

The fibre of people

$\frac{2}{4}$



Tasmanian Blue Gum
Eucalyptus globulus

In heritage forest managed by the Company are identified about 800 species and flora subspecies and 241 species of fauna.



THE
NAVIGATOR
C O M P A N Y

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 2nd QUARTER 2021 AND 1st HALF 2021

After a first quarter marked by new waves of Covid-19 infections and lockdown periods in most of the Group's key markets, the last three months have seen a gradual reopening of economies and a recovery in the demand for paper. Following the strong recovery of pulp prices, paper prices registered a continued upward adjustment along the second quarter.

Analysis: 2nd Quarter 2021 vs. 1st Quarter 2021 and vs. 2nd Quarter 2020

- The 2nd quarter of 2021 brings up a clear improvement compared with the 1st quarter of the year, and by all means in relation to the 2nd quarter of 2020, period in which the Group's activities were particularly hard hit by the pandemic;
- Paper volumes were up by 9% on the 1st quarter of 2021 and 58% in relation to the 2nd quarter of 2020; pulp sales volume, instead, evolved on a different way, given the reduced availability of market pulp (down 6.5% on Q1 2021 and down 33% on Q2 2020) due to higher paper integration, whilst tissue volumes fell short the levels of previous quarters (down 7% on Q1 2021 and down 4% on Q2 2020);
- Although pulp prices strongly rallied over the period (with benchmark index in Europe up 31% in USD vs. Q1 2021 and up 51% vs. Q2 2020), paper index was down by 3% vs. Q2 2020, while starting to show some recovery as compared to the start of 2021 (up 1.3%);
- Turnover stood at € 374 million, up 10% on the 1st quarter of 2021 and 29% on 2020, thanks to the recovery in paper volumes and the improvement on pulp prices;
- Accordingly, EBITDA for the quarter totalled € 80 million (up 13% vs. Q1 2021 and up 55% vs. Q2 2020), corresponding to a margin of 21.4% (0.7 pp higher than in the first quarter of 2021 and up 3.5 pp on Q2 2020);
- Net income in the second quarter of 2021 stood at € 41 million, as compared to € 23.5 million in the first quarter (up 74%) and € 13.4 million in Q2 2020 (up 205%);
- Free Cash Flow was strong at € 65 million (as compared to € 56 million in the previous quarter and € 99 in the second quarter of 2020);
- Navigator distributed dividends of € 100 million at the end of May, and Net Debt decreased by € 22 million (vs. 2020) to € 658 million, improving Net Debt / EBITDA ratio from 2.38 to 2.22 X;
- The Company negotiated a Sustainability Linked Bond of € 100 million maturing in 5 years, whose terms are indexed to the attainment of ESG indicators; this reflects the Company's full commitment to sustainability goals.

Analysis: 1st Half 2021 vs. 1st Half 2020

- Improved conditions on paper market, with a gradual increase in volumes, though selling prices remain below the values of the first half of 2020;
- Annual maintenance shutdown at Figueira da Foz pulp mill and paper machines, with an impact of 11 days in the 1st quarter, and annual shutdown at Aveiro tissue mill with an impact of 5 days in June;
- Sales volume totalled 700 thousand tons of paper (up 17%) and 152 thousand tons of pulp (down 21%). Tissue sales volume was in line with the first half of 2020, at 52 thousand tons;

- Turnover recovery of 3% to € 715 million, with the increase in paper volumes offsetting the lower level of prices;
- The Company achieved an EBITDA of € 150 million and a sales margin of 21.4% (vs. € 140 million and a margin of 20% in H1 2020), benefiting from an improvement in paper volumes, pulp sales price and savings on unitary variable costs;
- Net income for the first half totalled € 64 million, as compared to € 44 million in the 1st half of 2020 (up 46%);
- Strong generation of Free Cash Flow of € 121.5 million, vs. €114 million;
- Capital expenditure in the first half totalled € 32.8 million, essentially related with maintenance and environmental investment;
- In line with its goal of creating sustainable value and contributing to the reduced use of plastics through its replacement for sustainable materials, Navigator took an important step forward in its diversification strategy by entering into a new business area and developing a series of new products in the packaging sector.

