0.8pp)
Pulp and tissue business performance

Pulp

• Pulp sales increased 40% in volume to 90 thousand tons (record volume sold since 2009), sustained by capacity increase in Cacia mill
• 13% Growth YoY in Décor and Special papers segments, high contribution segments
• Average sales price decreased 11% Q1 2017 vs. Q1 2016, but improved almost 8% vs Q4 2016
• End of march inventories lower then at year end 2016

Tissue

• Volume of Tissue sold improved 24% YoY sustained by the 2015 capacity increase; sales increased to € 18 million (vs €15.8 million);
• Average sales price decreased 7% due to change in mix (increase percentage of reels sales);
• Estimated apparent consumption growth in Europe forecasted to grow in line with GDP
Focus on cost reducing measures continues

- M2 cost reduction programme continues with estimated impact on EBITDA in Q1 2017 of €6 million

- Main areas contributing to this impact:
  - Chemicals and packaging: €1.9 million
  - Extra volumes: €0.9 million
  - Purchase of natural gas: €0.7 million
  - Wood acquisition: €0.7 million

- Programme for 2017 foresees significantly more initiatives than in 2016
- Estimated impact on EBITDA in 2017 is accordingly greater than in 2016
Main cost reducing measures in 2017

Ambitious Forecast for 2017:
Almost 150 initiatives with estimated impact on EBITDA of +/- 20

Other variable costs include procurement gains with packaging materials, pallets & others; includes gains with forest activities, reduction in water consumption, etc.
EBITDA - Negative impact of prices offset by cost reduction and volumes

The negative impact of pulp and paper prices was reduced by higher volumes and cost reductions.

* Non recurring items include reversal of anti-dumping and start-up costs for pellets business.
EBITDA in Q1 2017 decreased 3.67% versus Q1 2016, but compares favorably with other Q1
Free Cash Flow at € 24 mln

FCF was negatively impacted by working capital evolution, namely increase in inventories, a normal trend in first quarter, after the sales effort at year-end; working capital also affected by increase in wood inventories.

* Other includes antidumping, taxes and insurance
YoY Net debt reduced by € 24 million

- Net debt decreased € 24 million from year-end (€ 20 million QoQ) and Net Debt / Ebitda stood at 1.6
Continuous improvement in debt profile

+ The successful restructuring of the Group’s debt in 2016 resulted in a longer maturity and lower cost of debt, as well as an increased diversification of counterparties.
+ In February, a new credit facility of USD 10 million was contracted in the US.
+ At the end of March the total amount of unused committed commercial paper programmes was € 225.0 million; these lines reach their maturity in 2020.

* Cost of debt as of March 31th, derivative hedging instruments and annual fees included.
Q1 2017 - Financial results

Significant reduction in interest costs following 2016 debt restructuring:

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

€ 777 thousand interest costs improvement YoY

Forex: negative impact of € 1,5 mln comparing with the Q1 2016 positive impact of € 1 mln
Capex of € 14.3 million (vs. € 49 million)

Current business

- Pulp, paper and tissue: 3.7 M€
  - Includes recurrent capex (2.2)
- Figueira Foz
- Pulp capacity 8.9 M€

Future business

- Tissue 1.8 M€
  - Includes Capex in new converting lines at V.V. Rodao
- Pellets 0.2 M€
Tough start of operations at Colombo Energy

• First pellets sold from Colombo Energy Inc project in Greenwood, South Carolina during the quarter: 15.4 thousand tons

• Mill in its start-up phase, still working on production and cost issues

• Initial tests point to a premium product with high calorific value

• Difficult market environment, but sales efforts proceed for 2018 onwards for both in the industrial market (Europe and Japan/Korea) and residential market (Europe and US)
Update on Mozambique project

• Scale down rhythm of investment and operations due to political and economic situation, which remains unstable

• Completion of experimental operation to export 2,000 tons woodchips from Zambézia via the port of Nacala, with unexpected port/export tariffs issue

• Capex for 2017 reduced to 10 M€ - Company remains engaged but needs to clarify situation

• Announcement by the Government of Mozambique (?) of plans to build the Moatize-Macuse railway line and the port of Macuse, due for completion in 2021-22.
Update on New Projects

Cacia tissue mill

- Project to build an integrated tissue production line and converting facilities developing as planned:
  - main equipment suppliers have already been selected
  - preliminary site preparation work is under way
  - paper machine is planned to start up in August 2018.
  - estimated capex of 120 million
Update on New Projects

Pulp Capacity in Figueira da Foz

• Target to increase production efficiency and pulp capacity at Figueira da Foz, by 70 thousand tons, progressing:

  + Initial pile work started
  + Civil construction contract adjudicated
  + Main equipment to be fitted in September
  + New capacity is planned to come online in March 2018.
  + Estimated capex of € 85 million – 76% of capex already comissionned
Outlook for 2017

• Positive momentum in the pulp market continues as new price increases are announced for Q2; but concerns still persist over the new capacity to come on stream in the second half of 2017

• Tissue will be constrained by more aggressive competition and increased pressure on margins due to rise in pulp price

• Paper business has been experiencing improved market conditions and will likely continue in Q2:
  + Group has currently a very strong order book - 54 days
  + New price increase implemented in April
Subsequent Events

• AGM to be held on May 24th 2017

• Dividend proposal:
  + Navigator Board of Directors proposes dividend of € 170 million to be paid in June
  + Main shareholder proposes distribution of reserves: € 80 million to be paid in July
  + Implicit dividend yield of 9%
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