



The Navigator Company

9M 2017 Results Presentation

October 26th 2017

Participation

Diogo da Silveira – CEO

Fernando Araújo– CFO

António Redondo

Nuno Santos

João Paulo Oliveira

Joana Appleton - IR

9M 2017 Results presentation



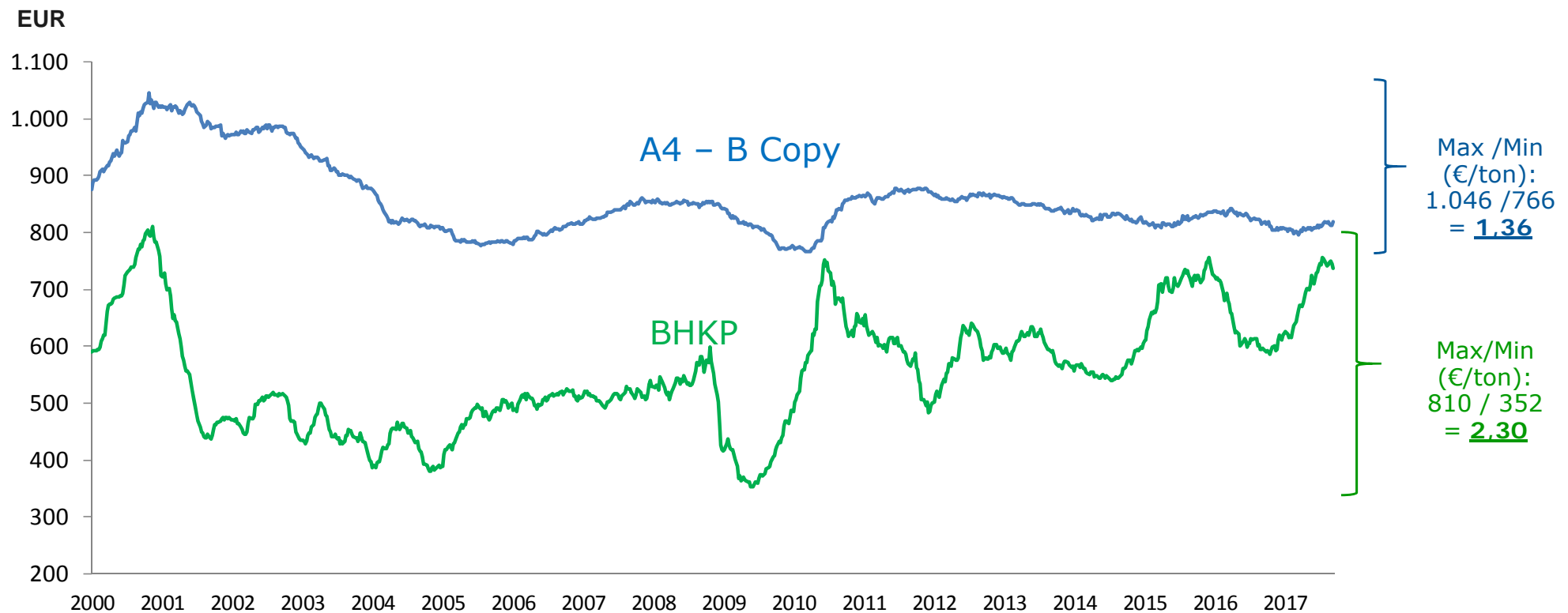
- **Main highlights**
- **Key figures**
- **Group performance**
- **Market outlook**
- **Update on new projects**
- **Subsequent events**

9M 2017 – Key Highlights

P&P Market YTD 2017	<ul style="list-style-type: none">• Strong momentum for pulp, with prices jumping to all time highs• Improvement in UWF demand and gradual price recovery, but average price remains lower YoY
Volumes	<ul style="list-style-type: none">• Record sales of UWF: 1 158 Ktons (+0.2%)• BEKP sales totalled 251 Ktons (+25%)• Tissue: strong improvement (+11%)• Energy: +16% in volume sold
Cost reduction	<ul style="list-style-type: none">• Efforts continue with total YTD estimated impact at € 18 Million
Financial costs and FX operations	<ul style="list-style-type: none">• Financial costs reduced by 61% YoY• Hedging operations with positive results offsetting negative impact of FX evolution
Free Cash Flow	<ul style="list-style-type: none">• Strong free cash flow generation in Q3
Outlook	<ul style="list-style-type: none">• Positive momentum for prices should continue

Pulp and Paper: different price behaviour

Index FOEX PIX (Europe)

