Participation

**Executive Directors:**

Diogo da Silveira

António Redondo

Fernando Araújo

Nuno Santos

João Paulo Oliveira

IR - Joana Appleton
Q2/H1 2018 results presentation

• Main highlights
• Market outlook
• Group performance
• Update on new projects
Q2/H1 2018 highlights

- Q2 sales increase 12% vs Q1, with positive pulp and paper price evolution
- H1 turnover of € 817 million (+0.5%)

- Overall decrease in volumes due to production stoppages, mainly in pulp

- Q2 2018: € 115 million - strongest quarter ever, with EBITDA/Sales of 27%

- M2 program continues with total estimated impact at € 9 million YoY

- Start-up of pulp expansion capacity in F. Foz
  - New converting line in Cacia starting production

- Dividend payment of € 200 million in June
- Net debt/EBITDA of 1.7
- Q2 ROCE of 17.9% (vs. 17.0%)
2018: Upward trend in pulp prices continues

YTD 2018 price increase in BHKP in USD: **+5.7%** and in Euros: **+8.8%**

YoY H1 average price increase in BHKP in USD: **+39%** and in Euros: **+25%**

PIX Europe

USD/ton BHKP | EUR/ton BHKP
---|---
Av. YTw 26: 817 USD/ton (+51%)
Av. YTw 26: 851 €/ton (+9.3%)
Av. 2017: 723 €/ton (+33%)
Av. 2016: 673 €/ton (-13%)
Av. 2016: 717 USD/ton (-16%)
Av. 2017: 1029 USD/ton (+5.7%)
Av. 2017: 723 €/ton (+33%)
Av. 2016: 673 €/ton (-13%)
Av. YTw 26: 851 €/ton (+9.3%)
Av. YTw 26: 817 USD/ton (+51%)

Week 2013: 41 29 51 17 49 1 47 2 39 19 51 9 19 29 39 49 7 17 27 37 47 4 24 34 44 2 12 22 32 42 52 10 20 30 40 50

USD/ton

Week 2014 2015 2016 2017 2018

Week 2013 2014 2015 2016 2017 2018

USD/ton

Week 2014 2015 2016 2017 2018

Week 2013 2014 2015 2016 2017 2018

USD/ton

Week 2014 2015 2016 2017 2018

Week 2013 2014 2015 2016 2017 2018

USD/ton

Week 2014 2015 2016 2017 2018

Week 2013 2014 2015 2016 2017 2018

USD/ton

Week 2014 2015 2016 2017 2018

Week 2013 2014 2015 2016 2017 2018

USD/ton
Pulp market balanced during 2018
China effect could have additional positive impact

### 2018e SUPPLY

<table>
<thead>
<tr>
<th>Category</th>
<th>2018e YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Increase</td>
<td>2.8</td>
</tr>
<tr>
<td>Capacity Adjustments</td>
<td>-1.5</td>
</tr>
<tr>
<td>Net Impact</td>
<td>1.3</td>
</tr>
<tr>
<td>Demand Growth</td>
<td>1.3</td>
</tr>
</tbody>
</table>

### 2018e DEMAND

<table>
<thead>
<tr>
<th>Category</th>
<th>2018e YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>-0.7</td>
</tr>
</tbody>
</table>

### S/D

<table>
<thead>
<tr>
<th>China Effect</th>
<th>Subst. Effects: Waste Paper + Pollution Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: RISI; Brian McClay; Hawkins Wright; Producers
UWF continues one of the best performing grade in P&W papers

YTD May
M ton

<table>
<thead>
<tr>
<th></th>
<th>34.7</th>
<th>16.6</th>
<th>8.8</th>
<th>4.2</th>
<th>4.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY kton</td>
<td>-2.2%</td>
<td>-1.0%</td>
<td>-4.5%</td>
<td>-3.0%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

48%
Share UWF
On P&W global demand (exc. NP)

Source: PPPC; The Navigator Company
UWF Market conditions improving

- **Record high of hardwood price**
- **Cool down in the first months of 2018 due to some cut-size destocking; June rebound**
- **Producers are using available capacity to meet demand; H1 operating rate = 93%; June operating rate = 97%**
- **Paper prices have been increasing all over the world**
- **Strong order book for the Industry and Navigator**
Improvement in paper price benchmark in 2018

Average benchmark price in H1 improved +6% YoY

**European Market Paper Price – A4 B-Copy**

- **Av. 2016:** 822 €/ton (-3.5%)
- **Av. 2017:** 819 €/ton (+4.1%)
- **Av. YTw 26:** 854 €/ton (+5.0%)

**Last PIX (W28):** 883 €/ton

Source: FOEX
Pulp and paper – Different price trends

Index FOEX PIX (Europe)

A4 – B Copy: index for uncoated woodfree paper (80 g/m²)

BHKP: index for bleached hardwood kraft pulp (eucalyptus or birch)
• UWF sales volume of 756 kton (-15.5 kton YoY) and **product mix improvement**:
  + **Premium products** share up to 55% (+7 pp YoY; +42 kton YoY)
  + **Mill brands** up to 68% (+8 pp YoY; +24 kton YoY)

• Navigator led **3 pulp price increases in Europe** (January, March and July) and implemented several increases in **International markets and in the US**

