RESULTS FOR THE FIRST

9 MONTHS 2020

Eucalyptus globulus
The best fibre for
the finest paper.

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

THE NAVIGATOR COMPANY

Performance 3rd Quarter and YTD September 2020

With the reopening of economies and a gradual recovery in demand for paper, Navigator experienced a significant improvement in its business during the third quarter. By quickly adapting to market changes and consequently stepping up its sales efforts, which were further supported by strong operational performance in pulp and tissue business and robust action to control costs, the Group recorded a significant improvement in results over the previous quarter with a strong generation of Free Cash Flow.

3rd Quarter Analysis (vs. Q2 2020 vs. Q3 2019) – Turnover up 20% and Ebitda grows 36% to € 70 million

- Paper and pulp production returned to their normal pace in the third quarter. All the Group's UWF machines have been working at full capacity since early July, and demand has gradually recovered from the situation recorded in the second quarter;
- Paper sales stood at 336 ktons (up 45% on the second quarter and down by 7% in relation to the same quarter last year); pulp sales totalled 104 thousand tons, growing by 14% in relation to the 3rd quarter of 2019 and down by 5% from the record level achieved in the 2nd quarter, when less pulp was needed for paper production. Tissue sales continued to grow, to 27 thousand tons, 5% up on the previous quarter and up by 2% on the same quarter last year;
- Turnover totalled € 348 million, growing 20% vs. Q2 2020 and down 17% vs. Q3 2019 and Ebitda stood at € 70 million (up 36% vs. Q2 2020 and down 25% vs Q3 2019); the EBITDA / Sales margin was 20.2% (vs. 17.8% and 22.2%);
- Free Cash Flow Generation in the quarter of € 56 million (vs. €99 million in Q2 2020 and € 25 million in Q3 2019);
- Net profits stood at € 31 million, up by 133% from the previous quarter (down 41% vs. Q3 2019)

YoY analysis (YTD Sep.2020 vs. YTD Sep.2019) – Navigator highly resilient to the impact of lockdown on UWF business thanks to pulp and tissue sales, combined with cost reductions

- UWF business felt the direct impact of lockdown, resulting in total UWF sales of 934 thousand tons, down by 14% on the same period in 2019; this was offset by growth of 39% in pulp sales to 297 thousand tons and tissue sales up 7% to 79 thousand tons;
- The first nine months of the year saw sales prices fall in comparison with 2019: the BHKP pulp index (in euros) fell by 26% and the A4 paper index dropped by 7%;
- Turnover stood at € 1 044 million (down 18%) and Ebitda at € 210 million (down 30%);
- A substantial reduction in variable production costs and firm containment of fixed costs cushioned the effect of falling sales prices and resulted in an EBITDA / Sales margin of over 20% (down 3,4 pp);
- Financial results improved to € -9 million (vs. € -11 million) and income tax totalled €- 15 million (vs. €- 41 million), resulting in net income of € 75 million (vs. € 147 million);
- The Group continued to demonstrate excellent capacity to generate free cash flow, which totalled € 170 million (vs. €125 million), with capex of approximately € 70 million (vs. € 119 million);

- Net debt dropped substantially, down by € 132 million to € 644 million, whilst the Net Debt / Ebitda ratio stayed at a comfortable level of 2.28 X; the Group also increased its liquidity in cash and cash equivalents to € 345 million.
- Project for the new biomass boiler in Figueira da Foz at its final stage, with tests starting in September. This investment, 50% funded by EIB (European Investment Bank), will enable the plant in Figueira da Foz to reduce its CO2 emissions by 81%, and will allow for significant cost savings.

Leading Indicators

Million euros	YTD Set 2020	YTD Set 2019	Change [7] YTD 20/ YTD 19
Total Sales	1 043.9	1 274.2	-18.1%
EBITDA [1]	**210.5**	**300.2**	**-29.9%**
Operating Profits (EBIT)	99.6	199.8	-50.1%
Financial Results	- 9.1	- 11.4	-20.5%
Net Earnings	**75.2**	**147.5**	**-49.0%**
Cash Flow	186.1	248.0	- 61.9
Free Cash Flow [2]	170.4	125.4	45.0
Capex [8]	69.7	118.9	- 49.2
Net Debt [3]	644.0	776.0	- 132.0
EBITDA/Sales	**20.2%**	**23.6%**	-3.4 pp
ROS	7.2%	11.6%	-4.4 pp
ROCE [4]	7.6%	14.2%	-6.6 pp
ROE [5]	9.4%	17.1%	-7.7 pp
Equity Ratio	41.5%	43.7%	-2.2 pp
Net Debt/EBITDA [6]	2.28	1.87	0.41