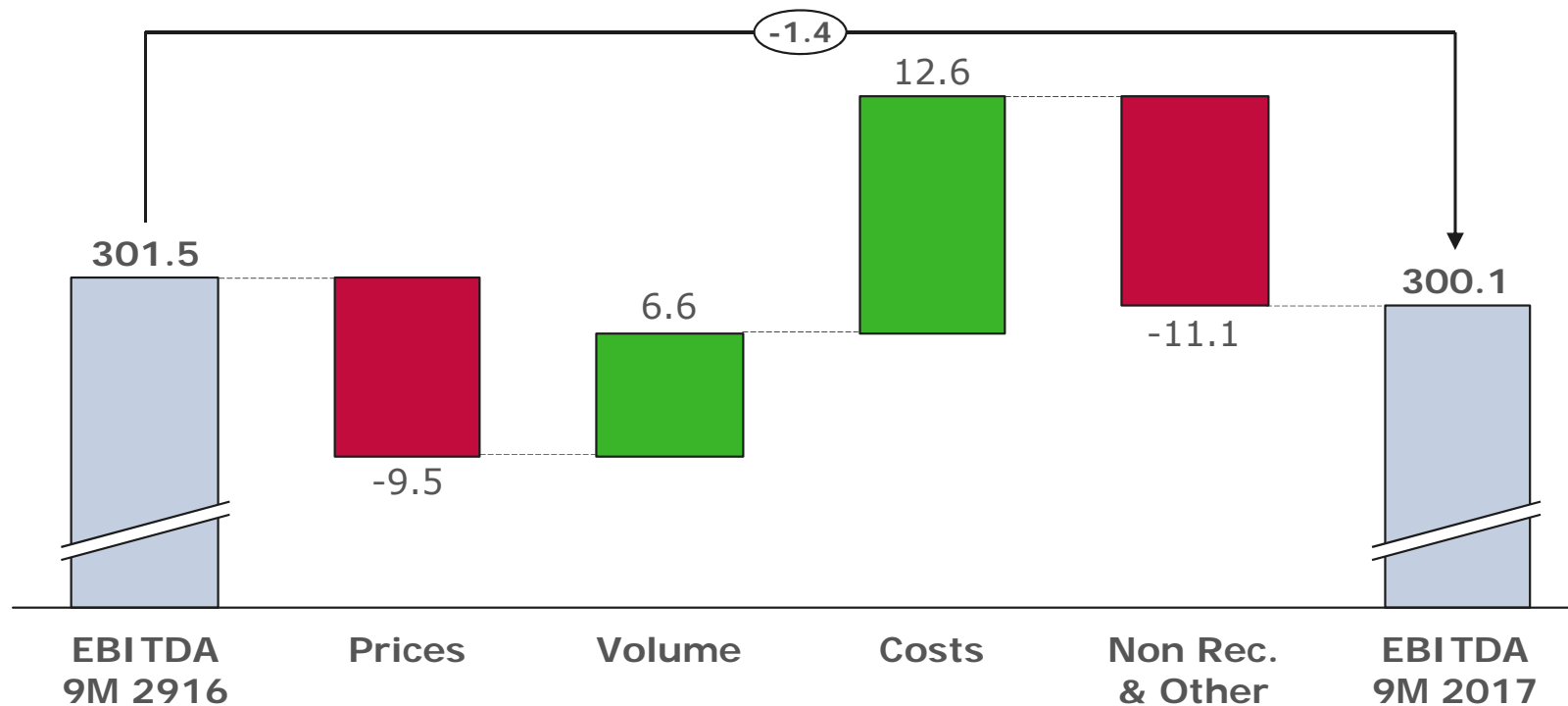


A4 - B Copy: index for uncotaed woodfree paper (80 g/m²)

BHKP - index for bleached harwood kraft pulp (eucalyptus or birch)

EBITDA - Negative impact of paper price offset by cost reduction and volumes

The negative impact of paper price YoY was reduced by higher volumes and cost reductions

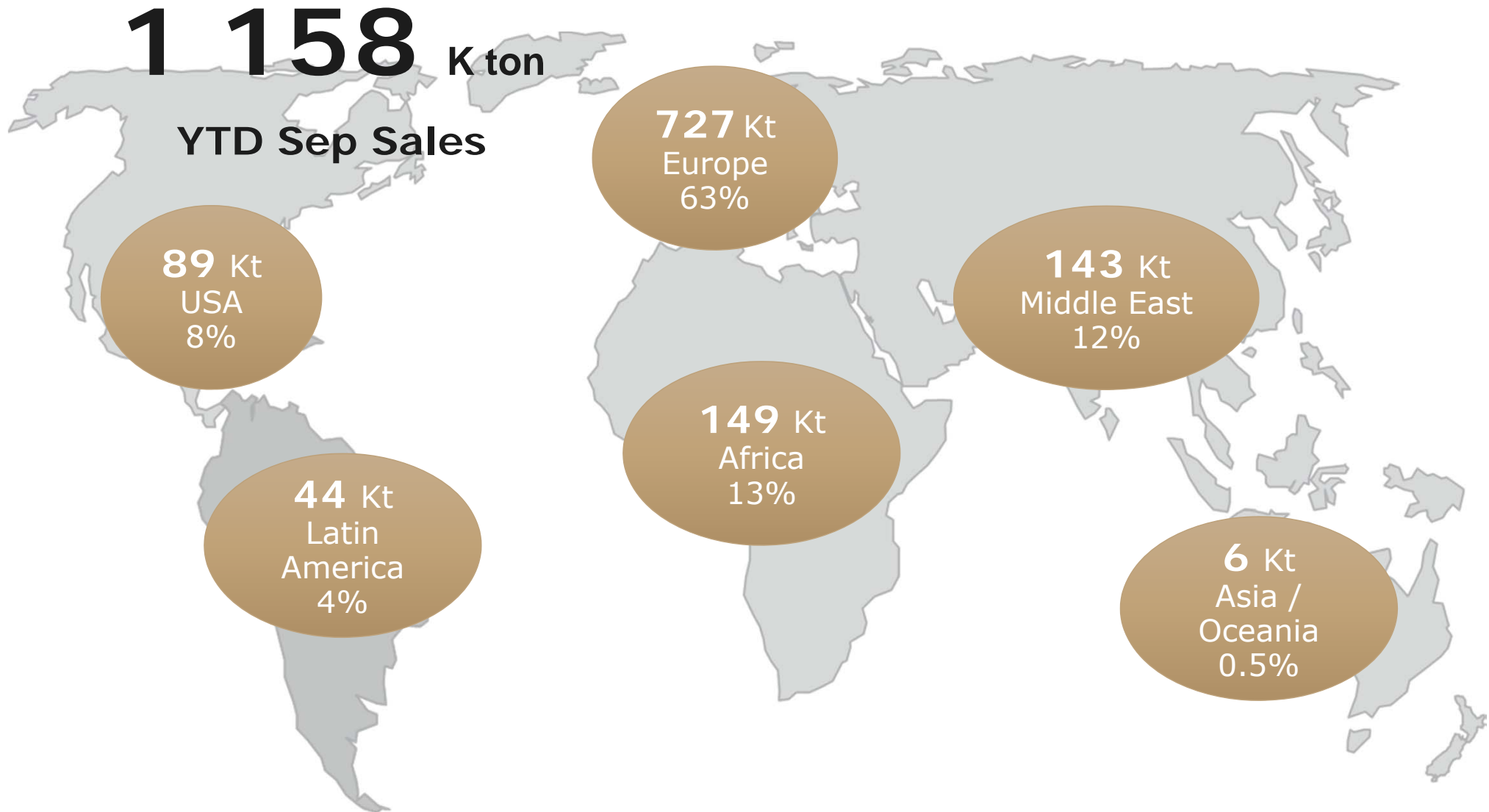


- Costs: include reduction in wood costs , packaging and chemicals
- Non recurring items include insurance indemnities deducted from start-up costs for pellets business, Mozambique and biological assets

