



The Eurasian otter (*Lutra lutra*) is one of the species that inhabit the forest areas managed by The Navigator Company, which include 235 species of fauna and 740 of flora.

The Navigator Company, S.A.
Public Limited Company

Share Capital
500 000 000 Eur

Corporate Entity
503 025 798
Registered at
the Commercial
Register
of Setúbal

Headquarters
Península
de Mitrena.
Freguesia
do Sado
- Setúbal

Performance in 1st Half 2020

In a first half that saw sharp downturns both in global consumption of UWF paper, as a result of the Covid-19 pandemic, and in pulp and paper prices, the company recorded impressive free cash flow generation and a solid financial situation. Having diversified its business by moving into tissue, whilst maintaining its pulp drying capacity, and with strong cost management action, Navigator has demonstrated to be extremely resilient against these adverse developments. Even so, the sharp drop in paper demand and in pulp and paper prices in relation to the previous year was directly reflected in the results for the period.

YoY Analysis (H1 2020 vs. H1 2019) – Pulp and tissue sales and cost reduction secured strong resilience against the lockdown impacts in UWF business

- The lockdown in place during April and May in the main markets where Navigator operates has led to UWF sales volume of 598 thousand tons, falling 17% YoY, whilst pulp sales grew by 56% to 193 thousand tons and tissue sales by 10% to 52 thousand tons
- Performance was marked by falling sales prices in comparison to 1st half of 2019: the BHKP pulp index (in euros) fell 27.4% and the A4 paper index dropped 6.4%
- A substantial reduction in variable production costs and firm containment of fixed costs (down € 22 million) soften the effect of falling sales prices and resulted in an EBITDA / Sales margin of over 20% (down 4.1 pp)
- Turnover stood at € 696 million (down 18.6%) and Ebitda at € 140 million (down 32.3%)
- Financial results improved to € - 8.3 million (vs. € -9.7 million) and income tax amounted to € -11.4 million (vs. € -29.4 million), with net profits totalling €44 million (vs. € 95 million)
- The Group continued to demonstrate excellent capacity to generate free cash flow, which totalled € 114 million (vs. € 101 million), with capex totalling € 49 million (vs. € 68 million)
- Positive evolution in Working Capital, with control of pulp and paper stocks; increase of € 25 million in wood stocks in order to mitigate impacts on Portuguese forest suppliers
- Significant reduction in net debt to € 700 million (vs. € 796 million), keeping the Net Debt / Ebitda ratio at a comfortable level of 2.3 X; increase in short term liquidity to € 317 million

QoQ Analysis (Q2 2020 vs. Q1 2020 vs. Q2 2019) – Strong Free Cash Flow Generation

- Due to the impacts of lockdown on UWF demand, Navigator gradually and temporarily suspended production on some of its paper machines during April, May and June, avoiding accumulation of stocks along the value chain (thereby also protecting further price erosion) and preserving its working capital;
- The downturn in paper sales was mitigated by strong growth in sales of market pulp: up 32% on the 1st quarter 2020 and up 79% on Q2 2019 (in volume); tissue sales held steady in relation to the 1st quarter, and grew 10% over the same quarter in 2019;
- Turnover totalled € 290 million (vs. € 406 in Q1 2020 and € 432 million in Q2 2019) and Ebitda € 52 million (vs. € 88 million and €102 million); the EBITDA / Sales margin stood at 17.8% (vs. 21.8% and 23.6%);
- Extremely strong generation of Free Cash Flow in the quarter of € 99 million (vs. €15 million and € 91 million);
- Further progress on decarbonisation plan with investment of € 11.4 million in biomass boiler at Figueira da Foz.

