The Navigator Company
Half 2016
Results Presentation
July 26th, 2016
Speakers

Diogo da Silveira – CEO
Fernando Araújo – CFO
Joana Appleton – IR
1H 2016—Another solid performance in a challenging environment

- EBITDA of € 195.3 million, 5.8% increase with clear improvement in margin EBITDA / Sales to 25.1%.

- Record sales volumes of paper.

- Negative impact from energy division in turnover due mainly from reduction in tariff.

- Capex of € 75.3 million, with pellets mill concluded and starting production tests.

- IFC confirms 20% subscription in Portucel Mozambique capital, with a first cash disbursement.

- Repayment of the outstanding amount of € 150 million in Portucel Senior Notes 5.375%.

- Payment of € 170 million in dividends.
UWF and BEKP market evolution

- H12016 was impacted by the significant capacity adjustments occurred at the end of 2015 in the UWF industry in Europe, leading to higher operating rates (96% vs 94%) and reduction in exports (-45 thousand)

- Paper imports to Europe increased 42%, with imports from Asia doubling, due to slowdown in local consumption and anti-dumping duties in US

- Apparent consumption in Europe is estimated to have decreased approximately 2.1%

- In the US, apparent consumption decreased 1.8% YoY, with imports declining significantly (-21%) and operating rates improved to 94% (vs.93%)

- Start of 2016 marked by sharp slowdown in BEKP purchases by Chinese buyers; activity picked-up in Q2, and global demand for BEKP increased 5.4% YoY; nevertheless, global capacity utilization rate in BEKP dropped from 91% in 2015 to 88% in the first half of 2016.
Benchmark price evolution for pulp and paper

- The industry benchmark for paper gained 2.3% YoY (833€ vs 815€/ton)

- Industry benchmark for pulp lost 5% YoY in euros (649€/ton vs 683€/ton), and 5.4% in USD (724USD/ton vs 765USD/ton); the index lost 15% since the beginning of the year in Euros and 13% in USD

European Market Prices Evolution

Source: FOEX
Paper, pulp and tissue business performance

• The Navigator Company registered its highest volume sold in a semester: 775,5 thousand tons of UWF (+3.7% YoY)

• Group registered record sales to international markets, with 3% increase YoY. Good performance in Africa and Turkey

• Group’s average sales price was negatively affected by exchange rates evolution versus the euro, namely the GBP, by sales geography and product mix (size and quality)

• Pulp sales increased 9.6% in volume and 2.9% in value; 97% of pulp sales were directed to Europe, and 68% for Décor and Special papers segments

• Volume of Tissue sold improved 30% YoY sustained by the increase in capacity realized in 2015; sales increased to € 33 million (vs €27 million); average sales price decreased 6% due to change in mix (increase percentage of reels sales)
Strong EBITDA and EBITDA / Sales margin in Q1 and Q2

EBITDA in Q2 2016 increased 8.8% versus Q1 2016, with improvement in EBITDA/Sales margin.
Excluding non recurrent positive impact of the revaluation of biological assets, higher volume and lower costs have compensated for the reduction in prices.
Energy activity conditioned by revised tariff and other impacts

Energy related activities were impacted by several factors during H12016:

- Maintenance and repair of turbogenerators of Cacia and Setúbal pulp mills
- Programmed maintenance of natural gas co-generation and Thermo Electical co-generation at Setúbal
- Start-up of own consumption at Figueira da Foz natural gas co-generation due to revised tariff
- Downward evolution of Brent price

Financial impacts on energy business:

- Reduction in energy sales of € 38 million, offset by reduction in natural gas and electricity purchases (-€ 31 million)
- Global impact in Ebitda of € 6.1 million
Energy - Lower volumes and prices

Energy impacted both by decreased activity and procurement gains

Global impact in Ebitda
- € 6.1 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 and Government receivables.
Net debt increased mainly due to capital expenditure plan started in 2015 and dividend payment; Net Debt/Ebitda remains within conservative levels.

The Group paid dividends of € 170 million in May 2016, after paying € 130 million in December; total amount of divends paid between May 2015 and May 2016 of € 610.5 million.
1st Half improvement in financial results

Improved financial results due to a significant reduction in interest costs resulting from debt restructuring:

- repayment of the €350 million Portucel Senior Notes 5.375%, in September 2015 (€200 million) and in May 2016 (€150 million);
- new debt issued with better conditions and longer maturity;
- €2.4 million provision reversion in tax compensatory interests

Q2 2016 financial results include €7.9 million of nonrecurring charges due to the bond redemption.
H1 2016: New debt issued

- New debt contracts of € 170 mln, with 5 year maturity and all-in costs between 1.60% and 1.65%
- New € 25 mln financing from EIB with full maturity in 2028
- Estimated cost of debt at the end of June was 1.8%, with 4.8 years average maturity
M2 Project – increase operating efficiency

- 100 initiatives under development, with a revised estimated impact on EBITDA in 2016 of approximately € 13 million
- One example of M2 project is the conclusion of the Photovoltaic Central installed at the Setubal paper mill, which started operating on June 21st, with a capacity to produce 3.100 MW per year.