Leading Indicators

Million euros	H1 2021	H1 2020	Change ⁽⁸⁾ H1 21/ H1 20
Total Sales	714.7	695.5	2.8%
EBITDA ⁽¹⁾	150.5	140.1	7.4%
Operating Profits (EBIT)	90.7	63.7	42.4%
Financial Results	- 10.1	- 8.3	22.4%
Net Earnings	64.4	44.0	46.3%
Cash Flow	124.2	120.5	3.8
Free Cash Flow ⁽²⁾	121.5	114.0	7.5
Capex	32.8	48.7	- 15.9
Net Debt ⁽³⁾	658.1	700.4	- 42.3
EBITDA/Sales	21.1%	20.1%	0.9 pp
ROS	9.0%	6.3%	2.7 pp
ROCE ⁽⁴⁾	10.8%	7.2%	3.6 pp
ROE ⁽⁵⁾	12.8%	8.4%	4.4 pp
Equity Ratio	40.9%	40.1%	0.8 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2.22	2.29	-0.07

Million euros	Q2 2021	Q1 2021	Change ⁽⁸⁾ Q2 21/Q1 21	Q2 2020	Change ⁽⁸⁾ Q2 21/ Q2 20
Total sales	373.9	340.8	9.7%	289.7	29.1%
EBITDA ⁽¹⁾	79.9	70.6	13.2%	51.7	54.6%
Operating profits	50.6	40.1	26.3%	15.4	229.6%
Financial results	- 0.4	- 9.7	-95.9%	- 2.1	-81.2%
Net earnings	40.9	23.5	74.0%	13.4	204.8%
Cash flow	70.2	54.0	16.2	49.7	20.5
Free Cash Flow ⁽²⁾	65.1	56.4	8.7	99.1	- 34.0
Capex	12.7	20.1	- 7.4	26.0	- 13.3
Net Debt ⁽³⁾	658.1	623.6	34.5	700.4	- 42.3
EBITDA/Sales (%)	21.4%	20.7%	0.7 pp	17.8%	3.5 pp
ROS	10.9%	6.9%	4.0 pp	4.6%	6.3 pp
ROCE ⁽⁴⁾	12.1%	9.5%	2.6 pp	3.4%	8.7 pp
ROE ⁽⁵⁾	16.2%	9.1%	7.2 pp	5.1%	11.1 pp
Equity ratio	40.9%	39.9%	0.9 pp	40.1%	0.8 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2.22	2.33	-0.11	2.29	-0.07

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
7. Impact of IFRS 16: Net Debt / EBITDA H1 2021 of 2.40; Net Debt / EBITDA as restated 30/06/2020: 2.47;
8. Variation in figures not rounded up/down

ANALYSIS OF RESULTS

2nd Quarter 2021 vs. 1st Quarter 2021 vs. 2nd Quarter 2020

The 2nd quarter of 2021 brings up a clear improvement compared with the 1st quarter of the year, and by all means in relation to the 2nd quarter of 2020, period in which the Group's activities were particularly hard hit by the pandemic.

Turnover stood at € 374 million, up 10% on the 1st quarter of 2021 and 29% on 2020, thanks essentially to the recovery in paper volumes and higher pulp prices.

Paper volumes grew by 9% in relation to the 1st quarter of 2021 to 365 thousand tons, recovering 58% compared with the 2nd quarter of 2020. A4-Copy B paper price index (PIX) recovered by 1.3% from the 1st to the 2nd quarter, though it remains lower than in the second quarter of 2020. After the implementation of the two price increases in the European market, Navigator's average sales price recovered by around 3% between both quarters of 2021.

Pulp volumes sold evolved differently, due to the reduced availability of market pulp (down 6.5% vs. Q1 2021 and vs. 33% on Q2 2020), due to the maintenance shutdowns and higher integration level of UWF paper. Higher pulp prices recorded in 2021 enable the impact mitigation of lower sales volume, wherefore pulp sales in the 2nd quarter totalled € 42 million, up by 17.5% in relation to the 1st quarter of 2021, but still down by 2.7% on the 2nd quarter of 2020.

