



Strawberry tree (*Arbutus unedo L.*) is one of the species that inhabit the forest areas of The Navigator Company, among 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
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of Setúbal

Headquarters
Península
de Mitrana.
Freguesia
do Sado
- Setúbal

PERFORMANCE 4TH QUARTER AND FULL-YEAR 2020

Over the course of the fourth quarter, in a context of further partial lockdowns in several European countries, the Group returned to its normal levels of output and was able to improve on its results in the preceding quarter. In an extremely troubled year, in which demand for its products was hit hard by the pandemic and prices fell sharply, Navigator's business model proved both flexible and resilient, adjusting swiftly to changes in the market and taking significant action to reduce its fixed and variable costs.

4th Quarter Analysis (vs Q3 2020 and vs Q4 2019)

- Despite the partial lockdowns over the period, European UWF manufacturers continued to move towards a resumption of full production: Navigator operated at full capacity from July onwards, whilst its competitors were at 68% of capacity in Q3 and gradually moved up to 80% in Q4;
- Paper sales stood at 343 ktons (up 2% on the third quarter and down by 6% in relation to the same quarter last year); pulp sales totalled 97 thousand tons, down by 7% in relation to the 3rd quarter and by 3% YoY, in view of the low level of stocks. Tissue sales stood at 26.3 thousand tons, -3.5% vs Q3 2020 and up by 22% vs Q4 2019;
- Turnover totalled € 341 million, down 2% vs. Q3 2020 and down 17% vs. Q4 2019 and EBITDA stood at € 75 million (up 7% vs. Q3 2020 and up 4% vs Q4 2019); strong recovery in EBITDA / Sales margin to 22.0% (vs. 20.2% in Q3 2020 and 17.4% in Q4 2019);
- Free Cash Flow Generation in the quarter of € 63 million (vs. €56 million in Q3 2020 and € 61 million in Q4 2019);
- Net profits stood at € 34 million, up by 9% from the previous quarter and up 64% from Q4 2019.

YoY analysis – Navigator highly resilient to the impact of lockdown on UWF business thanks to pulp and tissue sales, combined with cost reductions

- Paper business affected by pandemic and by lockdowns: UWF sales volume totalled 1 276 thousand tons, down 12% from 2019. Even so, pulp and tissue sales partially offset the drop in paper business: pulp volume grew 25% to 394 thousand tons (the highest level since 2009) and tissue sales increased by 10% to 106 thousand tons, the highest sales figure since the group's move into tissue business;
- The year was marked by a substantial fall in sales prices in comparison to 2019: the BHKP pulp index (in euros) fell 22% and the A4 paper index dropped 7% (average price change); paper index fell 8.3% from January to December 2020;
- Turnover stood at € 1 385 million (down -18%) and EBITDA at € 286 million (down 23%);
- The fall in sales prices was mitigated by intensive efforts to contain costs: fixed costs came down by € 47 (-15% YoY) and variable production costs by approximately € 60 million (-15% YoY at equivalent production);
- Financial results improved to € -15 million (vs. € -19 million) and taxes improved to € -17 million (vs. € -46 million), resulting in net income of € 109 million (vs. € 168 million);
- The Group continued to demonstrate excellent capacity to generate free cash flow, which totalled € 234 million (vs. €186 million), with capex of approximately € 81 million (vs. € 158 million);

- A significant reduction in net debt, down by € 35 million to € 680 million, after distributing € 198 million in dividends, with Net Debt / EBITDA ratio kept at a comfortable level of 2.38 X;
- During 2020, Navigator took a highly active approach to its financing activities, ensuring a high level of immediate liquidity, refinancing its short term debt, restructuring its borrowing and extending maturities;
- Completion and start-up of the new biomass boiler in Figueira da Foz, a project representing the most significant step in the roadmap to decarbonisation, insofar as it will permit the Group to reduce CO₂ emissions by more than 30% in 2021, accounting for one third of the reduction announced in order to achieve carbon neutrality in 2035;
- Navigator has once again been singled out by CDP – Carbon Disclosure Project - for its climate change response, with an "A" rating, achieved by only 3% of the companies assessed in the global survey.

