Speakers

Diogo da Silveira – CEO
Fernando Araújo – CFO
Joana Appleton - IR
FY 2016 – Main highlights

• Improvement in sales volume sustained by good operating performance in paper and capacity increase in BEKP and tissue:
  + UWF Paper + 2%
  + BEKP+ 15%
  + Tissue + 30%
• Strong contribution from cost reduction measures
• EBITDA grows 2% to € 397 million, with margin EBITDA / Sales up to 25.2 %
• Energy continues to impact negatively on turnover (-€ 50 million) and EBITDA (-€ 6 million)
• Strong free cash flow generation of € 183 million (+127%)
• Start-up of 500 thousand pellets mill in South Carolina, USA
• Navigator and Soporset: best Brands in Europe in 2016
Main figures for 2016 (vs 2015)

<table>
<thead>
<tr>
<th>Category</th>
<th>2016 Value</th>
<th>Change</th>
<th>2015 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>1577.4 M€</td>
<td>-3%</td>
<td>1620.1 M€</td>
</tr>
<tr>
<td>EBITDA</td>
<td>397.4 M€</td>
<td>+2%</td>
<td>391.4 M€</td>
</tr>
<tr>
<td>EBIT</td>
<td>230.4 M€</td>
<td>-19%</td>
<td>286.4 M€</td>
</tr>
<tr>
<td>Net Profit</td>
<td>217.5 M€</td>
<td>+11%</td>
<td>196.0 M€</td>
</tr>
<tr>
<td>FCF</td>
<td>183.8 M€</td>
<td>+127%</td>
<td>81.0 M€</td>
</tr>
<tr>
<td>Net Debt</td>
<td>636.4 M€</td>
<td>-2%</td>
<td>654.4 M€</td>
</tr>
<tr>
<td>EBITDA/Sales</td>
<td>25.2%</td>
<td>+1.2 pp</td>
<td>24.0%</td>
</tr>
<tr>
<td>ROCE</td>
<td>12.3%</td>
<td>-3.4 pp</td>
<td>15.7%</td>
</tr>
<tr>
<td>ROE</td>
<td>17.8%</td>
<td>+3.0 pp</td>
<td>14.8%</td>
</tr>
<tr>
<td>Net Debt/EBITDA</td>
<td>1.6 X</td>
<td></td>
<td>1.5  X</td>
</tr>
</tbody>
</table>

Net Profit: +11%  
FCF: +127%  
Net Debt: -2%  
Net Debt/EBITDA: 1.6 X (vs 1.5 X)
Market conditions: improvement during Q4 2016

- After weak market conditions during Q3, demand picked-up in the last 2 months of 2016. Still, estimated apparent consumption for UWF declined 3.8% YTD Jan-Dec 2016

- Imports into Europe increased 18% during the year, essentially in office papers (+25%), with Asian imports doubling over the period, triggering overall downwards adjustments in prices

- In the US, apparent consumption decreased 3.7% YTD Nov., with imports declining significantly (-12%); operating rates stood at 92% (-1pp vs. 2015)

- After a slow start of the year for BEKP purchases, demand for pulp picked-up, and global demand for BEKP increased 5.7% until end of November, almost entirely from the Chinese market; global capacity utilization rate in BEKP also edged up to 90% until November 2016
Benchmark price evolution for pulp and paper

- The industry benchmark for paper was almost flat YoY (823€ vs 822 €/ton), but declined 3.5% since the beginning of the year.