“Navigator Lean System” Programme

- Conclusion of the first cycle of Lean Management training programme aimed at manufacturing and service personnel.
- Among the different projects presented, the Optimization Bleaching plant program completed at Cacia mill resulted in an average increase in production of 70 tAD between April and May.
Stock performance: increased liquidity in an adverse environment

Shares lost 30% during H1 2016, negatively pressured by Portuguese market performance and sector sentiment; average liquidity improved 55% vs 2015

*YTD July 22nd 2016
Capex of € 75 million (vs. € 77 million)

Current business
- Pulp, paper and tissue: 19 M€
  - Turbogenerators repair
  - Maintenance

Future business
- Mozambique: 4 M€
  - Forestry and plantations
- Colombo: € 52 M€
  - Construction of electrical and control facilities; conclusion of mechanical installations
• Colombo Energy Inc project in Greenwood, South Carolina, concluded and starting producing its first pellets on July 22; full start-up in August 22

• Total Capex of USD 119.4 million, with 500 thousand tons capacity per year and 69 employees (cruise year)

• Commercial activity to start in September, selling to European and American markets in the industrial and residential segments
Update on Mozambique project

• So far, Mozambique project has been a forestry venture, with the option for a future industrial project involving construction of a large-scale pulp mill.

• The development pace of this project is being reviewed due to recent social and political developments in the country (with significant negative factors emerging in the past six months), but also takes into account the demands of developing a large scale forestry operation in the country.

• Planting work continued during the first half of 2016, using plants supplied by the Forestry Nurseries in Luá, the largest facility of its kind in Africa. A total of 3,500 hectares were planted in the reporting period. The Group renewed its local management team and has currently a local headcount of 279.

• Navigator decided for the sake of prudence to reassess the value of its assets in Mozambique (recognising an impairment of 18 million euros, of which € 3.5 million affects EBITDA in H12016).
2016– Outlook

• Navigator presented strong operating results in H1 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 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 and 2017;

• In paper, although there was a significant reduction in UWF capacity in Europe, imports increased substantially (essentially from Asia) and created pressure for prices to come down.

• Challenging economic environment, with a high degree of uncertainty will by key to understand performance during the rest of the year.
Back-up slides - Financials
Quarterly figures – YoY evolution

<table>
<thead>
<tr>
<th>Turnover (Mln€)</th>
<th>EBITDA (Mln€)</th>
<th>Net Earnings (Mln€)</th>
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<tbody>
<tr>
<td>Q1 2015: 389</td>
<td>Q1 2015: 81</td>
<td>Q1 2015: 42</td>
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<tr>
<td>Q2 2015: 406</td>
<td>Q2 2015: 103</td>
<td>Q2 2015: 59</td>
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<tr>
<td>Q3 2015: 409</td>
<td>Q3 2015: 110</td>
<td>Q3 2015: 42</td>
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<tr>
<td>Q4 2015: 424</td>
<td>Q4 2015: 96</td>
<td>Q4 2015: 55</td>
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<tr>
<td>Q1 2016: 385</td>
<td>Q1 2016: 94</td>
<td>Q1 2016: 45</td>
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<tr>
<td>Q2 2016: 394</td>
<td>Q2 2016: 102</td>
<td>Q2 2016: 41</td>
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</tbody>
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<thead>
<tr>
<th>EBITDA / Sales (%)</th>
<th>ROCE (%)</th>
<th>ROE (%)</th>
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<tbody>
<tr>
<td>Q1 2015: 21%</td>
<td>Q1 2015: 12%</td>
<td>Q1 2015: 11%</td>
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<tr>
<td>Q2 2015: 25%</td>
<td>Q2 2015: 17%</td>
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<tr>
<td>Q3 2015: 27%</td>
<td>Q3 2015: 17%</td>
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## Main figures for Q2 2016

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<tr>
<th></th>
<th>Q2 2016 vs Q1 2016</th>
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<tbody>
<tr>
<td>Total Sales</td>
<td>394 M€</td>
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<tr>
<td>EBITDA</td>
<td>101.8 M€</td>
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<tr>
<td>EBIT</td>
<td>51.5 M€</td>
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<td>Net Profit</td>
<td>40.7 M€</td>
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<td>Net Debt</td>
<td>793.2 M€</td>
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<tr>
<td>EBITDA / Sales</td>
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<tr>
<td>ROCE</td>
<td>10.6%</td>
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<tr>
<td>ROE</td>
<td>13.5%</td>
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<tr>
<td>Net Debt / EBITDA</td>
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