Sales volume in the tissue segment through the second quarter was lower than in previous quarters (down by 7% on Q1 2021 and down 4% on Q2 2020), given the slower than expected recovery in the Away-from-Home segment and the stock drop of domestic consumers. The positive evolution of tissue average sales price allowed to minimise the impact on total sales value, which was down by 5% in relation to Q1 2021 and down 2% compared with Q2 2020.

In this context, EBITDA for the quarter stood at € 80 million (up 13% vs. the 1st Quarter and up 55% vs. the 2nd Quarter of 2020) and EBITDA/Sales margin improved to 21.4%. Free Cash Flow of the quarter stood at € 65 million, positively comparing with the 1st quarter of 2021 but lower than the 2nd quarter of 2021, where a number of measures were adopted in working capital management as a response to the situation of great uncertainty. Net income totalled € 41 million, significantly better than in previous quarter (up 74%) and in the same quarter last year (up 205%).

1st Half 2021 vs. 1st Half 2020

In the first half of 2021, The Navigator Company recorded a turnover of € 715 million, with paper sales accounting for around 70% of turnover (vs. 67%), pulp sales 11% (vs. 11%), tissue sales 10% (vs. 10%) and energy sales 9% (vs. 10%). After a first quarter marked by new waves of Covid-19 infections and lockdown periods in most of the Group's key markets, the last three months have seen a gradual reopening of economies and a recovery in demand for paper. Following the strong recovery in the level of pulp prices, paper prices had an upward adjustment during the second quarter.

Paper market gradually recovers, with demand for UWF growing by 4%

Global demand for printing and writing papers rose by 1% YTD May, and UWF paper grew by 4%, clearly outperforming coated paper (0%) and mechanical papers (-5%). In Europe, demand for UWF paper during the first half grew even faster, up by 6%, with strong monthly figures in May (up 35%) and June (up 36%).

In the United States, preliminary figures for accumulated demand for UWF paper in the first six months of the year already broke into positive territory, with YTD growth of 0.3%, and very strong positive evolutions in May and June (18% and 17%, respectively). Such recovery is also visible in other global regions, particularly in China, where YTD growth in 2021 stood at 17%.

In this context, Navigator maintained a very robust order book over the first half, and ended June with orders of 55 days. This figure favourably compares with the 32 days of its competitors, and also compares well with the approximately 30 days in the same period last year. Navigator saw a reduction on its paper stocks over the first six months, and ended June with around 13 days' stocks, a historically low level, that compares with an average of 29 days of its competitors.

The A4 benchmark index for Europe stood at € 823 /ton at the end of June, a positive evolution compared with 806 €/ton at the start of the year, which points to a gradual recovery in prices. Such recovery was still not enough to bring the index above its 2020 level, reflected in a H1 2021 average that still compares unfavourable with the average for the same period- € 814 /ton vs. € 855 /ton. The Group implemented price increases across all regions over the first half and its average sales price has clearly improved since the start of the year, in particular between the first and the second quarters. It should be noted that the average sales price ended up being significantly penalised by the evolution of exchange rates on international markets, with product and market mixes reflecting the pandemic situation in Europe, and a larger share taken by overseas markets with a strong recovery in demand and prices.

In this context Navigator's sales reflect the improvement in demand for paper over the course of the year: sales in quantity grew by 17% to 700 thousand tons, although the value of sales was conditioned by price levels, resulting in a growth of approximately 9% YoY.

Expressive recovery on pulp prices during the 1st Half

There was a sharp and significant recovery in benchmark prices in the pulp market in the beginning of 2021, first in China and then in Europe. The benchmark index for hardwood pulp in Europe – PIX BHKP in euros – was up by 69% in June as compared to the start of the year, at € 938 /ton, with an increase of approximately 22% in average prices in the first half of 2021 vs. the first half of 2020. The benchmark index in China for hardwood pulp rose by 52% between the start of the year and end of June, to USD 759 /ton, peaking at USD 780 /ton in May. Despite a downward adjustment in pulp prices in China during the second half of the 2nd quarter, the European price grew until the beginning of July.

Despite the narrowing of the price differential between hardwood and softwood pulp, it is still wider than historical averages, especially in China, providing support for hardwood pulp prices in Europe in the months ahead.