Leading Indicators

Million euros	FY 2020	FY 2019	Change ⁽⁷⁾ 2020 / 2019
Total Sales	1 385.4	1 687.9	-17.9%
EBITDA ⁽¹⁾	285.5	372.1	-23.3%
Operating Profits (EBIT)	140.4	233.6	-39.9%
Financial Results	- 14.7	- 18.9	-22.3%
Net Earnings	109.2	168.3	-35.1%
Cash Flow	254.3	306.8	- 52.5
Free Cash Flow ⁽²⁾	233.5	186.2	47.3
Capex ⁽⁸⁾	80.6	158.0	- 77.4
Net Debt ⁽³⁾	680.0	715.3	- 35.2
EBITDA/Sales	20.6%	22.0%	-1.4 pp
ROS	7.9%	10.0%	-2.1 pp
ROCE ⁽⁴⁾	8.1%	12.9%	-4.8 pp
ROE ⁽⁵⁾	10.6%	15.2%	-4.6 pp
Equity Ratio	40.2%	40.6%	-0.4 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2.38	1.92	0.46

in million euros	Q3 2020	Q2 2020	Change ⁽⁷⁾ Q3 20/Q2 20	Q3 2019	Change ⁽⁷⁾ Q3 20 / Q3 19
Total sales	341,4	348,4	-2,0%	413,6	-17,5%
EBITDA ⁽¹⁾	75,1	70,4	6,7%	71,8	4,5%
Operating profits	40,8	35,9	13,7%	33,8	20,7%
Financial results	- 5,6	- 0,8	na	- 7,5	-25,1%
Net earnings	34,0	31,2	8,8%	20,8	63,6%
Cash flow	68,2	65,7	2,5	58,8	9,4
Free Cash Flow ⁽²⁾	63,1	56,4	6,6	60,8	2,3
Capex	10,9	21,0	- 10,1	39,1	- 28,2
Net debt ⁽³⁾	680,0	644,0	36,1	715,3	- 35,2
EBITDA/Sales (%)	22,0%	20,2%	1,8 pp	17,4%	4,6 pp
ROS	9,9%	9,0%	1,0 pp	5,0%	4,9 pp
ROCE ⁽⁴⁾	9,5%	8,2%	1,2 pp	7,5%	2,0 pp
ROE ⁽⁵⁾	13,2%	11,7%	1,5 pp	7,5%	5,7 pp
Equity ratio	40,2%	41,5%	-1,3 pp	40,6%	-0,4 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2,38	2,28	0,10	1,92	0,46

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 2020 of 2.58; restated 2019 Net Debt / EBITDA of 2.05
7. Variation in figures not rounded up/down

ANALYSIS OF RESULTS

4th Quarter 2020 vs. 3rd Quarter 2020 vs. 4th Quarter 2019

The fourth quarter of 2020 continued to see the upturn trend in demand for printing and writing paper observed in the previous quarter, albeit less sharply, due to the second wave of Covid-19 infections visible at the end of the year. UWF recovered more strongly than other types of paper, with global demand down 8% in the fourth quarter (October and November), compared to a reduction of 9% in CWF and 18% in mechanical papers.

In geographical terms, demand was uneven in the fourth quarter, falling 7% in Europe (vs. 10% in Q3) and in the rest of the world (Oct-Nov), but 13% in the United States (Oct-Nov) (vs. 19%). As previously observed, sheeted business recorded the largest drop in consumption, whilst reels business was more resilient.

In this context, the Group recorded turnover of € 341 million, down by 2% in relation to the 3rd quarter of 2020 and down by 17% when compared with the same quarter in 2019, due to the sharp reduction in prices.

Navigator operated at full capacity over the quarter, controlling its stock levels and managing its order books. UWF Sales totalled 343 thousand tons, up by 2% in relation to Q3 and 6% lower than in Q4 2019. Performance remained more positive in sales to Europe than to other markets.

The benchmark sales price for UWF paper remained under intense pressure over the period, dropping below its levels in the previous quarter (down 2.3%) and in the same quarter in 2019 (down 8.5%). Navigator's average sale price followed this 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 in the fourth quarter Navigator implemented price increases in international markets of more than 40 USD/ton, in sales denominated in dollars. Sales in euros in international markets evolved even more positively. Even though these increases in euros and dollars in sale price allowed to claw back part of the erosion in net prices, this was not fully reflected in the final price in euros, in view of the unfavourable course of the USD/EUR exchange rate and of the sales mix per currency.