Summary of Leading Indicators

Million euros	H1	H1	Change ⁽⁷⁾
	2020	2019	H1 20/ H1 19
Total Sales	695.5	854.1	-18.6%
EBITDA ⁽¹⁾	140.1	207.0	-32.3%
Operating Profits (EBIT)	63.7	134.0	-52.5%
Financial Results	- 8.3	- 9.7	-14.7%
Net Earnings	44.0	94.9	-53.6%
Cash Flow	120.5	167.8	- 47.4
Free Cash Flow ⁽²⁾	114.0	100.8	13.2
Capex	48.7	68.2	- 19.5
Net Debt ⁽³⁾	700.4	796.4	- 96.0
EBITDA/Sales	20.1%	24.2%	-4.1 pp
ROS	6.3%	11.1%	-4.8 pp
ROCE ⁽⁴⁾	7.2%	14.4%	-7.1 pp
ROE ⁽⁵⁾	8.4%	16.9%	-8.5 pp
Equity Ratio	40.1%	40.7%	-0.6 pp
Net Debt/EBITDA ⁽⁶⁾	2.29	1.83	0.47

in million euros	Q2	Q1	Change ⁽⁷⁾	Q2	Change ⁽⁷⁾
	2019	2020	Q2 20/Q1 20	2019	Q2 20/ Q2 19
Total sales	289.7	405.8	-28.6%	432.3	-33.0%
EBITDA ⁽¹⁾	51.7	88.4	-41.5%	102.1	-49.4%
Operating profits	15.4	48.3	-68.2%	67.8	-77.4%
Financial results	- 2.1	- 6.2	-65.9%	- 5.8	-63.5%
Net earnings	13.4	30.6	-56.2%	45.6	-70.6%
Cash flow	49.7	70.7	- 21.0	79.9	- 30.1
Free Cash Flow ⁽³⁾	99.1	14.9	84.2	90.8	8.2
Capex	26.0	22.7	3.3	35.7	- 9.7
Net debt ⁽⁵⁾	700.4	799.5	- 99.1	796.4	- 96.0
				0.0	
EBITDA/Sales (%)	17.8%	21.8%	-3.9 pp	23.6%	-5.8 pp
ROS	4.6%	7.5%	-2.9 pp	10.6%	-5.9 pp
ROE ⁽⁶⁾	3.4%	10.8%	-7.4 pp	14.6%	-11.2 pp
ROCE ⁽⁷⁾	5.1%	11.8%	-6.7 pp	16.2%	-11.2 pp
Equity ratio	40.1%	38.9%	1.2 pp	40.7%	-0.6 pp
Net Debt/EBITDA ⁽⁶⁾	2.29	2.25	0.05	1.83	0.47

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets (without impact of IFRS 16)
4. ROCE = Annualised operating income / Average Capital employed (N+(N-1))/2
5. ROE = Annualised net income / Average Shareholders' Funds last -1 months
6. (Interest-bearing liabilities - liquid assets) / EBITDA corresponding to last 12 months;
- Impact of IFRS 16: Net Debt / EBITDA in H1 2020 of 2.47; Net Debt / EBITDA restated in H1 2019 of 1.93
7. Variation in figures not rounded up/down

ANALYSIS OF RESULTS

1st Half of 2020 vs. 1st Half of 2019

The Navigator Company recorded turnover of € 696 million in the first half of 2020, with paper sales accounting for around 67% of turnover (vs. 72%), pulp sales 11% (vs. 9%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The first half saw a downturn in global paper consumption as a result of the Covid-19 pandemic. The Company succeeded in partially mitigating the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales.

Global UWF demand down 13% YTD May

Estimates point to an accumulated downturn of approximately 13% (YTD May) in the global UWF market, with particularly sharp reductions in April and May (24%). In Europe, the estimated accumulated reduction is 14% and in the United States the figures point to a more significant downturn of around 20%.

The significant slowdown in the economy had a strong impact on the graphic papers industry, but despite the strict lockdowns imposed (working from home and home schooling), the severest impact was felt by the printing industry segment, with the downturn in advertising and commercial printing, which particularly penalised sheeted business. Reel business proved more resilient, and has been more versatile in terms of UWF applications. There were also significant variations between European markets: consumption fell less in countries where measures were not as severe (such as Germany, Sweden and Holland) than in those where strict lockdowns were enforced (such as the United Kingdom, Spain and Portugal).