in million euros	Q3 2020	Q2 2020	Change [7] Q3 20/Q2 20	Q3 2019	Change [7] Q3 20/ Q3 19
Total sales	348.4	289.7	20.3%	420.1	-17.1%
EBITDA [1]	**70.4**	**51.7**	**36.1%**	**93.3**	**-24.6%**
Operating profits	35.9	15.4	134.0%	65.8	-45.4%
Financial results	- 0.8	- 2.1	-62.1%	- 1.7	-53.5%
Net earnings	**31.2**	**13.4**	**132.6%**	**52.6**	**-40.7%**
Cash flow	65.7	49.7	15.9	80.2	- 14.5
Free Cash Flow [3]	56.4	99.1	- 42.6	24.6	31.8
Capex	21.0	26.0	- 5.0	20.1	0.9
Net debt [5]	644.0	700.4	- 56.4	776.0	- 132.0
EBITDA/Sales (%)	**20.2%**	**17.8%**	2.4 pp	**22.2%**	-2.0 pp
ROS	9.0%	4.6%	4.3 pp	12.5%	-3.6 pp
ROCE [7]	8.3%	3.4%	4.9 pp	18.3%	-10.1 pp
ROE [6]	11.8%	5.1%	6.7 pp	14.0%	-2.2 pp
Equity ratio	40.5%	40.1%	0.5 pp	43.7%	-3.2 pp
Net Debt/EBITDA [6]	2.28	2.29	-0.01	1.87	0.41

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets (not including effect 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 9M 2020 of 2,47; restated 2018 Net Debt / EBITDA in 9M 2019 of 1,98;
7. Variation in figures not rounded up/down
8. Capex for 9M 2019 and 3Q 2019 restated

ANALYSIS OF RESULTS

3rd Quarter 2020 vs. 2nd Quarter 2020 vs. 3rd Quarter 2019

The third quarter of 2020 saw a gradual upturn in demand for printing and writing papers, after a second quarter severely hit by lockdown measures and the consequent impact on paper consumption. In fact, after the strong drop verified in April, order inflow for UWF in Europe has been improving, with UWF paper showing the strongest recovery among other paper grades. During the third quarter, order inflow for UWF in Europe (from European customers) reached 90% of last year's third quarter level, i.e. the best performance as compared with all other countries.

Thus, after a drop of 28% in the months from April to June, UWF demand in the European market contracted 10% in Q3 2020. In the US, demand also improved significantly between the 2nd and the 3rd quarters, recovering from a 31% to a 19% drop. As in the previous quarter, the largest fall in consumption was in sheeted paper, especially for printing use, whilst reel business appeared to be more resilient. It should be noted that the office paper fell slightly less than the graphic paper, a business that represents around 50% of the Group's UWF paper sales. The Navigator Company has built over the years a balanced mix of formats, between cut-size (office paper), folio (graphic) and reels.

In this context, the Group registered a turnover of € 348 million, up by 20% in relation to the second quarter of 2020 and down by 17% when compared with the same quarter in 2019. The upturn in output at all the Group's paper machines over the quarter resulted in an increase of 45% in the sales volume (vs. 2nd quarter) and a 7% reduction in relation to the same period last year. Sales to Europe and the US have had a much more positive YoY evolution as compared to the rest of the world.

However, the benchmark sales price for UWF paper remained under pressure, down by 2% in relation to the previous quarter, and by 8% in relation to the third quarter in 2019. Navigator's average sales price followed the general trend, reflecting also the pressure from non-European markets, the change in the formats/quality mix (increasing proportion of reels and economy products) and the weakness of the US dollar against the Euro. It should be noted that Navigator's average selling price in Europe adjusted less and later than that of its competitors. It should also be noted that the USD sales price in September in international markets reflect some recovery from June prices.

Third quarter paper sales totalled € 238 million, up by 36% vs. the second quarter and down by 19% in relation to the third quarter of 2019.