Paper performance in 9M 2017

- Sales of 1158 thousand tons of UWF – best first 9Months registered;
- **Although Navigator lead 4 price increases in Europe and International markets in 2017**, average sales price decreased 1.9% YoY; from December 2016 until September 2017 prices have been improving
- Prices have been impacted by the repositioning which occurred in October 2016, Fx impact (GBP and USD) and market mix
- **Recovery in product mix:** premium products share up to 49% (+1.6 pp. YoY); mill brands up to 61% (best mill brand share in Q3 2017 /63.2%) in the last 5 years
- High load on mills: 43 days in September

NVG registered record sales volume to diversified geographies



Navigator Pulp Performance – 9M2017

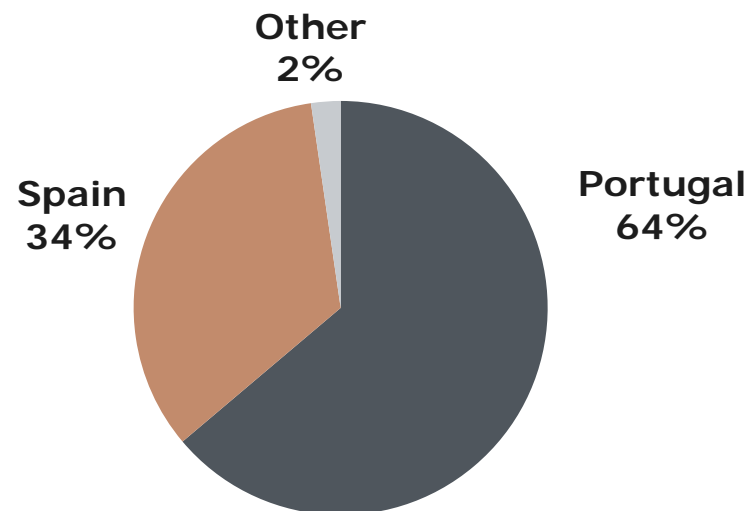


- **Pulp sales increased 25% in volume to 252 thousand tons** (record volume sold since 2009)
- Navigator's average price increased 6% YoY, but gained 22% from December 2016 to September 2017
- **11% Growth YoY in Décor and Special papers segments, high contribution segments (representing 69% of European Sales)**
- Increase sales to overseas markets: +43 thousand tons (YoY)
- End of September inventories at very low level (9 days) when compared to year end 2016 and well below industry's average (36 days at the end of August)

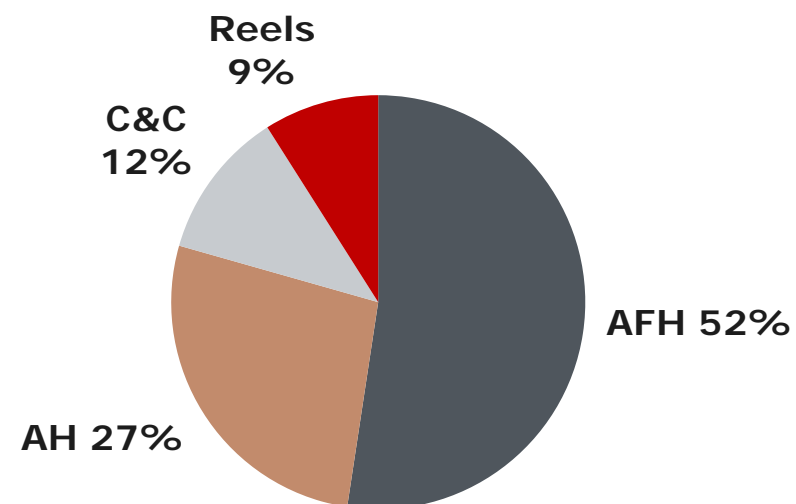
Tissue performance YTD 2017

- Volume of tissue sold increases 11% YoY sustained by the 2015 capacity increase
- **Sales increased 11% to € 55 million (vs €50 million)**
- Average sales price in 9M2017 slightly higher YoY due to improvement in product mix