The improvement in pulp prices was sustained by a combination of factors, among which we may point to an improvement in the economic situation worldwide and rising commodities prices across the board, as well as to specific drivers in the sector, including the upturn in demand in the Away-from-Home tissue segment and the Décor segment and robust demand for printing and writing papers, in particular for UWF. In addition, growth in the demand for packaging Ivoryboard, made from virgin fibre, and the reduction in availability of recycled fibre around the world also helped to drive demand for pulp.

At the same time, supply-side constraints have been felt in the pulp market due to production shutdowns, planned and unplanned, and longer than usual maintenance shutdowns as a result of the increased restrictions resulting from the pandemic. The conversion of some short fibre pulp capacity to soluble fibre, as well as current logistical constraints, have also restricted the amount of hardwood pulp available in the market.

Navigator started 2021 with a relatively lower level of pulp stocks. This, combined with the major maintenance shutdown at the end of the first quarter at the Figueira da Foz site and the higher integration into paper, limited the quantity of pulp available for sale in the first half. Sales accordingly stood at 152 thousand tons, 21% down on the first half of 2020, when the Group benefited from a larger quantity of pulp available for sale as a result of some of its paper machines stoppages due to the pandemic and to some destocking. The recovery in pulp prices observed since the start of the year made it possible to mitigate the decline in sales volumes, and the value of sales in the first half was down by 3% YoY.

Over the course of the first half, sales in Europe were up on 2020, with growth in the Décor segment and UWF, and a reduction in speciality and tissue.

Tissue business continues the strong performance recorded in 2020

The tissue market felt the effects of travel restrictions imposed again early in the year, especially in the Away-from-Home segment, with the delay in reopening economies and consequent impact on the Horeca channel and the return to the offices. In the At-Home segment, there was some winding down of household stocks, mainly when compared with the same period of the previous year. As vaccination roll-outs make progress and the prospects for a return to some kind of normality improve, a gradual upturn is expected in the Away-from-Home segment, albeit slower than initially anticipated.

The sharp rise in pulp prices over the first half, peaking in July (USD 1,139 /ton for BHKP in Europe) has put heavy pressure on the margins of tissue manufacturers, with a large number announcing price increases for June and July.

In this context, Navigator's sales kept the good performance of 2020, totalling 51.8 thousand tons, roughly in line with the previous year. The average sales price was slightly above the previous year (up 0.4%) with an upward move of finished products' sales price. As a result, sales in value were in line with the first half of 2020.

Energy production grows 5% to 502 Gwh during Q2

In the first half of 2021, electricity sales totalled € 63.9 million, representing a reduction of 12% compared with the same period of last year. This drop was essentially due to the fact that the combined cycle gas power station in Setúbal has been supplying electricity to one of the paper machines since the start of the year, rather than selling power to the national grid.

This was due to the breakdown of a power transformer and the company expects this situation to be resolved by March 2022.

Power sales totalled € 32.7 million in the second quarter, which represents an increase of 5% over the first quarter, whilst output totalled 502 GWh, as compared with 479 GWh in the first quarter. The situation will be normalized by March 2022.

Quarterly operating figures

Pulp

(in 000 tons)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YoY	QoQ
BEKP Output	268.7	337.6	363.9	337.1	380.2	41.5%	12.8%
FOEX – BHKP Euros/ton	619	583	570	650	853	37.8%	31.1%
FOEX – BHKP USD/ton	680	680	680	782	1028	51.1%	31.4%

Paper

(in 000 tons)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YoY	QoQ
UWF Output	223.5	333.4	353.9	330.0	370.0	65.5%	12.1%
FOEX – A4- BCopy Euros/ton	845	828	809	809	819	-3.1%	1.3%

Tissue

(in 000 tons)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YoY	QoQ
Reels Output	29.6	29.0	27.7	29.4	28.6	-3.5%	-2.7%
Output of Finished Products	20.0	19.2	18.8	21.2	20.5	2.6%	-3.3%

Energy

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YoY	QoQ
Production (GWh)	435.2	509.0	528.6	479.2	501.9	15.3%	4.7%

Reduction in variable costs across the Company and containment of fixed costs enables Navigator to record EBITDA of € 150 million and an EBITDA/Sales margin of 21%

Along the first half, there was a positive evolution of production variable costs (at constant levels), of about € 23 million, achieved in wood, energy and chemicals, essentially due to improved efficiency in specific consumption levels. The Company pressed ahead with its drive to contain fixed costs, firstly launched in 2020, with a decrease in running costs of € 7 million in relation to the first half of 2020 (down 15%), while personnel and maintenance costs moved in the opposite direction, as predicted, rising 14% and 15% respectively. Total fixed costs were 4% above the level attained in the first half of 2020.