As a result, paper sales in the quarter totalled € 239 million, in line with Q3, and down by 18% vs Q4 2019, due almost exclusively to the price effect.

Pulp sales remained at a high level, but down from the figures recorded in the second and third quarters of 2020, because of the reduced amount of pulp available for sale to the market. The sales volume totalled 97 thousand tons, down 7% in relation to the third quarter and 3% YoY. The Group's average sales price performed strongly in relation to the previous quarter, rising by around 8%, thanks to improved conditions on the pulp market towards the end of the year.

In tissue business, the sales volume stood at 26.3 thousand tons vs. 27.3 thousand tons in Q3 2020 and up 22% in relation to Q4 2019. Finished products represented a proportion of total sales roughly similar to that in the previous quarter, but lower than in the fourth quarter in 2019.

As a result, in a context of a gradual recovery in demand marked by strong pressure on UWF prices, Navigator succeeded in diversifying its business model, while maintaining a series of energetic measures to control fixed and variable costs. This enabled the Group to record EBITDA of € 75 million in the quarter, up by 7% on Q3 2020 (up 4% on Q4 2019). The EBITDA / Sales margin recovered strongly to 22%, up 1.8 pp in relation to Q3 2020 and up 4.6 pp in relation to Q4 2019.

Net income was up by 9% in comparison with Q3 2020, and grew by 64% in relation to the net income recorded in Q4 2019.

Quarterly operating figures

Pulp and paper

(in 000 tons)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YoY	QoQ
BEKP Output	364.1	393.7	268.7	337.6	363.9	-0.1%	7.8%
UWF Output	342.0	384.2	223.5	333.4	353.9	3.5%	6.1%
FOEX – BHKP Euros/ton	625	616	617	583	570	-8.7%	-2.1%
FOEX – BHKP USD/ton	691	680	680	680	680	-1.6%	0.0%
FOEX – A4- BCopy Euros/ton	884	864	845	828	809	-8.5%	-2.3%

Tissue

(in 000 tons)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YoY	QoQ
Reels Output	24.7	26.4	29.6	29.0	27.7	12.3%	-4.5%
Output of Finished Products	17.2	21.5	20.0	19.2	18.8	9.4%	-2.1%

Energy

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YoY	QoQ
Production (GWh)	494.4	538.7	435.2	509.0	528.6	6.9%	3.9%

2020 vs. 2019

In the financial year of 2020, The Navigator Company recorded turnover of € 1 385 million, with paper sales accounting for around 68% of turnover (vs. 71%), pulp sales 11% (vs. 10%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The year was marked by a substantial reduction in global paper consumption as a result of the Covid-19 pandemic, above all in the second quarter, whilst the third and fourth quarters saw a strong recovery, particularly in Europe. The Company succeeded in mitigating the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales.

Recovery in UWF paper demand in second half

It is estimated that global UWF demand fell by around 13% YTD November. This reduction is smaller than in other printing and writing paper segments: demand for coated paper is estimated to have dropped 17% and mechanical paper by 21%. In Europe, the estimated accumulated reduction is 12% and in the United States the figures point to a drop of close to 19%.

After the sharp slump in April and May, demand for paper recovered gradually from June onwards, and this trend was confirmed over the third and fourth quarters, with the reopening of the economies, especially in the European markets. All UWF formats showed signs of recovery, with sales of reels proving the most resilient since the start of the pandemic. These figures clearly reflect the diverse uses and versatility of UWF paper in comparison with other types of printing and writing paper.

In this environment, Navigator managed its output of UWF paper over the year in line with the downturn in demand, thereby controlling its stock levels. After an adjustment in output 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.

At the end of the second quarter, Navigator 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 again achieving a significant increase in the order book. These intensive sales efforts allowed Navigator to record healthy order books throughout the second half as well as boosting its market share in Europe (up 1.2 pp vs. 2019). When comparing the first and second halves of 2020, this gain widens to an impressive 2.6 pp.

As a result of these initiatives to support distributors and thanks to careful stock management, the Company ended the year with a lower stock level than the 2019 average (down 1.1 days), and with an order book at a comfortable level of 30 days, in line with previous end-of-year figures.