May appears to have been the worst month in terms of falling UWF demand (down 34% YoY), with a tendency for recovery already visible in June (down 19% YoY). Like elsewhere in the world, UWF demand in Europe was more resilient than demand for other types of graphic papers, in particular coated woodfree, where demand tumbled by 46% in the second quarter, as compared to 25% in uncoated woodfree.

In this environment, Navigator took measures to manage its output of UWF paper over April, May and June in line with the downturn in demand, thereby controlling its stock levels. Between late March and late June, the Group reduced its stocks by around 19% (while industry is estimated to have declined around 6%). This management of output, combined with mobilisation to bring in orders, allowed Navigator to end the first half with an order book of 30 days, which compares to an estimated average of 18 days for its European competitors. As a reaction to the pandemic situation, Navigator adopted a large package of innovative measures to support its wholesalers and their sales teams, in different parts of Europe and around the world. This was successful in again achieving a significant increase in the order book in the last weeks, which currently stands at around 40 days, representing one of the highest levels (for this seasonal period) in the last 11 years.

The YoY trend in sales prices reflects the adjustment that started in the second half of 2019, and continued throughout the first half of 2020. The benchmark index for A4 showed a downward adjustment of 6.4% YoY, to an average price of 855€/ton, as compared to 913 €/ton in the first quarter of 2019.

As a result, UWF sales in the first half totalled 598 thousand tons, down 16.9% on the same period in the previous year and in line with the Group's forecasts after the decision to reduce production. Navigator's mill brands recorded excellent performance in this period, especially in April, when sheeted products represented the highest ever proportion of total sales. The sales value in the Group's UWF business was hit by falling prices over the first half, and sales dropped in value by around 23%, to € 468 million. It is important to note that the YoY price comparison between quarters is hindered by

the fact that Navigator implemented a price increase for UWF paper right at the start of 2019, following on from a further four increases over the course of 2018.

Pulp sales volume grows by 56%

Over the first five months of 2020, the global pulp market held up well against the adverse environment of an economic downturn caused by the pandemic. In several regions, prices showed signs of a tentative recovery from the low levels recorded in late 2019. This was sustained by producers adjusting their stocks, by the scarcity of supplies, due to strikes in Northern European in early 2020 and to the reduction in output by Canadian and Indonesian manufacturers, and by a significant increase in demand for tissue products in March and April. Global demand for pulp rose 8% Jan-May 2020 vs. YTD 2019, with strong growth in China (up 12%) but above all in other Asian countries and in Africa (up 24%), in Latin America (up 22%) and in Eastern Europe (16%). Demand in Europe and the USA held steady. This growth was fundamentally due to hardwood pulp (+13%).

In this environment, the USD price of BHKP in Europe held steady over the first half, at 680 USD/ton, 29.3% down from the price of 962 USD /ton recorded in the first half of 2019. The price of BHKP pulp in Euros dropped by around 27.4%, to 617 €/ton in the first half, as compared to 851€/ton, as a result of the strength of the US dollar in relation to the Euro. Pulp remains at a low point in the price cycle and, because of the impact of the pandemic on certain pulp consuming industries, expectations of price rises in the first half have been pushed back to the later part of the year.

Navigator succeeded in the first half in recording a sales volume of market pulp significantly higher than in the same period in 2019 (up 56% in tons), at 193 thousand tons, the best half-yearly figure since 2010. This was due to a recovery in sales in Europe and diversification of sales into new regions, exploiting opportunities in the market in the Tissue and Packaging segments and the increased availability of market pulp as a result of the reduction in paper production.

This sharp increase in sales quantities made it possible to record an increase in the sales value to € 79.6 million, as compared to € 77.6 million (up 2.6%), in a context where the pulp price has remained under pressure and is substantially lower than in the previous year.