In this context, EBITDA for the first half stood at € 150 million, as compared to € 140 million in the same period in 2020 (up 7.4%). The EBITDA/Sales margin stood at 21.1% and compares with a margin of 20.1% YoY. The exchange rate had a negative impact on EBITDA

of approximately € 20 million, with an average EUR/USD rate in the first half of 2021 of 1.21 vs. 1.10 in the first half of 2020.

Financial costs increase by € 2.3 million due to non-recurrent developments

Financial results stood at € 10.1 million (vs. € 7.8 million), an increase of € 2.3 million, caused essentially by the negative variation of compensatory interest (down by € 1.4 million) which, although positive, compare with a very high figure in 2020, and by the cancellation of an interest rate swap associated with a bond issue repaid in December 2020 (€ -1.5 million). In contrast, there was an increase of € 0.8 million in net interest income from financial investments, which edged into positive territory in comparison with the very negative figures achieved in the same period of last year. The costs of financing operations were slightly negative (variation of -0.2 million), due to a small increase in the average cost of borrowing resulting from a smaller proportion of short term debt, which in the first half of 2020 rose to a significant value because of the liquidity obtained to face the pandemic situation.

As a result, pre-tax profits stood at € 80.5 million (vs. € 55.4 million in the 1st half of 2020), with corporation tax (IRC) payable in the period totalling € 16.1 million. Net income in the first half of 2021 totalled € 64.4 million, up by 46% on the same period in the previous year.

Strong free cash flow generation of € 121.5 million

Generation of Free Cash Flow stood at a highly significant level of € 121.5 million for the first half, reflecting the gradual upturn in the Group's operating performance. It should be recalled that the second quarter of 2020 was marked by a series of measures relating to management of working capital, adjusted to respond to the period of high uncertainty and which immediately freed up cash on a very substantial scale (longer payment periods, containment of CAPEX...).

Investment in working capital then fell off significantly over the year, in the context of a moderate increase in stock levels (mainly due to prices) and clients, as the Company gradually returned to its usual levels of activity. In this context, our suppliers' management policy, combined with the provision of solutions that support liquidity to our partners, made a very active contribution to generation of free cash flow.

Analysing generation of free cash flow over the past twelve months, Navigator generated a very considerable value of approximately € 241 million.

Payment of € 100 million in dividends and reduction of net debt to € 658 million

Net debt has significantly fallen in relation to year-end 2020 and to the same period in 2020, despite the payment of € 100 million in dividends during the first half. Supported by the improvement in operational performance, the Net Debt/EBITDA ratio of 2.22 X shows a downward course, further consolidating the robust financial position of the Group over the last years.

It shall be noted that total short term borrowing obtained in the first half of 2020, as part of efforts to safeguard liquidity in the face of the pandemic, has been fully repaid. In addition, the average maturity of the Group's debt has been extended as a result of a restructuring process, whose last phase will be concluded in August 2021. This has lengthened repayment periods and, simultaneously, cut the respective costs.

On the 5th of August, Navigator is set to issue a five-year bond with a value of € 100 million, against early repayment of a financing operation of the same amount, maturing in 2023. This will further extend the average maturity of the Group's debt and reduce the Company's financing costs, as well as featuring terms tied to the fulfilment of its sustainability commitments.

The terms of the loan are indexed to two ESG indicators envisaged in the Company's Sustainability Agenda, and also aligned with the United Nations Sustainable Development Goals. The first indicator sets targets for the reduction of CO2 emissions, consistent with the Company's Roadmap for Carbon Neutrality, in which Navigator commits to become carbon neutral at its industrial sites by 2035. The second indicator sets targets for increasing the percentage of certified wood purchased on the Portuguese market. Certification of wood is one of the most direct and specific routes to achieve sustainability goals in our business sector, and the best guarantee that processes leading to sustainable forest management have been adopted.