Attention should also be drawn, in a highly uncertain market, to the resilience of our mill brands (accounting for 68% of sales) and of premium business (47% of sales). Performance in Europe was particularly strong, where mill brands represented 66% of sales, and premium products 56%.

UWF sales for the year totalled 1 276 thousand tons, down by approximately 12% on the previous year. The sales value in the Group's UWF business was also hit by falling paper prices, and sales dropped in value by around 21%, to € 944.6 million. The reduction in the Group's sales prices was in line with PIX, and the average price outside Europe was brought down by exchange rate trends and evolution of the product and market mix.

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, 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 836 €/ton, as compared to an average price of 903 €/ton in 2019. The benchmark price dropped 8.3% from January to December.

Pulp sales volume grows by 26%

The global pulp market held up well against the adverse environment of an economic downturn caused by the pandemic. World demand for hardwood is estimated to have risen 8% YoY (YTD Nov), driven by China, where demand surged by around 16%.

Hardwood pulp has been supported by robust demand for end products, in particular in China, where tissue, UWF and packaging grew in excess of estimates, especially in the second half of 2020. Demand for hardwood pulp also benefited from the effect of substitution of softwood fibre, due to the wide price gap between the two fibres (with softwood price abnormally higher than hardwood). Finally, due to the low price of virgin hardwood fibre, and to the growing scarcity of high quality recycled fibre (with diminished availability due to the pandemic), there was a substitution effect between recycled fibre for virgin fibre/pulp, which was another important factor supporting a growing demand for pulp in 2020.

At the same time, the supply of pulp was constrained in the fourth quarter by planned maintenance shutdowns at a large number of manufacturers. These stoppages proved longer than normal, as a result of the safety restrictions required by the pandemic.

Stocks of short fibre at manufacturers have dwindled over the year, currently standing at

around 37 days, below the average level of 44 days for the past five years. Stocks at Chinese ports also decreased during the fourth quarter; although still high, it is estimated that excess stocks represent no more than 5 days' consumption.

Net pulp prices continued on a downward trajectory over the year, reaching a low point in this price cycle during the summer. However, in the second half of the year, prices on international markets started to recover, with substantial price increases being announced in various geographical regions, for both short and long fibre, including in Europe, as from Q1 2021.

As a result, over the course of 2020, the (gross) benchmark list price for BHKP pulp in Europe in USD stayed at 680 USD/ton, 20% lower than the average price of 855 USD /ton recorded in 2019. The price of BHKP pulp in Euros also dropped by 22%, to 597 €/ton vs. 762€/ton, and the recent weakness of the US dollar against the Euro during the second half penalised the PIX index in euros, thereby hitting the profitability of European pulp manufacturers.

During 2020, Navigator succeeded in recording a volume of pulp sales to the market significantly higher than in the previous year (up by around 25% in tons), making this the best period since 2009. 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 market pulp 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 € 156 million in value, as compared with € 165 million (down 6%).

Tissue sales grow in volume and value

Tissue business evolved favourably over 2020, with sales in volume standing at 106 thousand tons, representing an increase of 10% in relation to the previous year.

The Group's tissue business succeeded in reacting positively to the opportunity offered by the peak in demand triggered by COVID-19 for products in the *At Home* segment. This strong performance made it possible to offset the drop in business in the *Away from Home* 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 summer, this impact was particularly strong because of the sharp reduction in tourist numbers in the Iberian Peninsula where the Group places most of its sales for this segment.

Demand for tissue products proved fairly resilient and presented growth, even in the context of an economic slowdown and the pandemic situation. As a result, in 2020, demand for tissue grew by 1.8% in Europe, despite the decline across the *Away from Home* segment.

Navigator has made significant industrial and commercial efforts over the year to respond to growing demand for the *At Home* products, and succeeded in increasing sales of finished products.

The Group accordingly recorded an increase in tissue turnover of approximately 7%, to € 141 million. Finished products represented a slightly smaller proportion of total sales, down from 78% last year to 76% in 2020.