Tissue sales grow in volume and value

Tissue business evolved favourably over the first half, with sales in volume standing at 52 thousand tons, which represents an increase of 10% in relation to the first quarter of 2019.

As in the first quarter, Group operations succeeded in reacting positively, seizing the opportunity offered by the peak in demand triggered by COVID-19 for products in the At Home (AH) segment. However, it must be noted that increased sales in the At Home segment were counterbalanced by evolution in the Away from Home (AfH) segment, which was affected by the COVID-19 situation (these products are aimed to a large extent at HORECA channels - hotel, restaurants and cafés - and at companies, which were severely affected by the lockdown measures implemented from mid-March onwards) The drop in sales in this segment was sharper in the second quarter, but even so Navigator recorded fairly positive performance, with growth in the sale of reels offsetting the downturn in sales of finished products, as significant commercial efforts were made to increase business in the At Home segment.

The Group accordingly recorded an increase in tissue turnover of approximately 7%, to € 70.3 million. The sales mix improved in relation to the same period in the previous year, with the proportion of finished products rising to 78% (as compared to 76% in 2019), to the detriment of reels.

Energy Business feels impact of tariff transition and reduction in production

In the first half of 2020, electricity sales totalled € 73 million, representing a reduction of 11.9% in relation to the figures for the same period in the previous year. In terms of the sales volume in GWh, the reduction recorded was 4.1%.

This reduction was due essentially to the lower value of sales from operation of the combined cycle natural gas power station in Setúbal, which in April switched to a new tariff regime for selling its power to the national grid, resulting in a reduction in the sales price.

Other factors bringing down sales were the slowdown in production in May and June, in particular the commercial shutdown of the Aveiro pulp mill for 8 days in June, and the transition to a new tariff basis for renewable co-generation at the Setúbal pulp mill in January, with a lower sales tariff.

Energy sales in the second quarter of 2020 totalled € 32.7 million, down 18.6% on the first quarter, as a result of the factors mentioned above and the consequent drop in the sales volume from renewable co-generation.

Improvement in production costs

The first half saw positive evolution in most production expenses, both variable and fixed. The main factors optimising variable costs were observed in the cost of external fibre (thanks to falling prices for long and short fibre, and to the reduction in specific consumption), in expenditure on wood (due in particular to lower specific consumption in the period), as well as in lower costs for chemicals, essentially due to lower prices for certain products and reduced consumption for bleaching. It is important to note that significant work has been done to reduce levels of specific consumption, taking advantage of the slower pace of production, despite the instability that these shutdowns and changes in operating speed can cause. Progress was also made in renegotiating contracts of raw materials and subsidiaries.

Significant containment may be observed over the first half in fixed costs, which stood at around € 22 million below the level recorded in the same period in 2019, with positive evolution in personnel costs and running costs, in particular in the costs of corporate areas. This evolution was in line with the cost reduction plan announced in the first quarter, for an estimated reduction of € 46 million in 2020.

EBITDA: sharp reduction in costs and increased business diversification mitigates downturn in prices and UWF volumes

First half EBITDA totalled € 140 million, down 32% on the first half of 2019, in a context of steeply falling pulp prices (down 29%), a reduction in paper volumes due to the pandemic (down 17%) and a reduction in paper prices (down 6.4%). The EBITDA / Sales margin was 20.1%, 4.1 pp down on the first half margin in 2019, but up on the margin of 19.8% recorded in the second half of 2019 when prices were more in line with those in this period.

Financial costs stood at € 8.3 million (vs. € 9.7 million), an improvement of € 1.4 million, thanks to an increase of € 1.8 million in results from hedging operations. Particularly successful results were achieved for pulp price hedges, and net compensatory interest improved over the period by € 2.2 million. This was in contrast to interest on financial investments which continued on a downward course (€ 2.2 million), due to the impact of Covid-19 on the performance of the financial markets, despite the recovery observed in the second quarter. The costs of financing operations increased in turn by € 0.4 million, due to the increase in gross borrowing, as a result of surplus liquidity being contracted over the period to respond to the crisis, although the average cost of financing was actually lower than in the same period in 2019 (all-in cost of 1.58% vs. 1.78% in the 1st Half of 2019).