- Average prices for BHKP declined approximately 13.2% in USD and 12.9% in Euro, falling 16% in USD and 13% in Euros YTD 2016

Source: FOEX
Paper performance in 2016

- Highest paper volume sold: 1,587 thousand tons of UWF (+2% YoY)

- Increase of UWF market share in Europe to 20% (+2pp) and to 24% in cut-size (+5pp)

- Sales to over 136 geographies, with record sales to international markets (+1.4%)

- Increase in cut-size sales (+2.3%) and reels (+12%) and decrease in Folio (-8%)

- Average sales price negatively affected by sales geography and product mix (size and quality): -2.4%

- Sales distribution:

  - Europe: 63%
  - USA: 15%
  - Africa: 13%
  - Middle East & Other: 9%
Pulp and tissue business performance

Pulp

• Pulp sales increased 15% in volume (to 291 thousand tons)

• 97% of pulp sales directed to Europe, and 61% for Décor and Special papers segments;

• Average sales price decreased 15% YoY

• Year-end inventories in line with 2015

Tissue

• Volume of Tissue sold improved almost 30% YoY sustained by the 2015 capacity increase; sales increased to € 67 million (vs €56 million);

• Average sales price decreased 7% due to change in mix (increase percentage of reels sales);

• Estimated apparent consumption growth in Europe forecasted in 2016 of 2.2%
Excluding the positive impact of some non-recurring items (such as revaluation of biological assets), higher volume and lower costs have compensated for the reduction in prices, yielding a recurrent EBITDA in line with EBITDA in 2015.

*Non recurring items include biological revaluation, reversal of anti-dumping, insurance indemnities net of operating losses, impairments in biological assets in Mozambique, impact of fire at tissue mill in VVRodão.
EBITDA in Q4 2016 decreased 9.7% versus Q3 2016, but evolved in line with Q4 2015: higher volume and lower prices, but also due to additional costs recorded in Q4.
Free Cash Flow grows to €184 mln

FCF evolved favorably during 2016, namely due to an improvement in working capital in the second half, with reduction in inventories and decrease in receivables.

<table>
<thead>
<tr>
<th>Values in million Euros</th>
<th>358</th>
<th>-139</th>
<th>Maintenance 38 M€</th>
<th>Development 101 M€</th>
<th>-63</th>
<th>184</th>
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<tbody>
<tr>
<td>Cash Flow</td>
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<td>CAPEX</td>
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<tr>
<td>Change in inventories</td>
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<tr>
<td>Change in accounts payable</td>
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<tr>
<td>Other *</td>
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<tr>
<td>Free Cash Flow</td>
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* Other includes antidumping and taxes
YoY Net debt reduced by € 14 million

Net debt decreased € 14 million YoY, despite of dividend payment and capex plan, while Net Debt / Ebitda improved to 1.6
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;

Interest Costs: €16.6 mln improvement YoY

€3.1 mln provision reversion in tax compensatory interests

2016 financial results include €6 mln related to the premium paid for the bond redemption (vs €14.6 mln nonrecurring charges in 2015)
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 December of 1.7%, with 4.5 years average maturity
Continuing cost reducing measures – M2 and Lean System

M2 Project  - Enlarged scope and increased estimated impact

100 projects under development, with an impact on EBITDA in 2016 of approximately € 16 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

Second cycle of Lean Management Programme coming to an end:

- 11 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
### M2 results – 2016

**M2 results**

- **16 M€**, YoY

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**# MEASURES**

- **100**

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**HIGHLIGHTS**

- Sea and railroad transportation RFQs (2.9 M€)
- PMs Efficiency gains in Setúbal (2 M€)

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#### K€

<table>
<thead>
<tr>
<th>Area</th>
<th>2015</th>
<th>2016</th>
<th>Δ k€</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Impact R15</td>
<td># Measures</td>
<td>Impact R16</td>
<td>Δ k€</td>
</tr>
<tr>
<td>Forestry</td>
<td>1.387</td>
<td>10</td>
<td>965</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>4.119</td>
<td>70</td>
<td>7.679</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>8.196</td>
<td>21</td>
<td>7.012</td>
<td></td>
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<tr>
<td>Shared Services</td>
<td>165</td>
<td>5</td>
<td>259</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13.867</td>
<td>106</td>
<td>15.915</td>
<td>2.048</td>
</tr>
</tbody>
</table>
Shares lost 9% during 2016, negatively pressured by Portuguese market performance and sector sentiment; improvement in average liquidity and sustainable dividend yield of 9%.