Despite the recovery of the paper mills operations, pulp sales to the market remained at a high level, around -5% vs. second quarter and +15% vs. the third quarter of 2019. This volume was made possible by successful sales efforts and increased market diversification.

In the tissue business, the volume of sales grew again by around 5% in relation to the second quarter and approximately 2% in relation to the same period in the previous year, to around 27 thousand tons, with finished products representing a larger proportion of sales (74%, as compared to 70% in the second quarter and the third quarter of 2019). Despite the situation in the market, the quarter set new records for sales and profitability in tissue business.

As a result, in a context of a gradual recovery in demand combined with strong pressure on UWF and pulp prices, Navigator managed to explore the diversification of its business model, recording significant growth in turnover in relation to the preceding period. Combined with a series of fixed and variable cost control measures, this enabled the Group to record Ebitda of € 70 million in the quarter, up by 36% on the second quarter of 2020 (down by 25% on the same quarter last year), resulting in an EBITDA / Sales margin of 20.2%.

Net income was up by 133% vs. the second quarter of 2020, standing at € 31 million (down by 41% on the third quarter of 2019).

Quarterly operational data

Pulp and Paper

(in 000 tons)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
BEKP Output	363,7	364,1	393,7	268,7	337,6
UWF Output	364,2	342,0	384,2	223,5	333,4
FOEX – BHKP Euros/ton	723	625	616	617	583
FOEX – BHKP USD/ton	804	691	680	680	680
FOEX – A4-BCopy Euros/ton	901	884	864	845	828

Tissue

(in 000 tons)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Reels Output	25,9	24,7	26,4	29,6	29,0
UWF Output	20,9	17,2	21,5	20,0	19,2

Energy

(in 000 tons)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Production (GWh)	511,8	494,4	538,7	435,2	509,0

Nine Months 2020 vs. Nine Months 2019

The Navigator Company recorded turnover of € 1 044 million in the first nine months of 2020, with paper sales accounting for around 68% of turnover (vs. 72%), pulp sales 11% (vs. 9%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The period saw a downturn in global paper consumption as a result of the Covid-19 pandemic mainly in the second quarter, with the third quarter already experiencing a significant recovery, particularly in Europe. The Company succeeded in cushioning the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales and significant reductions in costs.

Gradual recovery in UWF paper demand

Estimates point to a reduction of approximately 15% in the global UWF market YTD August. In Europe, the estimated accumulated reduction is 14% and in the United States the figures point to a drop of 21%. UWF demand proved more resilient than demand for other types of printing and writing papers, in particular in the case of coated woodfree paper, where global demand dropped YTD August by 19%, with a reduction of 27% in Europe and 23% in the United States.

After the sharp slump in April and May, demand for paper recovered gradually as from June, and this trend was confirmed over the third quarter, with the reopening of the economies, especially in the European and US markets. All UWF formats showed signs of recovery, with sales of reels proving the most resilient since the start of the pandemic. This evolution clearly highlights the diversity of uses and versatility of UWF paper in relation to other types of printing and writing paper.

In this environment, Navigator has managed its output of UWF paper over the past nine months in line with the downturn in demand, thereby controlling its stock levels. After an adjustment in production levels in the most critical months, the Company then increased paper production again as from July, since when all its machines have been working at full capacity. As a result, at the end of September, Navigator's YTD capacity utilisation rate stood at around 90%, as compared with an average rate of 74% for European manufacturers.

In recent months, Navigator has adopted a large package of innovative measures to support its distributors and their sales teams, in different parts of Europe and around the world. This was successful in achieving a significant increase in the order book. This significant sales effort resulted in healthy order books over the third quarter, with orders equivalent to 26 days' output at the end of September, in line with the levels recorded in previous years and comparing positively with the rest of the industry. These commercial initiatives also enabled Navigator to gain market share against its European competitors (up 2 pp vs. 2019). It should be noted that Navigator maintained the weight of its premium products and own brands in sales to Europe, at 57% and 66% respectively.

Thus, as a result of these support measures to suppliers and after a careful stock management, the Company ended the third quarter with an inventory level in line with previous years, continuing to represent around half of the stocks of its European rivals, even after the Group restarted to produce at its normal capacity. It is also estimated that the level of stocks in the pipeline is lower than usual for this time of year, despite the context of reduced demand.