Pre-tax profits totalled € 55 million and tax payable stood at € 11.4, the taxation rate for the period having fallen to 20.5%, from 23.7% in the same period in the previous year. Net income for the period stood at € 44 million, as compared to € 94 million in the first half of 2019.

2nd Quarter 2020 vs. 1st Quarter 2020 vs. 2nd Quarter 2019

The second quarter was marked by a low level of demand for printing and writing paper during the pandemic, forcing many manufacturers on every continent to cut production. The European UWF market contracted by 25% in the second quarter, as compared to 4.1% in the 1st quarter of 2020. Sheet paper business, particular for graphic use, was hardest hit, and reel business was the most resilient. In the US, the downturn in demand was even sharper in the second quarter, with preliminary figures pointing to a reduction of 32% YoY, as compared to a drop of 12% in Q1 2020, with sheeted paper again recording the worst performance.

In this context, the Group recorded turnover of € 290 million, down by 28.6% in relation to the 1st quarter of 2020 and by 33% when compared with the second quarter of 2019. Navigator's management of UWF production over this quarter resulted in a reduction in the sales volume of approximately 37% (vs. the 1st quarter and also vs. the same period in 2019). Prices were at a lower level than in the previous quarter, as they were adjusted to the level of demand (in particular in non-European markets) and under pressure from the formats/quality mix (growth in the proportion of reels and economy products) and from deterioration in the market mix.

The company succeeded in mitigating the reduction in paper volumes with a significant increase in sales of market pulp, which rose to 110 thousand (up 32% vs. 1st Quarter 2020 e +79% vs. 2nd Quarter 2019), the best quarter since 2010, made possible by commercial efforts to diversify markets and a reduction in pulp needs for integration into paper.

In tissue business, the volume sold remained in line with the previous quarter, with sales of reels offsetting the drop in sales of finished products, affected by contracting demand in the Away from Home segment.

In a context of sharply contracting demand and significant deterioration in the UWF market, Navigator succeeded in recording growth in its other business areas and implemented a series of forceful measures to control costs. This enabled the company to record Ebitda of € 52 million in the quarter, as compared to € 88 million in the 1st quarter of 2020. With highly effective management of working capital and a reduction in the level of raw material stocks, the Group recorded extremely positive cash flow generation in the second quarter of € 99 million (vs. € 15 million in the 1st quarter and € 91 million in the same quarter in the previous year), as well as capex of € 26 million, up €3 million from the 1st quarter and down € 10 million from the 2nd quarter of 2019.

Free cash flow generation in first half of € 114 million

Free cash flow generation totalled € 114 million in the first half, as compared to € 101 million in the same period in 2019. Considering that Free Cash Flow in the first quarter of this year had stood at € 15 million, the increase (to € 99 million) in the second quarter was significant, precisely at the time when the full impact of the pandemic was being felt. As already highlighted, this was achieved through highly effective management of working capital, which combined with strong ability to convert customer accounts into cash and continued care in managing suppliers, where extension of certain payment periods was combined with the provision of financial solutions to support the liquidity of our partners. Mention should also be made of swift measures to slow the pace of implementation of our investment plan for 2020.

At the end of June, net interest-bearing debt totalled € 700 million (excluding the impact of IFRS 16), representing an increase of € 15 million over year-end 2019, after a period in which the Group distributed reserves of € 99 million to its shareholders. The Net Debt / Ebitda ratio remains at a conservative level of 2.29 x (excluding the impact of IFRS 16). With an increase in short term liquidity to € 317 million, Navigator maintains a strong financial standing.