Tissue Sales by market



Tissue Sales by segment

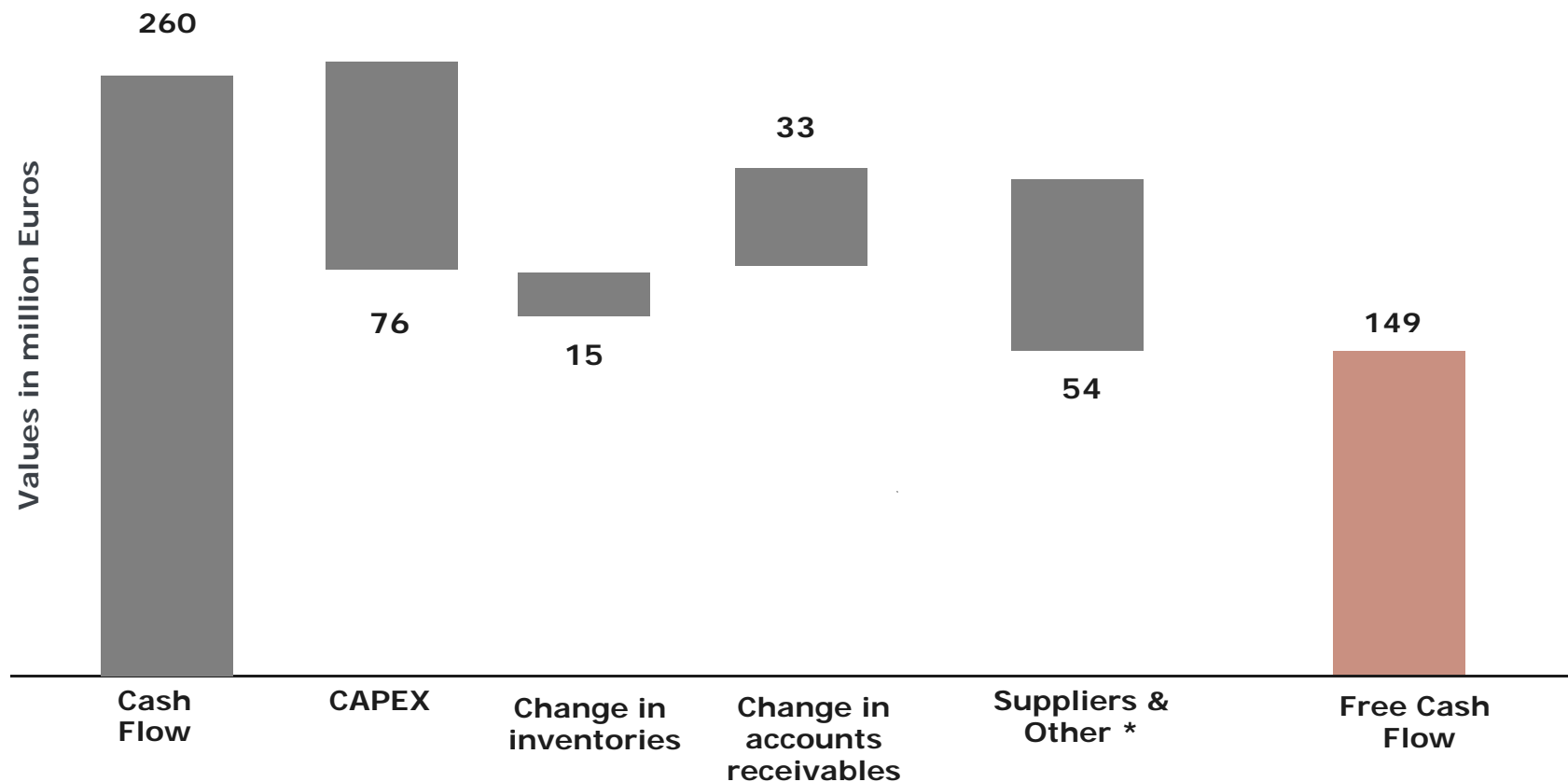


M2 program continues

- **M2 cost reduction and efficiency programme continues with estimated impact on EBITDA in 9M 2017 of € 18 million**
- Of a total of 92 projects with successful initiatives, the following stand-out:
 - + Wood logistics: € 3.1 million
 - + Energy purchases: € 2.6 million
 - + Packaging purchases: € 2.3 million
 - + Pulp and paper logistics: € 1.1 million
- **Company on track to achieve ambitious target of M2 impact to EBITDA in 2017 of € 20 millions**

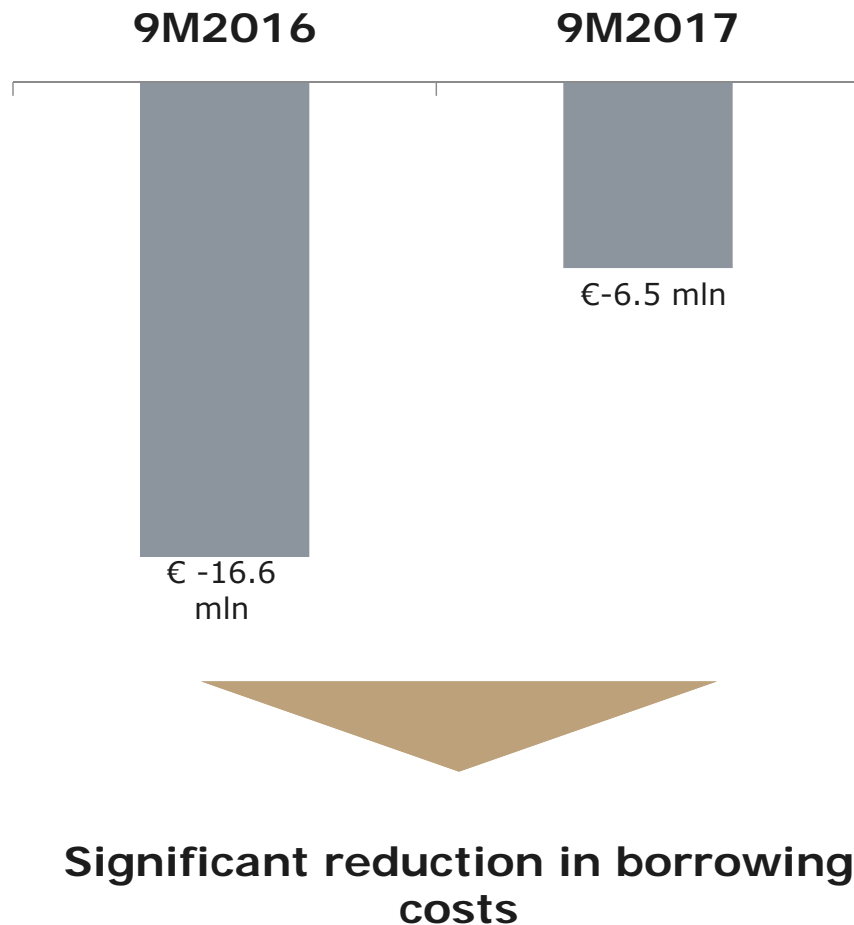
Free Cash Flow at € 149 mln

With operating cash flow in line with 9M2016, free cash flow gained € 48 million YoY, positively impacted by lower capex (-€ 25 million) and evolution of working capital (mainly reduction in inventories)



* Other includes accounts payable, taxes, antidumping and insurance

9M 2017 - Financial results



- Financial results improved from -€ 16.6 to -€ 6.5 million
- Financial costs in 2016 were negatively impacted by € 6 million due to the premium paid for the high yield call
- **Interest paid were down € 4.2 million YoY**
- **FX effects resulting from hedging operations improved € 3.2 million**
- Group contracted plain vanilla derivatives in a total amount of USD 350 million to cover 100% of net budget exposure estimated for 2017

Capex of € 76 million (vs.€ 101 million)