As a result, UWF sales in the first nine months totalled 934 thousand tons, down around 14% on the same period in the previous year and in line with the Group's forecasts that formed the basis for its decision to reduce production. The sales value in the Group's UWF business was hit by falling paper prices, and sales dropped in value by around 22%, to € 707 million. It should be noted that the reduction in the Group's sales prices in Europe was in line with PIX, and that the average price outside Europe was brought down by exchange rate trends, the evolution of product and market mix, and the sharp downturn in prices in those markets.

The YoY tendency in sales prices reflects the adjustment that started in the second half of 2019, and continued throughout the first half of 2020, under pressure from the pandemic and the low level of pulp prices. The benchmark index for A4 showed a downward adjustment of 7% YoY, to an average price of 846 €/ton, as compared to 909 €/ton at the end of September 2019.

Pulp sales volume grows by 39%

The global pulp market held up well against the adverse environment of an economic downturn caused by the pandemic. Global demand for hardwood pulp is estimated to have grown by 10.6% YTD Aug 2020 vs. YTD 2019, driven by China which grew by 20%, despite the slowdown observed in August and September (down 0.6% YoY). This increase was achieved essentially on the strength of significant growth in demand for tissue products. Stocks of short fibre at manufacturers have dwindled over the year, currently standing at around 38 days, below the average level of 44 days for the past five years. Nonetheless, stocks at Chinese ports are estimated to stand at historically high levels, of around 1.7 to 1.9 million tons, most of it owned by the buyers.

In this environment, the listed (gross) USD price of BHKP in Europe held steady over first nine months of 2020, at 680 USD/ton, 25% down from the price of 909 USD /ton recorded in the first nine months of 2019. The price of BHKP pulp in Euros also dropped by 25%, to 606 €/ton vs. 808€/ton, and the recent weakness of the US dollar against the Euro during the third quarter brought down the PIX index in euros, thereby hitting the profitability of European pulp manufacturers. 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 successively deferred.

Navigator succeeded in recording a volume of pulp sales to the market significantly higher than in the same period last year (around 39% in tons), at 297 thousand tons, making this one of the best periods since 2010. This growth was made possible by increased diversification of sales to destinations outside Europe, seizing opportunities in the Tissue and Packaging segments and taking advantage of the greater availability of pulp for the market as a result of reduced paper production in the second quarter.

The sharp increase in quantities sold was nevertheless not enough to mitigate the impact of the reduction in the average sales price for pulp in the period, with the result that sales totalled € 118 million in value, as compared with € 121 million (down 3%). It should be noted that in markets outside Europe the lowest sales prices were reached in July, and the Group saw a recovery of around 7% in its net prices in Euros outside Europe during the quarter.

Tissue sales grow in volume and value

Tissue business evolved favourably over the first nine months of 2020, with sales in volume standing at 79 thousand tons, which represents an increase of 7% in relation to the same period in 2019.

The Group's tissue business was able to react positively to the opportunity offered by the peak in demand triggered by COVID-19 for products in the At Home (AH) segment. Attention should also be drawn to the less positive evolution in the Away from Home (AfH) segment, which was affected by the COVID-19 situation, insofar as 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. During the third quarter, this impact was particularly relevant due to the strong reduction of tourists in the Iberian Peninsula where the Group places most of its sales to this segment.

Navigator has made significant industrial and commercial efforts over the last nine months to respond to growing demand for At Home products, and succeeded in increasing sales of finished products by around 9% to 61 thousand tons.

The Group accordingly recorded an increase in tissue turnover of approximately 5%, to € 106.7 million. The sales mix improved in relation to the same period in the previous year, with the proportion of finished products rising to 77% (as compared to 75% in 2019), to the detriment of reels.

Energy Business rallies with economic upturn, but shows impact of transition in tariff system

Power sales in the third quarter of 2020 totalled € 33.9 million, up by 3.5% on the second quarter, thanks essentially to the resumption of normal operation of the renewables-fired cogeneration plants and of the combined cycle natural gas plant in Setúbal.

In the first nine months of 2020, electricity sales totalled € 106.8 million, representing a reduction of 12.9% in relation to the figures for the same period in the previous year. In terms of the sales volume in GWh, the reduction recorded stood between 2 and 3%.

Overall, this reduction was due essentially to the following factors: (i) lower sales tariffs for power generated by the Setúbal natural gas cogeneration plant, for which the new tariff rules came into effect in April and which operated in May with only one of the generator sets; (ii) the negative effect of the slowdown in pulp and paper operations in the second quarter, inevitably reflected in the level of cogeneration.