INVESTMENT IN FIRST HALF

Capex of € 49 million (vs. 68 million in 1st Half 2019)

As previously announced, Navigator decided on a substantial review of its capex plan for 2020, cutting investment from an estimated € 158 million to approximately € 70 million. Capital expenditure in the first half stood at € 48.7 million, as compared to € 68.2 million in the same period in the previous year. This amount includes a figure of around € 24 million in maintenance, efficiency improvements and other projects, € 13.2 million in a range of environmental projects, in particular the new biomass boiler in Figueira da Foz with a value of € 11.4 million, and € 11.7 million in projects to recondition assets. As already stated, it should be noted that around 80% of investment spending in 2020 is related to maintenance and projects that started in previous years.

The most significant environmental capex projects in 2020 have included construction of the new biomass boiler in Figueira da Foz, with total investment of € 55 million over 2019 and 2020. The new boiler is due to start operation in the second half of 2020. This project will make it possible to cut CO2 emissions at this unit by 81%, and by 20% for Navigator as a whole (reduction in the order of 155 thousand tons of CO2/year). As a result, the mill will be 100% powered by renewables.

Other development initiatives in the 1st Half

Launch of platform about Portugal's forests

RAIZ, the Group's forestry and paper research facility, and Navigator have launched an online platform devoted entirely to Portugal's forests (www.florestas.pt), presenting a wide array of information on the forestry sector and its different dimensions - natural, environmental, recreational and socioeconomic. Florestas.pt has adopted the slogan "*learn, value and care for Portugal's forests*" and sets out to provide a hub for knowledge on Portuguese forest ecosystems and related topics, providing access to official information and technical and scientific expertise on the sector. Wherever possible, the Portuguese data is presented in its European and global context. The platform has been designed as a content aggregator to enable visitors to learn about, value and discover what Portuguese forests have to offer and what we can do to strengthen, enjoy and care for these ecosystems.

Clear & Fertilise and Forestry Certification

The Company has taken part in CELPA's initiatives aimed at privately owned eucalyptus forests. The focus of this work is to reduce fire risks and to boost yields. Efforts accordingly continued in 2020 under the Clear & Fertilise Programme, in which CELPA applies fertiliser in eucalyptus holdings if the owner first clears the undergrowth. This programme has made it possible to reduce the fuel load in plantations and to develop better quality forests. Work was carried out on more than 12,000 ha in 2019/2020, double the more than 6,000 ha benefiting from the scheme in 2018/2019.

Internally, Navigator has maintained its programme for encouraging certification of forestry management. This has resulted in a substantial increase in the volume of wood it purchases in Portugal from certified sources, an increase in the number of certified entities (in forestry

management and trade in forestry products) and continuous improvement in the environmental, social and economic performance of these actors.

Business Manifesto for Sustainability "Use the crisis to launch a new sustainable development paradigm"

Navigator was one of the signatories of the Business Manifesto, published in May by BCSD Portugal and signed by more than 90 companies. COVID-19 and its economic and social impacts were the catalyst for this joint initiative to argue that the crisis should be taken as an opportunity to rethink the future and to lay the foundations for more inclusive and sustainable growth. In signing the manifesto, Navigator declared its ambition of helping Portugal build a development model based on five fundamental principles: Promoting sustainable and inclusive development, promoting growth, seeking efficiency, building up resilience and corporate citizenship.

Navigator backs act4nature Portugal

Act4nature Portugal, launched on 22 May this year, is a project launched by BCSD Portugal to mobilise companies to protect, promote and restore biodiversity. Navigator got involved at an early stage in the work of adapting act4nature to the reality of Portugal, positioning itself as a member and a champion company, sitting on the steering committee and on the Advisory Board, whose members include leading Portuguese figures, representing different areas of expertise and the public administrative authorities.

Project in Mozambique - progress report

Navigator and the Mozambican Government have pursued the aims established in the MoU signed in 2018, in particular on land and development issues. This has included the first Forestry Development programme in Mozambique, a government initiative funded by the World Bank. The aim is to promote small and medium scale sustainable commercial forestry plantations, and restoration of degraded areas. In the 2019-2020 seasons, plantations were established over an area of approximately 550 hectares. Portucel Moçambique played an active role in designing the programme, providing wide-range support by designing the silviculture model, supplying cloned plants at a subsidised price and offering access to inputs. When the plantations are ready for harvest, Portucel Moçambique will have first option on purchase of the wood.