*YTD Feb 3 2017: 3,469€/share
Capex of € 139 million (vs. € 149 million)

Current business
- Pulp, paper and tissue: 38 M€
  - Turbogenerators repair
  - Photovoltaic Central (Setubal paper mill)
  - Recurrent capex

Future business
- Mozambique: 9 M€
  - Plantations & Social development plan (+ € 9 million in biological assets)
- Pellets plant: € 82 M€
  - 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 carried out

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

- Difficult market environment with 40% reduction in price

- 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

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

• Planting work continued during 2016: around 5.3 thousand ha planted in Zambézia, using saplings supplied by the Forestry Nurseries in Luá, the largest facility of its kind in Africa;

• Start-up of experimental operation to export 2,000 tons woodchips from Zambézia via the port of Nacala
Update on Tissue Project

- Group decided to go ahead with Cacia’s project to build new line for tissue paper (reels) and converting capacity (once incentives are contracted), with 70 thousand tons per year:
  - Financial and tax incentives granted
  - Construction to start during Q1 2017
  - Total capex of € 120 million, to be spent in 2017 (48 M€) and 2018 (72M€)
  - Start-up estimated second half of 2018

- 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.
Tissue Project in Cacia – Opportunity to Grow

With this greenfield project, which will integrate part of the pulp production from Cacia Mill, the Navigator Company has the possibility to become one of the most competitive tissue producers in Europe:

• construction of an integrated tissue mill in Cacia, with lower production costs and asset scale; significant savings achieved through integration

• Use of BEKP fiber allows to achieve high quality products in tissue, granting great softness for facials and toilet paper;

• Possibility to take advantage of the Group’s current commercial, industrial and procurement capabilities;

• Cacia’s location, near the port of Aveiro, is optimal to export to WE.

Opportunity to diversify product portfolio in a growing market: tissue demand expected to grow 1-2% pa in Europe (4-5% pa RoW)
Other growth projects

Pulp Capacity in Figueira da Foz

- Increase in pulp capacity at Figueira da Foz, with total investment estimated at € 82 million:
  - Start of construction during Q1 2017
  - Goal to increase annual capacity by 70 thousand tons, to a total of 650 thousand tons of BEKP pulp;
  - New capacity is planned to come online in March 2018.
Outlook for 2017

• Pulp market experienced a recovery in sales as demand picked up from Chinese buyers. But there is still significant new capacity coming to the market at the end of 2017.

• Market conditions for UWF improved since the beginning of 2017 in Europe and other markets (excluding US) and Navigator has currently a robust order book.
  
  - Announced price increase for UWF in North Africa and Middle East fully implemented in January;
  
  - New price increase announced in Europe by 4% on dispatch goods from the 24th of February
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Quarterly figures – YoY evolution

**Turnover (Mln€)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>424</td>
<td>385</td>
<td>394</td>
<td>377</td>
<td>422</td>
</tr>
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</table>

**EBITDA (Mln€)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>96</td>
<td>94</td>
<td>102</td>
<td>106</td>
<td>96</td>
</tr>
</tbody>
</table>

**Net Earnings (Mln€)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Earnings</td>
<td>55</td>
<td>45</td>
<td>41</td>
<td>49</td>
<td>83</td>
</tr>
</tbody>
</table>

**EBITDA / Sales (%)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>23%</td>
<td>24%</td>
<td>26%</td>
<td>28%</td>
<td>23%</td>
</tr>
</tbody>
</table>

**ROCE (%)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE</td>
<td>16%</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**ROE (%)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
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<td>ROE</td>
<td>18%</td>
<td>15%</td>
<td>14%</td>
<td>17%</td>
<td>28%</td>
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