The new tariff rules for the renewables-fired cogeneration plants at the Setúbal and Figueira da Foz pulp mills came into force respectively in January and July 2020, resulting in lower sales tariffs, in line with the new legal framework for the sector.

The negative impact of the implementation of this regulatory framework on the three power stations - Setúbal natural gas plant, Setúbal pulp cogeneration and Figueira da Foz pulp cogeneration - is estimated at more than € 7 million.

Improvement in production costs

The first nine months of 2020 saw positive evolution in most production expenses, both variable and fixed. The main progress achieved in efforts to optimise variable costs was in the following areas:

- external fibres (resulting from the evolution of prices for long and short fibre, but also from the effort to reduce their specific consumption);
- wood (due in particular to the work done in all manufacturing units to lower specific consumption recorded over the period, and a favourable change in the mix of origins);
- chemicals (essentially due to both the reduction in the price of some products, and the work done to reduce consumption, namely, but not exclusively, in bleaching);
- packaging materials.

It is important to note that an extended team work contributed to a significant reduction 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 for all raw and subsidiary materials.

Significant containment may be observed over the first nine months in fixed costs, which stood at around € 30 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.

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

EBITDA for the first nine months totalled € 210 million, down 29.9% on the first nine months of 2019, in a context of steeply falling pulp prices (down 25%), a reduction in paper volumes due to the pandemic (down 14%) and a reduction in paper prices (down 7%). The EBITDA / Sales margin stood at 20.2%, 3.4 p.p. lower than in the same period in 2019.

Financial Costs improve € 2.3 million

Financial costs stood at € 9.1 million (vs. € 11.4 million), an improvement of € 2.3 million, thanks to an increase of € 2.1 million in results from hedging operations. Particularly successful results were achieved for pulp price hedges, and net compensatory interest improved over the period by € 2.7 million. This was in contrast to interest on financial investments which continued to fall (down € 2.2 million) in relation to the very positive results obtained in the same period in 2019, due to the impact of Covid-19 on the performance of the financial markets, despite the recovery already visible. The costs of financing operations increased in turn by € 0.9 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 lower than in the same period in 2019 (all-in cost of 1.62% vs. 1.77%).

Pre-tax profits totalled € 90.5 million and tax payable stood at € 15.3, the taxation rate for the period having fallen to 17%, from 22% in the same period in the previous year. Net income for the period stood at € 75 million, as compared to € 148 million in the first nine months of 2019.

Free cash flow generation rises in first nine months to € 170 million

Free cash flow generation totalled € 170 million in the first nine months, as compared to € 125 million in the same period in 2019; this is the highest value of Free Cash Flow registered for a nine-month period since 2014. It should be recalled that the year started with free cash flow generation of € 15 million in the first quarter, and the strong growth was recorded after the early impact of the pandemic: € 99 million in the second quarter and € 56 million in the third quarter. This was achieved through highly effective management of working capital, which combined healthy capacity to collect customer accounts and continued care in managing suppliers, where extension of certain payment periods was coordinated with the provision of financial solutions to support the liquidity of our partners. There was also a general reduction in stocks, in regards to the beginning of the year and to the end of the second quarter. Another decisive factor was the more moderate pace in implementing our capex plan.

Refinancing of debt maturing in 2021

During the third quarter, the Group contracted several borrowing operations in order to refinance the debt maturing in 2021. In line with well-established policies, these operations were planned in advance to the extent considered appropriate, and did not entail any immediate funding. Instead, the new facilities are coordinated with the actual maturity dates of the existing debt. This increases and prolongs the Group's liquidity situation as deemed appropriate in the present context.

At the end of September, net interest-bearing debt totalled € 644 million (excluding the impact of IFRS 16), representing a reduction of € 71 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 2.28 x (excluding the impact of IFRS 16 on interest-bearing net debt). The Company continues to enjoy comfortable liquidity, with approximately € 345 million in short term assets at 30 September.

CAPEX IN THE FIRST NINE MONTHS OF 2020

Capex of € 70 million (vs. € 119 million in the first nine months of 2019)

As previously announced, Navigator decided on a substantial review of its capex plan for 2020, from investment initially estimated at € 158 million to approximately € 70 million. Considered on a cash flow basis, this figure was further revised to slightly above € 55 million. It should be noted that the capex that will be reported on an accounting basis is expected to stand at approximately € 90 million.