Energy Business reflects impact of transition to new tariff system

Power sales totalled € 144 million in 2020, down by 10.6% on the previous year, despite a marginal increase in total sales in MWh. The drop in the value of power sales vs 2019 was due essentially to three combined factors:

- (i) Over the course of the year, several cogeneration assets moved to a less favourable tariff system, under Ministerial Order 140/2012 of 14 May. These were the renewable cogeneration plant at the Setúbal pulp mill (TG3) in January, the combined cycle natural gas plant in Setúbal in April, and the renewable cogeneration plant at the Figueira da Foz pulp mill (TG4) in July;
- (ii) Reduction in sales volumes at renewable cogeneration facilities resulting from reductions in pulp and paper output, in the context of the pandemic, in particular in April and May. In addition, the natural gas combined cycle plant in Setúbal operated with only one of the two gas generator groups in May;
- (iii) Sharp drop in the Brent 603 price, the benchmark for electricity prices, dropping from an average of 67 USD/bbl in 2019 to 49 USD/bbl in 2020.

In a major new development, the new biomass boiler at the Figueira da Foz Industrial Complex started operating in the course of the fourth quarter, replacing the existing natural gas boiler and turbines supplying power to the paper machines.

Robust cost containment

The financial year of 2020 was marked by significant efforts to contain overall costs. The main progress achieved in efforts to optimise variable costs was in the following areas:

- external fibres (resulting not only from the evolution of prices for long and short fibre but also from significant efforts to reduce specific consumption);
- wood (in particular due to the work done in all industrial units to reduce specific consumption over the period and a favourable alteration in the sourcing mix);
- chemicals (due to both price reductions for certain products and also the efforts made to reduce consumption, especially in bleaching, but also elsewhere);
- packaging materials.

It is important to note that team efforts have been made that have contributed to a significant reduction in 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. Contracts for all raw and subsidiary materials have been renegotiated.

Significant containment could be observed over the year in fixed costs, which stood at around € 47 million below the level in 2019 (-15% YoY), with positive evolution in all fixed costs items, but most especially in running costs, in particular in corporate areas.

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

Annual EBITDA totalled € 286 million, down 23% on 2019, in a context of steeply falling pulp prices (down 22%), a reduction in paper volumes due to the pandemic (down 12%) and lower paper prices (down 7%). The EBITDA / Sales margin stood at 20.6%, 1.4 p.p. lower than in 2019.

Financial Costs improve by € 4.2 million

Financial costs stood at € 14.7 million (vs. € 18.9 million), representing an improvement of € 4.2 million, as a result of a positive variation of € 1.6 million in currency hedging results, a very positive variation of € 3.3 million in interest on debts to the State, a variation of € 0.9 million in relation to the current value of the amounts still receivable from the sale of the pellets business in 2018 and the receipt of € 1.2 million in interest on amounts received in the course of the anti-dumping proceedings in the US.

This was in contrast to interest on financial investments which continued to fall (down € 2.1 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 € 1.2 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 1.63% vs. 1.77%).

Pre-tax profits totalled € 125.7 million and corporate tax payable stood at € 16.5, the taxation rate for the period having fallen to 13%, from 22% in the previous year. Net income stood at € 109.2 million, as compared to € 168.3 in 2019.

Excellent cash flow generation in 2020: € 234 million

Despite the adverse conditions in 2020, Navigator again demonstrated its excellent capacity to generate cash, recording free cash flow of € 233.5 million, the highest since 2014, comparing with the figure of € 186.2 million in 2019.

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, € 56 million in the third quarter and € 63 million in the fourth 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. Stock levels also fell across the company, and another decisive factor was the reduction in capital expenditure.

Restructuring of debt in 2020

The Group took a highly active approach to financing activities in 2020; in the early part of the year this was constrained by the pandemic situation, but adjustments were subsequently made to adapt to a long term vision.

Three phases may be identified over the course of the year in the financial activity. The main concern in the first phase was to secure sufficient liquidity to face the great uncertainty about the impact of the pandemic on the Group's business. To this end, the company contracted a number of short term facilities totalling 210 million euros.

Once it had guaranteed the liquidity it needed, the Group turned its attention in the second half to refinancing a series of operations maturing in 2021, issuing long term debt totalling 222.5 million euros. These operations did not involve any immediate cash injection, instead providing for use of funds as and when needed, in accordance with projections. This planned approach, geared to staying one step ahead of developments, forms the basis of the Group's long-established financial policy.