Speaking for the Government of Mozambique, the Minister for Agriculture and Rural Development has made recent statements confirming the strategic importance to the country and to Zambézia province of building the port of Macuse, in order to develop commercial farming and forestry.

OUTLOOK

A number of recent positive signs point to a gradual, but probably slow recovery in UWF business in the 3rd quarter of 2020, progressing in line with the upturn in the economy. After significant efforts to prepare for the seasonally slow summer period, Navigator is now receiving new orders at a pace close to normal for this time of the year, and has an order book in July of approximately 40 days, one of the highest levels recorded for this period in the last 11 years. All the Group's paper machines are now once again in operation, and the Company is continuously monitoring the market and adjusting output to the level of demand, in a context where markets remains extremely unstable.

However, the risk remains of a second wave of the pandemic, in particular in non-European markets, with the negative impact this may bring for exporting companies like Navigator. The pressure on paper prices which was felt over the course of the second quarter may continue, placing additional pressure in a period when business is traditionally slower.

In pulp business, the resilience demonstrated in the first half of the year appears to be showing signs of fading, with the arrival of a seasonally weaker period and with cooling demand for tissue and packaging products, after the frantic pace experienced at the start of the pandemic. With the slowdown in purchases of these products and the supply chain now fully re-established, demand for pulp has started to reflect the impact of the sharp drop in production of graphic papers. A number of restrictions are expected on the production side, as the mills proceed with maintenance shutdowns, postponed to the second half due to the pandemic situation. The estimates put forward by analysts for the segment are accordingly more moderate for the third quarter, with a recovery expected in the final months of the year.

In tissue business, after positive performance in the first half, demand in the At Home segment can be expected to slow somewhat as the Away from Home segment experiences a gradual recovery, and business picks up in Horeca and corporate sectors. Navigator expects to maintain the healthy level of industrial performance it has achieved in its tissue assets and to continue to ramp up its operations.

After an extremely adverse quarter, with unprecedented market conditions, a gradual recovery is expected in the Company's business over the months ahead. The pace and breadth of the recovery will obviously depend on the evolution of the pandemic, on the general lifting of lockdown measures and on the economic impact caused by these measures. Navigator has and will continue to strive to do everything to respond to the best of its ability, in particular in its operational and commercial planning, in cost efficiency, allocation of cash flow and effective management of its liquidity.

Lastly, at the end of such a challenging period, Navigator would like to thank all its employees for the absolutely exemplary commitment they demonstrated in coping with circumstances such as had never been seen before. Thanks to the hard work and dedication of the entire workforce, it was possible to react swiftly and efficiently, and simultaneously implement a Contingency Plan with preventive and protective measures that enabled the Company to get through this wave of the pandemic without any impact on operations or on the health of most of its employees.

Lisbon, 28 July 2020

Subsequent event:

Antidumping duties in the US: POR1 rate reduced to 1.63%

In early July, Navigator received confirmation from the US Court of International Trade ("Court") of the rate of 1.63% proposed by the Department of Commerce (DoC) at the start of this year to be applied to the sale of certain paper products in the USA in relation to the first period of review ("POR1").

The final rate for POR1 was reviewed down from 37.3% to 1.75% in October 2018, and the court decided, in November 2019, to request the DoC to review that outcome, in the light of the application submitted by the US producers Packaging Corporation of America, Domtar Corporation and the United Steelworkers union. The DoC had until February 2020 to send back a decision to the Court, which it did, again recalculating the rate to the lower level of 1.63%. The Court has now confirmed the rate of 1.63%, ruling that the calculations made by DoC for brokerage charges, handling and other costs were reasonable, as Navigator had always contended, once again deciding in its favour.