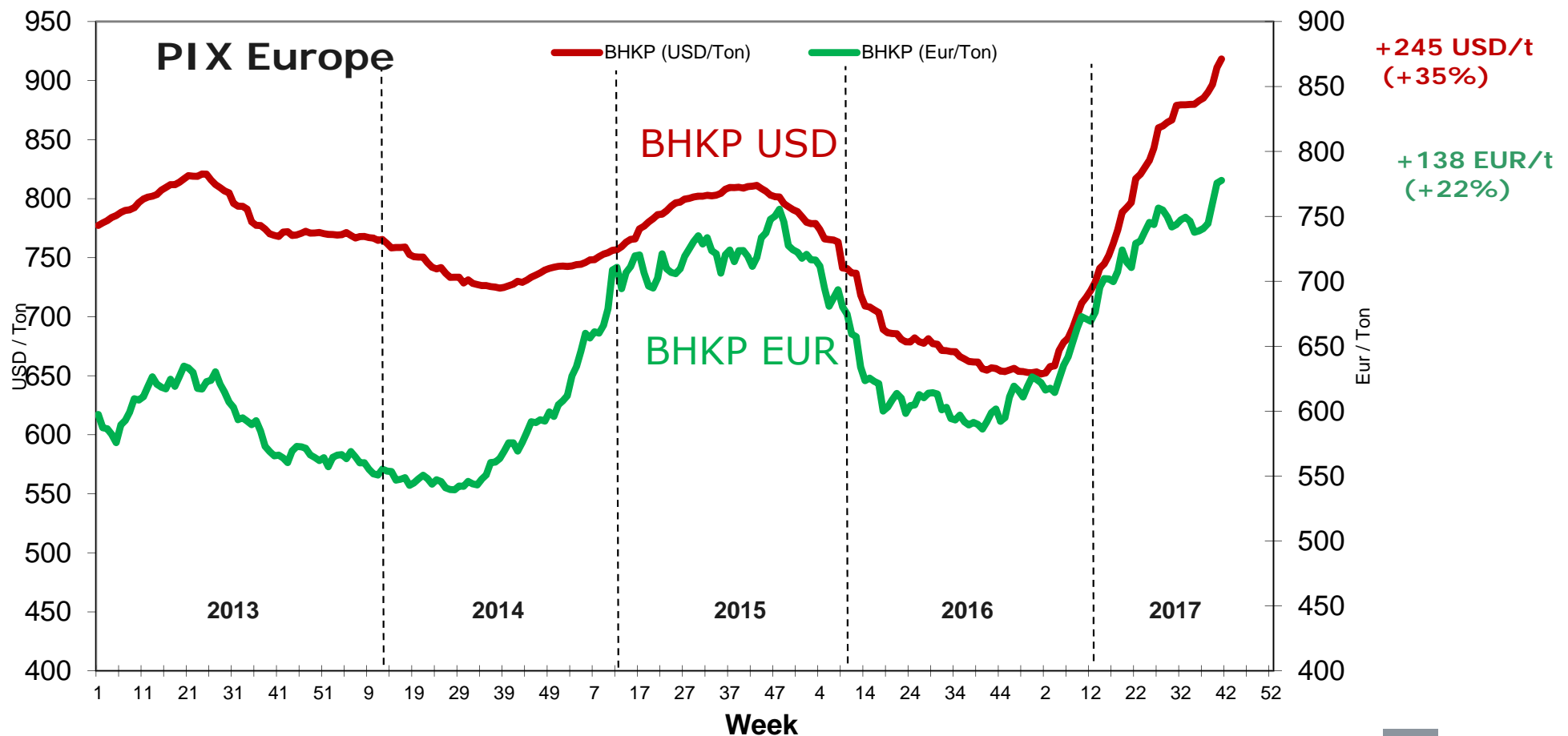
- € 21 million for pulp, paper and others; includes recurrent capex of € 6.8 million
- € 34 million for Figueira da Foz pulp capacity project
- € 17 million for Cacia tissue mill
- € 2 million in new converting lines at V.V. Rodão
- € 2 million for others, including Mozambique and Pellets