Lastly, in the final quarter, the Group partially restructured a loan maturing in 2023, buying back the bonds and simultaneously issuing fresh bonds totalling 75 million euros, maturing in 2026.

With these operations, the Group extended the average maturity of its medium and long term debt to approximately 3.7 years.

After distributing reserves of € 99 million euros to its shareholders in January, the Group paid out a further € 99 million of reserves in December, whilst maintaining liquidity at what may be regarded as a very comfortable level, with approximately € 302 million in short term liquid assets at the end of the year.

A significant contribution to this came from the partial repayment to Navigator of anti-dumping duties in the United States of €17.6 million during 2020. This reimbursements result from the downward revision of the applicable rates to the sale of certain UWF products in the United States and the difference in the amounts deposited with US Customs for the periods corresponding to the first and second period under review ("POR1" and "POR2"). POR1 includes sales from August 2015 until February 2017 and POR2 sales from March 2017 until February 2018. Regarding POR1, an additional amount estimated at € 6.2 million should be received in 2021.

At the end of the year, net interest-bearing debt totalled € 680 million (excluding IFRS 16), representing a reduction of € 35.2 million from year-end 2019. The Net Debt / EBITDA ratio remains at a conservative level of 2.38 x (excluding the impact of IFRS 16 on interest-bearing net debt).

INVESTMENT IN 2020

Capex of € 81 million (vs. 158 million in 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 € 81 million, from an accounting perspective.

As a result, capital expenditure in 2020 totalled € 80.6 million (as compared to 158.0 million in 2019). This sum includes mostly projects aimed at maintaining production capacity and achieving efficiency gains. It also includes € 25 million for environmental measures, namely the New Biomass Boiler in Figueira da Foz (€ 22.2 million), and around € 17 million on projects to recondition assets, in particular two projects undertaken at the Aveiro mill: the new chip pile, and the revamping of the wet pulp section. Both these projects are part of the roadmap for decarbonisation and modernisation of the Group.

In the 4th quarter of 2020, Navigator started up a new biomass boiler at the Figueira da Foz industrial complex, representing total investment equivalent to € 55 million. This new unit will enable the Company to reduce its emissions of fossil carbon dioxide, at the Figueira da Foz site, by between 150 and 200 thousand tons a year, cutting the Group's emissions by 30% in 2021, representing a third of the goal the Company has set itself to accomplish.

This capital project was part of the Company's decarbonisation strategy, reflecting the decision taken in 2019 to meet the European targets fifteen years ahead of schedule, in 2035, and so achieve carbon neutrality at all its industrial complexes, entailing a reduction of 86% in its CO2 emissions. Achieving this will involve a total investment of 154 million euros.

Approximately 400 thousand tons of biomass will be used each year to fuel the new unit. Half of this will come from internal waste, produced in debarking eucalyptus wood (bark and sawdust), joined by a further 200 thousand tons of external forestry waste, produced in forestry and countryside management operations.

The new boiler will use this waste forestry biomass to generate thermal energy for the Company's production processes, resulting in much greater efficiencies in generating energy (combined generation of heat and electricity). The new facility will have increased capacity and meet tougher standards of environmental performance, as a result of The Navigator Company's commitment in using the best technology available today for this purpose.

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 on logistical issues relating to the Port of Macuze. In public statements in late November, the port concessionaire announced that construction work would start in the third quarter of 2021, with a view to the port opening to ships in the first quarter of 2024.

In the field, a Forest Investment scheme continues to be implemented as a government initiative with World Bank funding. 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, and the 2020-2021 season has got under way with a target of 1,500 hectares. Portucel Moçambique plays an active

role in designing and implementing the programme and provides wide-ranging support by designing the silviculture model, providing cloned plants at a subsidised price and offering access to raw materials and know-how. When the plantations are ready for harvest, Portucel Moçambique will have first option on purchase of the wood.

Wood harvesting operations have also started on Portucel Moçambique's plantations in Manica, for export through the Port of Beira. Amongst other objectives, this will make it possible to put Mozambique on the world map in this forest-based industry. Three shiploads are currently planned for delivery in 2021, representing approximately 100,000 m³ of wood. In view of the aforesaid developments, the Group revised the assumptions concerning the eucalyptus wood market in Mozambique, valuing the forest in Manica and Zambézia, by approximately € 16.7 million.