Capex of € 32.8 million (vs. € 48.7 million YoY)

Capital expenditure in the first half totalled € 32.8 million (as compared to € 48.7 million in the first half of 2020). This value includes mainly projects aimed at maintaining production capacity and achieving efficiency gains. It also includes € 5.5 million in environmental improvements and about € 3 million in other projects, including the new woodchip pile in Aveiro and solar power facilities in Figueira da Foz (completed) and Setúbal (under construction). The execution plan of investment through the first half ended up being constrained by the restrictions related with the pandemic.

Navigator launches new business line of packaging products, consolidating its role in replacing plastics with sustainable materials

Navigator has been working for some years on the development of packaging solutions, namely through the production of packaging papers for its own products, as well as paper to manufacture bags and heavyweight (high grammage) papers. In the last 18 months, a strategic decision about the avenues for its future development prompted the Company to move into the production of new packaging products, developing a new business area in a growing segment and as a response to the need felt worldwide to fight the consumption of plastics, namely single use plastics, and contribute to reduce the pollution of the oceans.

From Fossil to Forest – a strategy aligned with Navigator's purpose of creating sustainable value for its investors and for society as a whole, making a better planet to hand down to future generations through sustainable products and solutions that are natural, recyclable and biodegradable, and that contribute towards carbon sequestration, oxygen production, the protection of biodiversity, soil formation, and the fight against climate change. Navigator has decided to invest in the packaging solutions for the food industry, which are safer and more hygienic, reducing the risk of contamination by bacteria, microorganisms and even dangerous substances that recycled fibres typically contain. With a unique texture and singular printing performance, these products are resistant and in line with the concept of sustainable shelf ready packaging.

Navigator's new development strategy lays down on the following criteria:

- continue the Group's track record of innovative solutions, with a request for a first patent and trademark submitted;

- boosts the use of eucalyptus fibre which, with its distinguished characteristics of sustainability, performance, hygiene and safety, is proving to be equally unique in this segment;
- implying a very limited investment, in both pulp and in paper production;
- allowing, in this first phase, to take advantage of Navigator's PM1 and P3 paper machines in Setúbal, with smaller dimensions and greater flexibility of production, and reducing pressure on UWF.

The packaging segment has a wide range of products and the Company aims to rapidly evolve into the production of flexible packaging, bags and Kraftliner products.

This approach allows a greater flexibility in terms of production, as it keeps the option of maintaining the production of UWF in these paper machines, adjusting to market conditions.

The Company expects to sell a significant volume of packaging products until year-end and enlarge its offer in 2022. The main goal is to gradually increase the output until it reaches approximately 200 thousand tons by 2025/2026. The estimated Capex in this first phase for producing these products is approximately € 10-12 million per year.

Hence, this is an extremely attractive growth option with a very high ROCE, given the moderate level of investment and the possibility to replace UWF less added value products. Additionally, the growth can be done in a moderate way, improving the use of less relevant UWF assets, opening the way for future conversions or greenfield investments in new machines.

The reporting of the packaging activity will continue to be included in the UWF segment, until it wins sufficient materiality.

Outlook

As the economy recovers and the vaccination plan is implemented, conditions in the pulp, paper and tissue sector can be expected to remain positive overall.

In paper business, the expected economic upturn combined with the improved balance between supply and demand in the United States and Europe, following the capacity closures and conversions already announced, points to good prospects for the second half of 2021. Incoming orders and very full order books in the industry in June, low import volumes, under pressure from freight costs, and a balanced level of stocks in the pipeline, all serve to underline this positive outlook and suggest that further price rises will occur in the second half of the year. To note that, beside pulp price and freights, costs associated with chemicals and energy are strongly pressuring European paper producers' margins.

In the pulp market, after a sharp growth over recent months and narrower price differential between regions, business is expected to evolve more moderately in the second half, with prices peaking during the third quarter in Europe.