As a result, capital expenditure reported in the first nine months stood at € 69.7 million (the comparable amount in the same period in 2019 was EUR 118.9 million). From this figure, around two thirds are maintenance and asset replacement investments and one third are investments in the environmental area, with particular emphasis on the New Biomass Boiler in Figueira da Foz. It should be noted that, of the investment incurred in 2020, over 80% refers to maintenance and projects begun in previous years.

The new biomass boiler in Figueira da Foz is currently being finalised and testing has begun during the third quarter, a project representing a total investment of € 55 million over the course of 2019 and 2020, with EBI funding. 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 generate 100% of its electrical power from renewables.

This is the first and most important step in Navigator's ambitious decarbonisation plan, with the aim of achieving carbon neutrality at its industrial plants by 2035.

Project in Mozambique - progress report

Navigator and the Mozambican Government have continued to work as agreed in the MoU signed in 2018, focussing efforts on establishing the necessary groundwork, in particular as regards logistical relating to the Port of Macuze. The Mozambican government and president have made public statements emphasising the strategic importance of the Port of Macuze to Zambézia province and to the country as a whole,

On the lands subject, a Forest Investment scheme is being implemented as a government initiative with funding from the World Bank. The aim is to promote small and medium scale sustainable commercial forestry plantations, and to restore degraded areas. In the 2019-2020 season, plantations were established over an area of approximately 550 hectares (1.500 ha in the 2020-2029 campaign). Portucel Moçambique plays an active role in designing and implementing the programme and has contributed with wide-ranging support, such as designing the silviculture model, providing cloned plants at a subsidised price and in the access to raw materials. Later on, when plantations are ready for harvesting, Portucel Moçambique will have first option on purchase of the wood.

Preparations are under way for exporting wood from our plantations in Manica as from next year, shipping consignments from the Port of Beira. The aim is to put Mozambique on the world map in this forest-based industry.

OUTLOOK

The third quarter was marked by the progressive and sustained recovery of the UWF business, in line with the recovery in the wider economy, but in a highly volatile context marked by great uncertainty. Demand evolved positively, especially in Europe and the US, allowing Navigator to scale up its paper production again as from July, bringing all its machines back into operation. At the end of September, Navigator's capacity utilisation rate stood at 89% YTD (comparing with an average of 74% for European manufacturers), its stock levels were in line with the previous year (in 17 days), and its order books were healthy with a 26 days level. In market terms, it is believed that the stock in the pipeline is below normal level (in terms of sales days).

Although the risk of a second wave of the pandemic persists, with the extent and impact still difficult to estimate, the Group has been registering some positive signs, namely a greater dynamism in the entry of orders from the European market in recent weeks, which allow us to predict that the market recovery will continue in the fourth quarter. The order book at the beginning of October increased to almost 30 days, but the entry of orders outside Europe and the US is still at a very early stage.

In pulp business, the drop-off in demand for tissue and packaging products in the third quarter caused business to slow somewhat in July and August. After a gradual reduction in short fibre stocks at producers, it is estimated that the level of pulp stocks in China (mostly owned by buyers) started to slightly increase again in late September, being still below the last 2 years average. However, prices are at very low levels (and in some cases below marginal cost) both in Europe and in China and certain factors may contribute to an improvement in prices during the fourth quarter. The Group has already witnessed a recovery trend throughout the third quarter in pulp prices outside Europe, in September, standing about 7% above July prices.

On the one hand, the current price gap between long and short fibre, at maximum levels close to 150 USD/ton, may lead to positive pressure on short fibre prices. On the other hand, a number of maintenance shutdowns are scheduled, in particular in Latin America, having been originally planned for the second quarter, and estimates point to this removing approximately 420 thousand tons from the market.

In tissue business, after positive performance in the first nine months, there is some concern about a possible contraction in demand, especially in the Away from Home segment.

For the fourth quarter, some days of maintenance stoppages are scheduled in the pulp mills of Aveiro and Setúbal, and in the paper machines of Setúbal. The annual maintenance stoppages will take place in the tissue mills of Aveiro and Vila Velha de Ródão.