Additionally, given the remaining uncertainties, the Group maintained its exposure to Mozambique fully provisioned.

OUTLOOK

The key features of pulp business in 2020 were very low short fibre prices, especially in Europe, as well as the differential between regions (in particular in relation to China) and the wide gap between short and long fibre. These factors created upward pressure on the price of hardwood pulp towards the end of the year in Europe, and resulted in several announcements of price rises for January 2021.

Recent announcements of price rises for long fibre in China and Europe and for short fibre in China have been successfully implemented, and fully reflected in the price index (PIX). It's noteworthy that the PIX has already started to reflect an upward trend. Further announcements of higher prices are to be expected in view of rising long fibre prices in China, which may leverage other prices, and the expectation that the prevailing USD exchange rates will hold steady may facilitate acceptance by buyers (in China and Europe) of price increases in dollars.

The successive announcements of price increases in short fibre – to \$750 (+\$70) in January and to \$820 (+\$70) in February in Europe, and \$530/\$545 (+\$30/\$45) for January and \$580 for February in China – allow for a substantial increase in pulp prices in Q12021.

Stocks at pulp manufacturers are currently close to or below normal levels, especially for short fibre. These levels have been impacted by the postponement of maintenance shutdowns from the first to the second half or even until 2021 (due to Covid-19), by substantial unplanned shutdowns in softwood pulp and by capacity closures also in softwood pulp in North America (~0.7Mt/y). The new short fibre capacity expected in the market in late 2021 will most likely only have an impact in 2022, and so the estimated capacity utilisation rates for 2021 should be close to those for 2020, at around 92%.

In the paper segment, higher pulp prices in all regions of the world and in both short and long fibre will serve to support rising paper prices. Following the increase made in international markets, Navigator has announced an increase of 4 to 6% in the price of its UWF products in Europe for February 2021, and several other paper companies have also announced price increases. UWF manufacturers started 2021 with order books at comfortable levels - around 30 days at the end of December for Navigator and 28 days for its European competitors, in line with previous years.

In addition, higher maritime freights should act as a deterrent, in the short term, to the placement of significant additional volumes in Europe by the major exporting countries (Indonesia, the United States, Canada and Brazil). Closures of Uncoated Woodfree capacity between 2019 and 2021 in the US and Asia, and of Coated Woodfree capacity in Europe, also contribute to a better balance between supply and demand.

It should also be noted that paper stocks in the distribution chain are at a relatively low level and that incoming orders in January compare favourably with those recorded in early 2020.

However, in the current situation, there remains great uncertainty as to the duration, extent and impact of the current lockdowns in European countries and the potential effects of the 2nd/3rd wave on international markets. The impacts on the global economy and on the Group's key markets, as well as on the activity of the printing and office paper sectors may result in a reduction in paper orders during the first quarter.

Trends in Tissue business were positive throughout 2020, and the sector substantially improved its industrial performance, with consolidation of operations in Aveiro and robust performance in Vila Velha de Ródão. This success, combined with commercial efforts, enabled the Group to increase its sales of finished products and its market share in the *At Home* and *Away from Home* segments, despite the contraction of the latter. The Group expects to face a challenging 2021 and intends to press ahead with improvement to the efficiency of operations in Aveiro and to optimise its levels of specific consumption.

As in other segments, as soon as pulp price increases take effect, it is highly likely that prices will rise in the Tissue market (possibly by around 4 to 5%), so as not to undermine the profitability of the different manufacturers.

Without doubt, 2020 was one of the most challenging and difficult years in living memory, with an extremely high level of disruption and impact on the people's lives and on society in general. At a very early stage, Navigator took all the measures within its powers to protect its people and minimise the impact on its business. Swift action in the Company's most critical areas - ranging from careful management planning of production of all products, to the sales strategy implemented, review of its capex plan, firm cost containment, support for the entire value chain and an active approach to financing - made it possible to limit the adverse effects of this crisis and to demonstrate the resilience of Navigator's business model.