Pulp prices have jumped since the beginning of 2017

YTD BHKP in **USD**: +35% and BHKP in **Euros**: + 22%

YoY average BHKP in Euros and USD for 9M2017: +11%

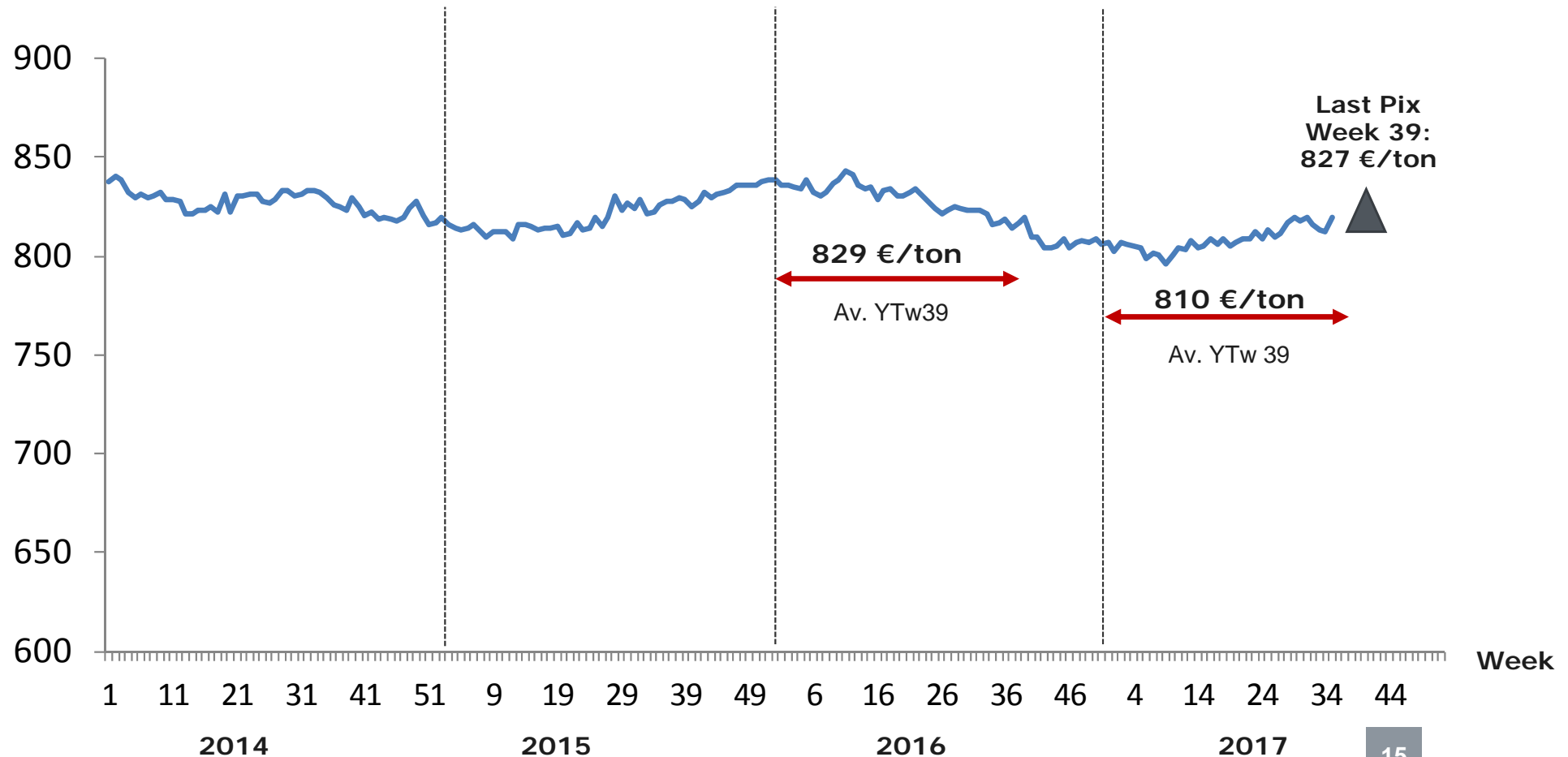
Prices:
Week 1/ Week 39



And although Navigator has led 4 price increases, paper prices haven't fully recovered

Paper Benchmark has been gradually improving but the average price for the paper benchmark is still down 2.3% YoY

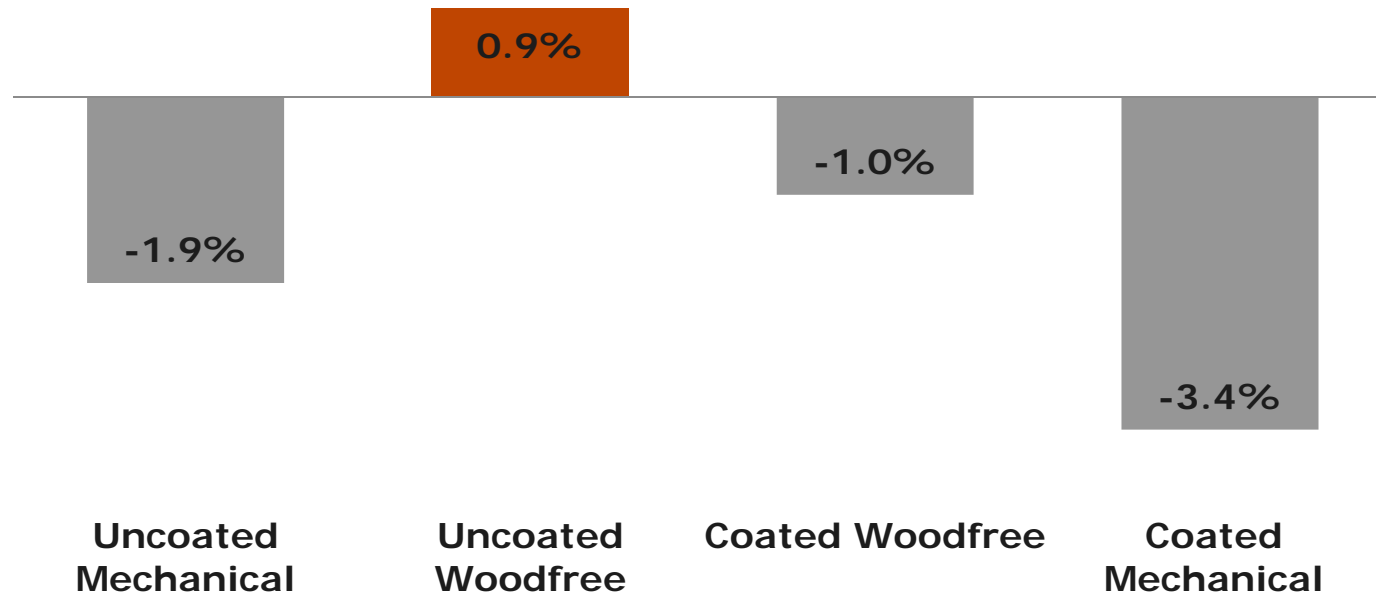
European Market Price Evolution



Global UWF Demand increased 0.9% YoY

Among graphic papers, only UWF registered an increase in demand of 0.9% YoY

World Printing & Writing Demand Growth by Grade (8 months 2017 vs. 2016)



Paper Market in Europe and US

Europe

- UWF consumption registered a slight decrease of 0.3% YoY, with cut size and folio performing better than reels
- Although imports decreased 3.4% YoY, producers from Canada and Russia have been increasing their presence in Europe since the beginning of the year, mainly driven by price improvement, scarcity of paper and USD devaluation