Navigator gradually scaled its production levels back up over the course of the third quarter, with commercial initiatives that enabled it to increase its paper sales by 45% in relation to the second quarter, maintaining sales of pulp to the market at a high level and taking advantage of opportunities in tissue business. The increase in activity was accompanied by significant efforts over these nine months to reduce both fixed and variable costs, enabling the Company to achieve a better level of operational efficiency which is expected to be, in part, maintained in future. These results have once again confirmed the resilience of Navigator's business model and its extremely strong capacity to generate free cash flow, even in the most difficult circumstances, such as those we have experienced during 2020.

Lisbon, 27 October 2020

Conference call and Webcast

Date: 29 October 2020

Service times: 17:00 (Western European Summer Time)

Access: https://streamstudio.world-television.com/1076-1695-25725/en

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CONSOLIDATED INCOME STATEMENT

Amounts in Euro	**9 months 30-09-2020**	**9 months 30-09-2019**
Revenue	1,043,947,377	1,274,238,404
Other operating income	31,819,271	22,522,214
Changes in the fair value of biological assets	(3,619,972)	(2,262,018)
Costs of goods sold and materials consumed	(420,975,784)	(540,716,096)
Variation in production	(28,172,449)	13,988,251
External services and supplies	(297,658,110)	(339,861,736)
Payroll costs	(94,355,851)	(108,597,389)
Other operating expenses	(20,531,412)	(19,069,354)
Net provisions	475,594	2,280,599
Depreciation, amortisation and impairment losses in non-financial assets	(111,339,690)	(102,760,542)
Operating results	**99,588,974**	**199,762,331**
Financial income	6,198,622	5,705,576
Financial expenses	(15,261,474)	(17,104,280)
Net financial results	**(9,062,852)**	**(11,398,704)**
Profit before tax	**90,526,122**	**188,363,627**
Income tax	(15,264,189)	(40,835,513)
Net profit for the period	**75,261,933**	**147,528,116**
Attributable to Navigator Company's Shareholders	75,249,680	147,521,948
Attributable to non-controlling interests	12,253	6,168

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Navigator Company, S.A.
Demonstração da Posição Financeira Consolidada
em 30 de setembro de 2020 e 2019

Valores em Euros	30-09-2020	31-12-2019
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	5,807,506	4,506,689
Property, plant and equipment	1,204,416,632	1,249,651,599
Right-of-use assets	51,733,460	45,517,924
Biological assets	128,149,868	131,769,841
Investimentos em associadas e empreendimentos conjuntos	-	-
Investment properties	94,647	95,882
Outros investimentos financeiros	-	-
Receivables and other non-current assets	32,524,338	58,778,469
Deferred tax assets	28,040,474	31,638,565
	1,828,106,392	**1,899,298,435**
Current assets		
Inventories	211,349,731	217,879,700
Receivables and other current assets	263,424,942	247,408,647
Income tax	6,503,725	25,145,169
Cash and cash equivalents	345,129,117	161,880,403
	826,407,515	**652,313,920**
Ativos não correntes detidos para venda	-	-
	826,407,515	**652,313,920**
Total Assets	**2,654,513,907**	**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	(20,262,928)	(18,728,949)
Fair value reserves	(4,666,225)	(6,384,412)
Legal reserve	100,000,000	100,000,000
Other reserves	98,153,331	98,153,331
Retained earnings	373,781,548	206,004,258
Net profit for the period	75,249,680	168,290,315
Equity attributable to Navigator Company's Shareholders	**1,102,066,141**	**1,027,145,277**
Non-controlling interests	285,757	273,817
Total Equity	**1,102,351,898**	**1,027,419,095**
Non-current liabilities		
Interest-bearing liabilities	695,761,340	863,936,941
Lease liabilities	47,848,898	42,450,826
Pensions and other post-employment benefits	7,934,095	6,588,076
Deferred tax liabilities	91,329,929	80,413,906
Provisions	20,558,960	19,948,347
Payables and other current liabilities	27,695,775	30,837,585
	891,128,998	**1,044,175,681**
Current liabilities		
Interest-bearing liabilities	293,327,266	13,194,444
Lease liabilities	5,585,166	4,396,971
Payables and other current liabilities	327,167,850	426,197,436
Income tax	34,952,730	36,228,728
	661,033,012	**480,017,579**
Total Liabilities	**1,552,162,009**	**1,524,193,260**
Total Equity and Liabilities	**2,654,513,907**	**2,551,612,355**