• Average price increased +6% YoY in spite of FX negative impact (USD impacted ~30% of paper sales)
Pulp turnover impacted by reduction in volume

- **Pulp sales in volume of 114 kton**, 68 kton less YoY due to decreased availability of pulp:
  - Maintenance downtime at Setúbal pulp mill in Q1
  - Stock build up and downtime at Figueira da Foz (for planned maintenance + pulp capacity increase project)

- Navigator’s **net price in H1 2018 increased** +27% YoY

- Improvement in the weight of Decor and Special paper sales in Europe, **high contribution segments**, from 52% to 80% YoY
Tissue business impacted by pulp price

• Global volume of tissue sold increased 2% YoY, while converted products grew by 17%

• Average sales price 7.6% higher YoY due to improvement in product mix (decreased weight of reels) and price increase

• **Sales increased 9% to € 40 million (vs. € 37 million)**

• Operating margin impacted by rise in pulp price

Tissue Sales by market

- **Spain** 35% (+8% YoY)
- **Portugal** 58% (-10% YoY)
- **Other** 8% (+287% YoY)

Tissue Sales by segment

- **Reels** 3% (H1 2017: 11%)
- **AH** 33% (H1 2017: 26%)
- **AFH** 64% (H1 2017: 52%)
EBITDA Performance in H1 - record level

Positive impact of pulp and paper prices in EBITDA

EBITDA

<table>
<thead>
<tr>
<th></th>
<th>M €</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA R17</td>
<td>198</td>
</tr>
<tr>
<td>Price Effect</td>
<td>49</td>
</tr>
<tr>
<td>Volume Effect</td>
<td>-21</td>
</tr>
<tr>
<td>Costs</td>
<td>-9</td>
</tr>
<tr>
<td>Pellets &amp; Other</td>
<td>8</td>
</tr>
<tr>
<td>EBITDA R18</td>
<td>226</td>
</tr>
</tbody>
</table>

Pellets & others: Pellets net impact - Bio assets - TG3 indemnity
M2 cost reduction and efficiency programme continues

• Estimated impact YoY on EBITDA in H1 2018 of € 9.2 million, mainly due to:
  + Fibre consumption: € 1.1 million
  + Sea transport to Europe and overseas: € 1.0 million
  + Paper machines' planning and production optimization: € 1.0 million

Savings in energy contracts renegociation estimated at € 14.1 million
Free Cash Flow positively impacted by strong operating cash flow, cash from pellets sale and VAT reimbursement

Others includes:
- Cash from pellets business sale (€ 68 million)
- VAT reimbursement (€ 53 million)
Net debt at € 740 million

Net debt at similar levels as Q2 2017, after € 200 M of dividend payment and € 77 M in capex
H1 2018 – Financial results

Financial results decreased from -€ 8.3 to -€ 11.4 million:

• Negative impact of € 3.3 million, related to the difference between the nominal and present value of the outstanding amount regarding the sale of the pellet business

• Positive impact of currency hedging and exchange rate was offset by the negative impact of liquidity management

Financial results negatively impacted by one off item
CAPEX of € 77 million (vs. € 35 million)
Outlook for 2018

Pulp: positive trend should continue in the near future

Tissue: still high pressure on margins despite price improvement; Navigator will implement further price increases

Paper: order book remains strong and new price increases are anticipated in Europe and the rest of the world

• No foreseeable change in market conditions for pulp and paper in the near future and main concerns remain consequences of increasing trade tensions and impact on exchange rate

• Q3 main challenges: normalization of volumes and start-up of tissue reel production at Cacia mill
Update on Cacia tissue project

• Project unfolding as planned:
  + Converting line starting in May
  + Reels production to start up in Q3 2018

• Successful book-building of new clients in Portugal, Spain, France and UK
Start-up of Pulp Expansion at F. Foz

Optimization Project 3 – Ecoefficiency:

Total CAPEX of € 81.5 million

Main Goals:
• Increase the annual pulp production from 580,000 to 650,000 tAD
• Increase the efficiency of pulp process
• Reduce wood and chemicals specific consumption
• Implementation of BAT (ex: O₂ delign)
• Environmental advantage for flue gas and liquid effluent emissions
• Collection and burning of diluted odorous gases

Project completed and ramping-up
Quarterly figures – YoY evolution

**Turnover (M €)**

- Q2 2017: 420
- Q3 2017: 397
- Q4 2017: 427
- Q1 2018: 385
- Q2 2018: 432

**EBITDA (M €)**

- Q2 2017: 108
- Q3 2017: 102
- Q4 2017: 104
- Q1 2018: 111
- Q2 2018: 115

**Net Earnings (M €)**

- Q2 2017: 61
- Q3 2017: 50
- Q4 2017: 62
- Q1 2018: 53
- Q2 2018: 66

**EBITDA/Sales (%)**

- Q2 2017: 26%
- Q3 2017: 26%
- Q4 2017: 25%
- Q1 2018: 29%
- Q2 2018: 27%

**ROCE (%)**

- Q2 2017: 15%
- Q3 2017: 13%
- Q4 2017: 15%
- Q1 2018: 17%
- Q2 2018: 18%

**ROE (%)**

- Q2 2017: 21%
- Q3 2017: 17%
- Q4 2017: 21%
- Q1 2018: 18%
- Q2 2018: 23%
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