Lisbon, 25 January 2021

Subsequent Event:

Anti-dumping process in the USA – Final rate for POR3 confirmed at 6.75%

On January 19th 2021, the Department of Commerce (DoC) confirmed the final rate to apply to the sale of certain UWF products to the USA relative to the third period under review ("POR3"). The final rate, unchanged versus the preliminary rate, is 6.75%.

The confirmed rate is in line with the Company's estimates and means that the estimated duty paid when importing into the US will now be 6.75% until the final results of POR4.



Conference call and Webcast

Date: 28 January 2020

Service times: 17:00 (Western European Time)

Dial-in for participants:

Portugal: +351 308 806 432

Spain: (local) 919 01 16 44

United Kingdom: (local) 020 3936 2999

United States: (local) 1 646 664 1960

All other locations: +44 20 3936 2999

All numbers must be followed by the pin code: 697249

FINANCIAL STATEMENTS

The Navigator Company, S.A.
CONSOLIDATED INCOME STATEMENT
31 December 2020 and 31 December 2019

Amounts in Euro	31-12-2020	31-12-2019
Revenue	1,385,360,624	1,687,859,963
Other operating income	38,960,171	39,085,720
Changes in the fair value of biological assets	16,814,611	12,155,274
Costs of goods sold and materials consumed	(569,724,151)	(716,135,341)
Variation in production	(32,545,175)	1,931,449
External services and supplies	(392,254,700)	(466,857,759)
Payroll costs	(132,129,704)	(145,657,670)
Other operating expenses	(28,973,873)	(40,290,592)
Net provisions	(2,310,289)	36,727
Depreciation, amortisation and impairment losses in non-financial assets	(142,772,875)	(138,536,054)
Operating results	140,424,637	233,591,717
Financial income	4,879,362	2,989,393
Financial expenses	(19,564,994)	(21,896,117)
Net financial results	(14,685,632)	(18,906,724)
Gains/(losses) of associates and joint ventures	-	-
Profit before tax	125,739,005	214,684,993
Income tax	(16,522,754)	(46,395,807)
Net profit for the period	109,216,252	168,289,186
Attributable to Navigator Company's Shareholders	109,213,720	168,290,315
Attributable to non-controlling interests	2,532	(1,129)

The Navigator Company, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 31 December 2020 and 31 December 2019

Amounts in Euro	31-12-2020	31-12-2019
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	11,912,684	4,506,689
Property, plant and equipment	1,183,949,592	1,249,651,599
Right-of-use assets	51,827,000	45,517,924
Biological assets	148,584,452	131,769,841
Investment properties	94,235	95,882
Receivables and other non-current assets	31,450,588	58,778,469
Deferred tax assets	30,629,217	31,638,565
	1,835,787,234	1,899,298,435
Current assets		
Inventories	176,735,137	217,879,700
Receivables and other current assets	234,323,064	247,408,647
Income tax	3,498,632	25,145,169
Cash and cash equivalents	302,399,831	161,880,403
	716,956,664	652,313,920
Total Assets	2,552,743,899	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	(20,881,569)	(18,728,949)
Fair value reserves	(6,641,368)	(6,384,412)
Legal reserve	100,000,000	100,000,000
Other reserves	266,443,645	98,153,331
Retained earnings	97,981,342	206,004,258
Net profit for the period	109,213,720	168,290,315
Equity attributable to Navigator Company's Shareholders	1,025,926,506	1,027,145,277
Non-controlling interests	275,182	273,817
Total Equity	1,026,201,688	1,027,419,095
Non-current liabilities		
Interest-bearing liabilities	690,878,427	863,936,941
Lease liabilities	47,495,753	42,450,826
Pensions and other post-employment benefits	12,715,838	6,588,076
Deferred tax liabilities	85,962,014	80,413,906
Provisions	23,409,335	19,948,347
Payables and other current liabilities	30,234,237	30,837,585
	890,695,605	1,044,175,681
Current liabilities		
Interest-bearing liabilities	291,532,356	13,194,444
Lease liabilities	5,585,166	4,396,971
Payables and other current liabilities	302,801,582	426,197,436
Income tax	35,927,502	36,228,728
	635,846,606	480,017,579
Total Liabilities	1,526,542,211	1,524,193,260
Total Equity and Liabilities	2,552,743,899	2,551,612,355