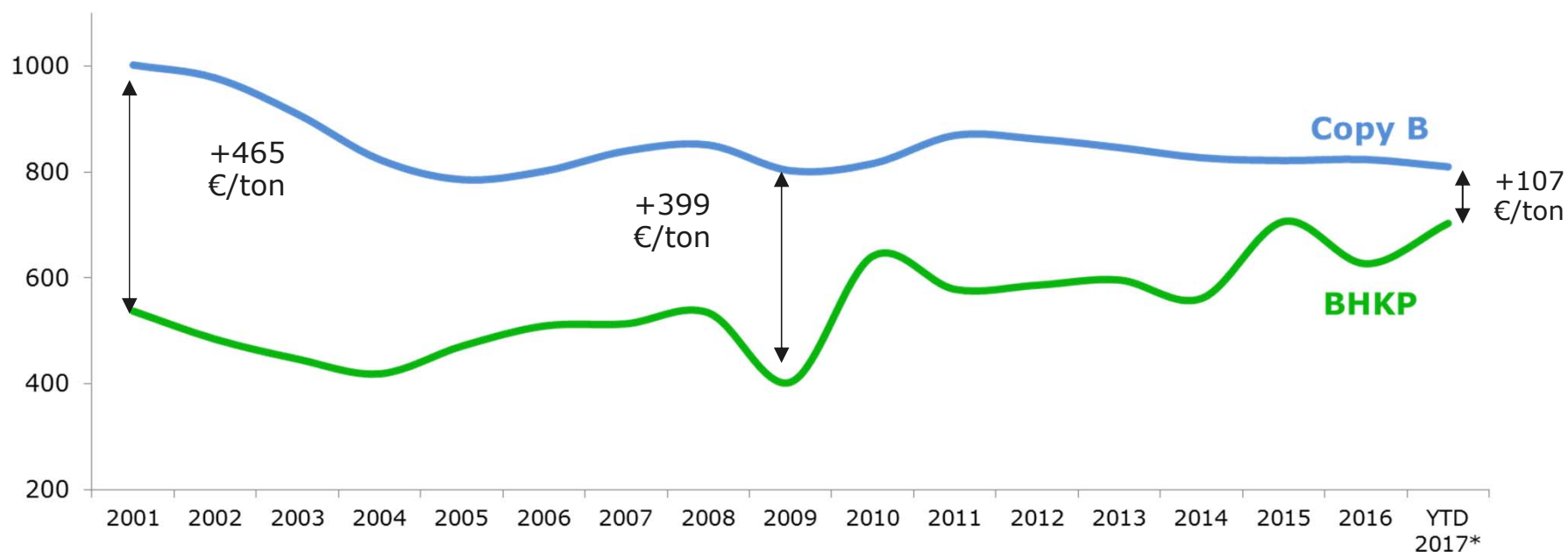
US

- UWF consumption decreased 6.2% YoY, with imports decreasing around 12% YoY; conversely, exports from the US expanded 9% YoY, mainly to Africa, Middle East and Asia
- Global increase in UWF price announced in the USA effective October
- Capacity closures announced for Q4 2017 and 2018 (~-424 Ktons)

And the price gap between paper and pulp is at a minimum level

EUR/t

Price Evolution in Europe



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017*
BHKP EUR	538	484	447	419	471	509	514	534	403	641	579	586	596	561	707	627	703
Copy B EUR	1002	978	910	824	786	802	840	851	803	816	870	863	846	827	822	824	810
Gap	465	493	463	405	314	292	326	317	399	175	291	276	250	266	115	197	107

Positive market outlook

Pulp: strong performance continues, with significant reduction in market pulp due to maintenance/ strategic stoppages; however:

- + Current pace of demand growth difficult to sustain
- + Spread between short and long fibre at all-time lows

Tissue: high competition and pressure on margins due to rise in pulp price and NVG announced price increase in tissue starting October

Paper: gradual improvement in paper conditions and current comfortable order book: **Navigator has just announced another increase in UWF price for January 2018**

- The Group has decided to adapt the production of one of its paper machines in Setubal, to include the production of some heavyweight paper (>120 gr); this will have a positive impact on margins and will reinforce the supply to its clients, through higher quality standards and optimized commercial and logistics conditions

Operations improve at Colombo Energy

- During Q3 Group successfully solved production problems and operating stability was achieved ;
- Ebitda for pellets still negative but with an improvement trend
- Current quality of pellets produced is very good



Mozambique project - Reminder

- Scale down rhythm of investment and operations
- Company remains engaged and is negotiating necessary conditions to proceed with the project
- Plans to build the Moatize-Macuse railway line and the port of Macuse, due for completion in 2021-22 increase attractiveness of the project



Update on New Projects - Cacia Tissue

- Integrated tissue mill with capacity to produce 70 thousand tons of reels and converting products with estimated capex of 120 million (78% of project commissioned)
- Main equipment suppliers have been selected and site preparation work occurring, with 160 workers currently involved
- 80% of capex already committed
- **Project on time and on budget: paper machine to start up in Q3 2018**

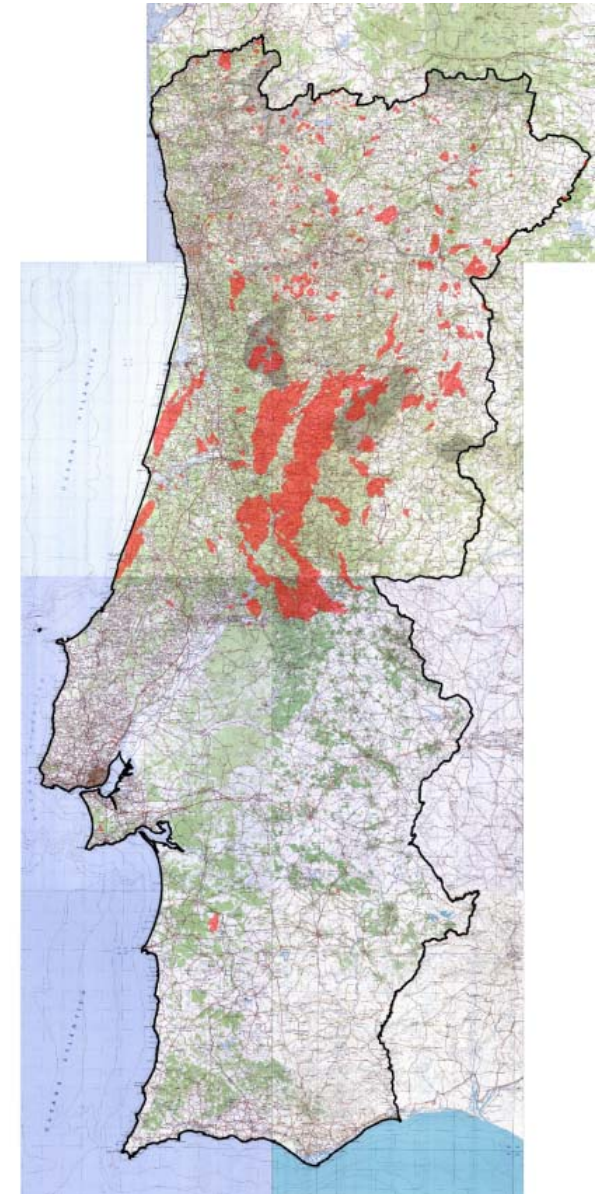


Update on New Projects – Pulp F.Foz

- Target to increase production efficiency and pulp capacity at Figueira da Foz, by 70 thousand tons
- **Capex of €85 million includes important environmental investments in reduction of odor, waste, air and liquid emissions and also investments in innovative manufacturing processes, improving equipment efficiency and product differentiation.**
- Recent progress:
 - + 83% of capex already commissioned
 - + Civil construction started
 - + Main equipment to be fitted in August /September
- **Project on time and on budget: new capacity planned to come online in March 2018.**