This important court decision is still subject to appeal by any of the parties for a period of 60 days. If no appeal is filed, and the decision becomes final for the period in question, the Company expects to receive a reimbursement of the excess amounts deposited, estimated at 25.7 million USD. It should be noted that, in June 2020, Navigator received an amount of 4.4 million USD by way of a rebate of



the duty for the second period of review (POR2), which had been reduced from 7.8% to 5.96%, and then adjusted again to 4.37%.

Conference call and Webcast

Date: 30 July 2020

Service times: 15:00 (Western European Summer Time – UTC+1)

Access: <https://streamstudio.world-television.com/1076-1695-24816/en>

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT 30 June 2020 and 2019

Amounts in Euro	6 months 3-06-2020	6 months 30-06-2019
Revenue	695,501,712	854,092,703
Other operating income	22,332,559	18,017,296
Changes in the fair value of biological assets	(3,028,520)	(3,076,228)
Costs of goods sold and materials consumed	(289,236,682)	(366,034,149)
Variation in production	(6,274,323)	20,553,930
External services and supplies	(200,674,883)	(224,914,512)
Payroll costs	(64,492,399)	(76,713,419)
Other operating expenses	(14,041,309)	(14,974,010)
Net provisions	(1,907,275)	(1,915,368)
Depreciation, amortisation and impairment losses in non-financial assets	(74,520,840)	(71,032,295)
Operating results	63,658,040	134,003,948
Financial income	4,200,818	2,924,558
Financial expenses	(12,467,846)	(12,612,346)
Net financial results	(8,267,028)	(9,687,788)
Profit before tax	55,391,012	124,316,160
Income tax	(11,355,141)	(29,425,842)
Net profit for the period	44,035,871	94,890,318
Attributable to Navigator Company's Shareholders	44,033,448	94,900,166
Attributable to non-controlling interests	2,423	(9,848)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on June 30 2020 and 31 December 2019

Amounts in Euro	30-06-2020	31-12-2019
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	823,726	4,506,689
Property, plant and equipment	1,220,855,185	1,249,651,599
Right-of-use assets	51,325,994	45,517,924
Biological assets	128,741,320	131,769,841
Investment properties	95,058	95,882
Receivables and other non-current assets	32,714,528	58,778,469
Deferred tax assets	28,634,617	31,638,565
	1,840,529,895	1,899,298,435
Current assets		
Inventories	243,117,075	217,879,700
Receivables and other current assets	238,677,204	247,408,647
Income tax	30,622,822	25,145,169
Cash and cash equivalents	316,897,525	161,880,403
	829,314,627	652,313,920
Total Assets	2,669,844,522	2,551,612,355
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	500,000,000	500,000,000
Treasury shares	(20,189,264)	(20,189,264)
Currency translation reserve	(18,189,420)	(18,728,949)
Fair value reserves	(5,441,055)	(6,384,412)
Legal reserve	100,000,000	100,000,000
Other reserves	98,153,331	98,153,331
Retained earnings	371,123,039	206,004,258
Net profit for the period	44,033,448	168,290,315
Equity attributable to Navigator Company's Shareholders	1,069,490,077	1,027,145,277
Non-controlling interests	275,927	273,817
Total Equity	1,069,766,004	1,027,419,095
Non-current liabilities		
Interest-bearing liabilities	699,107,798	863,936,941
Lease liabilities	47,146,114	42,450,826
Pensions and other post-employment benefits	11,331,686	6,588,076
Deferred tax liabilities	86,666,965	80,413,906
Provisions	22,548,515	19,948,347
Payables and other current liabilities	27,479,911	30,837,585
	894,280,988	1,044,175,681
Current liabilities		
Interest-bearing liabilities	318,194,444	13,194,444
Lease liabilities	5,503,134	4,396,971
Payables and other current liabilities	345,582,873	426,197,436
Income tax	36,517,077	36,228,728
	705,797,529	480,017,579
Total Liabilities	1,600,078,517	1,524,193,260
Total Equity and Liabilities	2,669,844,522	2,551,612,355