Speakers

Diogo da Silveira – CEO
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Q1 2016 vs Q1 2015 – Solid Performance

- EBITDA of € 93.5 million, 15% growth QoQ, with clear improvement in margin EBITDA / Sales, for both QoQ and Q1 vs Q4, to 24.3%.
- Higher sales volumes of paper and pulp.
- Negative impact from energy division due mainly from reduction in tariff.
- Capex of € 49 million.
- € 6 million reduction in financial costs.
- On-going cost reduction and efficiency programs.
- AGM approves dividend of € 170 million.
UWF and BEKP market evolution

• Q12016 was impacted by the significant capacity adjustments occurred at the end of 2015 in the UWF industry in Europe, leading to higher operating rates and reduction in exports

• Increase in imports from Asia due to slowdown in local consumption and anti-dumping duties in US

• Apparent consumption in Europe is estimated to have decreased approximately 3%

• In the US, apparent consumption improved slightly YoY, with imports declining significantly

• Sharp slowdown in BEKP purchases by Chinese buyers continued into early 2016; global capacity utilization rate in BEKP dropped from 91% in 2015 to 85% in the first quarter of 2016.
Benchmark price evolution for pulp and paper

- The industry benchmark for paper gained 2.8% YoY (836€ vs 814 €/ton)

- Industry benchmark for pulp gained 5.2% YoY (695€/ton vs 660 €/ton), but prices have come down 13% since the beginning of 2016

Source: FOEX
Company’s performance

• The Navigator Company implemented 3 UWF price increases during 2015 (March, July and September), and another one in February 2016

• 3% increase in UWF sales to Europe

• Highest volume sold in UWF in a first quarter: 378 thousand tons

• Pulp sales increase 13% YoY to 65 thousand tons

• Tissue sales improve 22% to 12 thousand tons
## Main figures for the quarter

<table>
<thead>
<tr>
<th>Financial Item</th>
<th>Q12016 vs Q12015</th>
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<tbody>
<tr>
<td><strong>Total Sales</strong></td>
<td>384.6 M€</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>93.5 M€</td>
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<tr>
<td><strong>EBIT</strong></td>
<td>56.4 M€</td>
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<tr>
<td><strong>Net Profit</strong></td>
<td>44.7 M€</td>
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<td><strong>Net Debt</strong></td>
<td>636.4 M€</td>
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<tr>
<td><strong>EBITDA / Sales</strong></td>
<td>24%</td>
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<tr>
<td><strong>ROCE</strong></td>
<td>12%</td>
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<tr>
<td><strong>ROE</strong></td>
<td>14.5%</td>
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<tr>
<td><strong>Net Debt / EBITDA</strong></td>
<td>1.6 X</td>
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</tbody>
</table>

- **Total Sales**: -1%
- **EBITDA / Sales**: +3.4 pp
- **ROCE**: -0.4 pp
- **ROE**: +3.1 pp
- **Net Debt / EBITDA**: +0.7 X
Quarterly figures – YoY evolution

Turnover (Mln€)

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<tbody>
<tr>
<td>Q1</td>
<td>389</td>
<td>406</td>
<td>409</td>
<td>424</td>
<td>385</td>
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EBITDA (Mln€)

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<tr>
<td>Q1</td>
<td>81</td>
<td>103</td>
<td>110</td>
<td>96</td>
<td>94</td>
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Net Earnings (Mln€)

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<tr>
<td>Q1</td>
<td>42</td>
<td>59</td>
<td>42</td>
<td>55</td>
<td>45</td>
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EBITDA / Sales (%)

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<tbody>
<tr>
<td>Q1</td>
<td>21%</td>
<td>25%</td>
<td>27%</td>
<td>23%</td>
<td>24%</td>
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ROCE (%)

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<tr>
<td>Q1</td>
<td>12%</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
<td>12%</td>
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ROE (%)

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<tbody>
<tr>
<td>Q1</td>
<td>11%</td>
<td>17%</td>
<td>13%</td>
<td>18%</td>
<td>15%</td>
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Strong EBITDA and EBITDA / Sales margin

EBITDA increased 15% YoY with clear improvement in EBITDA/Sales margin.
YoY growth in EBITDA sustained by higher volumes and cost improvements

Positive impact of wood costs and logistics; negative impacts from dumping tariffs and energy

Positive impacts include € 1.5 million related to savings in outsourcing and personnel costs include €1.2 million related to insourcing; net gain of € 0.3 million
In spite of good operating performance, free cash flow was impacted by high level of capex and increase in working capital, namely due to variation in inventories.
Net debt increased mainly due to capital expenditure plan started in 2015 and dividend payment, but Net Debt/Ebitda still remained at very conservative levels.

The Group paid an anticipated dividend of 130 million € in December. The AGM of April 19th 2016 approved the distribution of € 170 million to be paid in May 2016.
Main reason for improvement is the renegotiation of debt on September 2015: € 3.7 million interest reduction

- Partial early repayment of € 200 mln of the Senior Notes 5.375%, and new issue with better conditions and longer maturity
- Renegotiation of € 125 mln Commercial Paper Program with cost reduction and extended maturity

Financial results also include improvement in FX results (€ 2.8 million)

Company continues to restructure its debt in order to reduce financial costs

### Financial Results

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<tr>
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<th>Q1 2015</th>
<th>Q1 2016</th>
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<tr>
<td>€ -8,7 Mln</td>
<td>€ -2,7 Mln</td>
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2016: Continuing debt restructuring

- New €25 mln financing from EIB
- New debt contracts of €170 mln, with 5 year maturity and all-in costs between 1.60% and 1.65%
- Call option to be exercised on May 15\textsuperscript{th} of Portucel’s 5\(\frac{3}{8}\) % 2020 Senior Secured Notes in the total amount of €150 million
Ongoing cost reducing measures

M2 Project – increase operating efficiency

- 100 initiatives under way, with an estimated impact on EBITDA in 2016 of approximately € 11 million
- Focus on manufacturing divisions

“Navigator Lean System” Programme

- Identification of 70 operational improvement projects with an estimated global impact on EBITDA of € 10.3 million over 3 years, of which € 1.5 million in 2016.
- Start-up of the Lean Management training programme aimed at manufacturing and service personnel.
Stock performance: increased liquidity in an adverse environment

Shares lost 11% during Q1 2016, negatively pressured by Portuguese market performance and sector sentiment; average liquidity improved 48% vs 2015

* As of March 31st 2016; share price: 3,20€
Capex increasing to € 49 million (vs. € 13 million)

**Current business**

- Pulp, paper and tissue: 10 M€
- Maintenance

**Future business**

- Mozambique: 6 M€
- Forestry and plantations
- Colombo: € 34 M€
- Conclusion of mechanical works

Capex increasing to € 49 million (vs. € 13 million)
Outlook for 2016

• Portucel presented strong operating results in Q1 2016 and continues to work on its development and diversification projects, while also improving its efficiency.

• BHKP/BEKP buying has recently become more active in China and in other markets suggesting BEKP has been sold out and the bottom for spot prices has been reached. However, even though demand in China is picking up, pulp supply is forecasted to continue growing at a fast pace in 2016 (mainly in South America);

• In Europe in UWF, two large conversions affected operating rates Husum (-420 000 tons) impacting 2015 and 2016, and Varkaus (-150 000 tons); imports into Europe from Asia are increasing and may lead to increased discounts in paper price;

• Large capacity closure of UFS in the US in April will probably have positive impact on operating rates. An attempt to increase prices for cut size copy paper was just recently announced for May in the US.
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