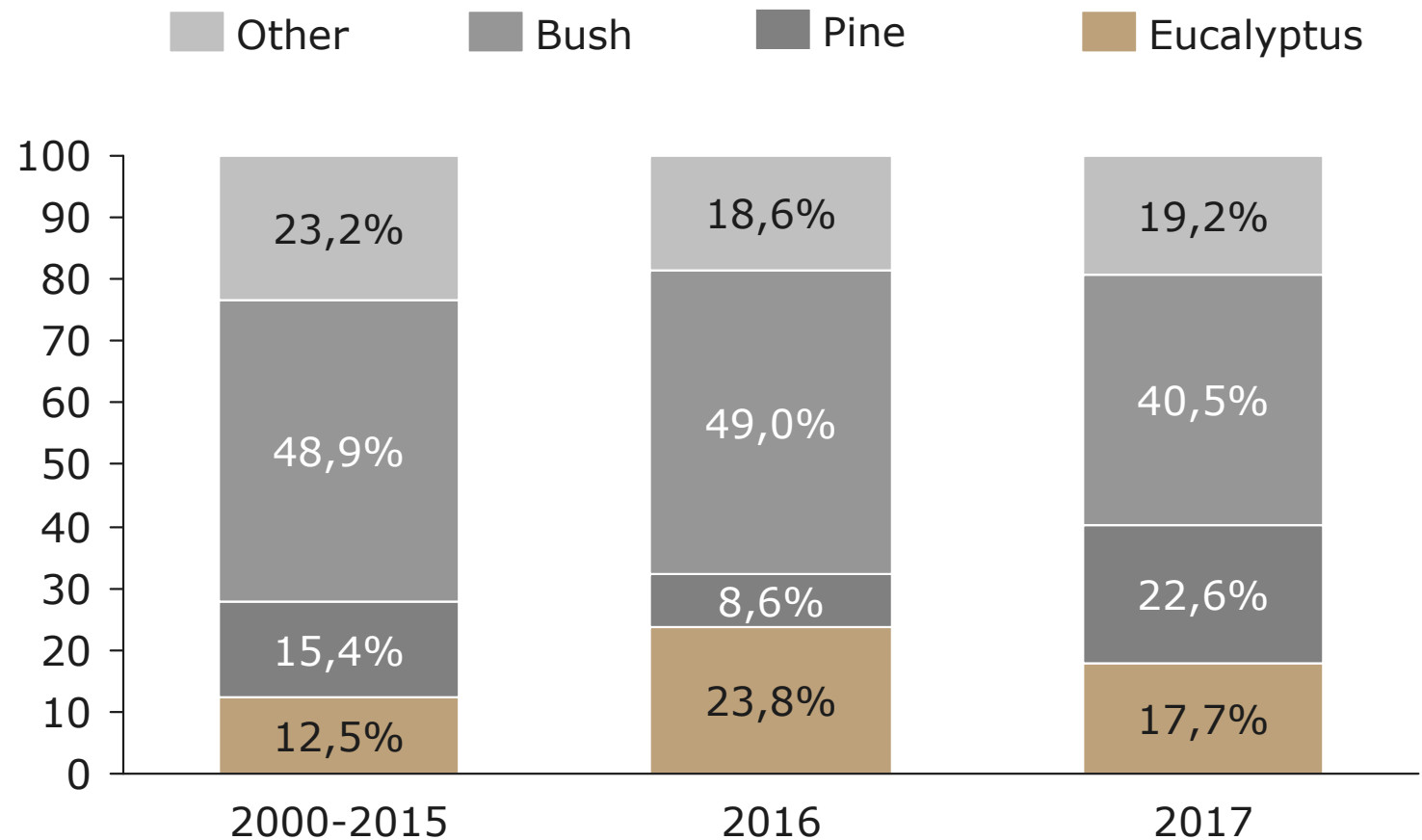
Subsequent Events

- October fires:
 - Total area burned in Portugal increased to 520 thousand hectares
 - Approximately 6100 hectares related to the Group
 - Financial impact is still being assessed
 - Difficult to estimate the consequences of these fires for wood supplies in future years, but at this time no risks are anticipated to the supply of wood to the Group's industrial units.



Fire impact by species

In Portugal,
the burnt areas
evolution by
occupation was
as follows:



Disclaimer

This presentation does not constitute or form part of and should not be construed as any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities in any jurisdiction nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract commitment or investment decision in relation thereto nor does it constitute a recommendation regarding the securities analysed herein. No action has been made that would permit a public offering of any securities mentioned in this presentation in any jurisdiction. No offers, sales, re-sales or delivery of any securities mentioned in this presentation or distribution of any offering material relating to any such securities may be made in or from any jurisdiction.

Any decision to subscribe for or purchase ordinary shares in any offering should be made solely on the basis of information contained in any offer document that may be published by the relevant issuer in final form in relation to such offering and securities.

This presentation is intended to provide a general overview of Portucel, S.A. business and does not purport to deal with all aspects and details regarding Portucel. Accordingly, no representation, undertaking or warranty, express or implied, is given by Portucel or any of its subsidiary undertakings, affiliates, directors, officers, employees or advisors or any other person as to the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation or of the views given or implied or any other material discussion in connection with this presentation. This presentation has been prepared by Portucel solely for information purposes. Portucel any of its affiliates, directors, officers, employees or advisors or any other person shall not have any liability whatsoever (in negligence or otherwise) for any loss, errors or omissions howsoever arising, directly or indirectly, from any use of this presentation or its contents or otherwise arising in connection therewith.