In tissue, higher prices for pulp and other cost production factors are putting pressure on manufacturers' margins and have accelerated announcements of price rises, although slower than desired. The Company is implementing a drive to cut costs, which will enable it to minimise the impact on its margins.

Navigator will accordingly maintain an active approach to manage its fixed and variable costs across the organisation, developing its capex and diversification plan, as well as its sustainability projects.

Lisbon, 27 July 2021

Conference Call and Webcast

Date: 29 July 2021

Time: 11:30 (Western European Time)

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Financial Statements

The Navigator Company, S.A.
CONSOLIDATED INCOME STATEMENT
30 June 2020 and 2021

Amounts in Euro	6 months 30-06-2021	6 months 30-06-2020
Revenue	714,734,217	695,501,712
Other operating income	16,912,865	22,332,559
Changes in the fair value of biological assets	(5,047,422)	(3,028,520)
Costs of goods sold and materials consumed	(292,530,789)	(289,236,682)
Variation in production	3,776,126	(6,274,323)
External services and supplies	(194,329,574)	(200,674,883)
Payroll costs	(73,239,439)	(64,492,399)
Other operating expenses	(19,807,248)	(14,041,309)
Net provisions	(259,909)	(1,907,275)
Depreciation, amortisation and impairment losses in non-financial assets	(59,532,348)	(74,520,840)
Operating results	90,676,479	63,658,040
Financial income and financial gains	4,581,948	4,200,818
Financial expenses	(14,704,395)	(12,467,846)
Net financial results	(10,122,447)	(8,267,028)
Gains/(losses) of associates and joint ventures	-	-
Profit before tax	80,554,033	55,391,012
Income tax	(16,132,463)	(11,355,141)
Net profit for the period	64,421,570	44,035,871
Attributable to Navigator Company's Shareholders	64,417,118	44,033,448
Attributable to non-controlling interests	4,452	2,423

The Navigator Company, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 30 June 2021 and 2020

Amounts in Euro	30/06/2021	31/12/2020	June 2020
ASSETS			
Non-current assets			
Goodwill	377,339,466	377,339,466	377,339,466
Intangible assets	17,231,913	11,912,684	823,726
Property, plant and equipment	1,158,592,494	1,183,949,592	1,220,855,185
Right-of-use assets	51,243,879	51,827,000	51,325,994
Biological assets	143,537,030	148,584,452	128,741,320
Investments in associates and joint ventures	-	-	-
Investment properties	93,412	94,236	95,058
Other financial investments	-	-	-
Receivables and other non-current assets	30,662,613	34,696,105	32,714,528
Deferred tax assets	31,069,668	30,629,217	28,634,617
	1,809,770,476	1,839,032,752	1,840,529,894
Current assets			
Inventories	183,614,072	176,735,137	243,117,075
Receivables and other current assets	244,982,055	231,772,282	247,361,855
Income tax	1,579,845	3,482,762	21,938,172
Cash and cash equivalents	184,092,548	302,399,831	316,897,525
	614,268,520	714,390,012	829,314,627
Total Assets	2,424,038,996	2,553,422,764	2,669,844,521
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	500,000,000	500,000,000	500,000,000
Treasury shares	-	(20,189,264)	(20,189,264)
Currency translation reserve	(22,633,284)	(20,881,569)	(18,189,420)
Fair value reserves	(8,172,753)	(6,641,368)	(6,441,055)
Legal reserve	100,000,000	100,000,000	100,000,000
Other reserves	260,126,715	266,443,646	98,153,331
Retained earnings	95,614,916	97,981,342	371,123,039
Net profit for the period	64,417,118	109,213,720	44,033,448
Equity attributable to Navigator Company's Shareholders	989,352,711	1,025,926,507	1,069,490,077
Non-controlling interests	285,329	275,182	275,927
Total Equity	989,638,040	1,026,201,689	1,069,766,004
Non-current liabilities			
Interest-bearing liabilities	694,667,320	690,878,427	699,107,798
Lease liabilities	47,434,269	47,473,102	47,146,114
Pensions and other post-employment benefits	8,047,546	12,562,465	11,331,686
Deferred tax liabilities	85,669,874	85,962,014	86,666,965
Provisions	23,652,994	23,409,335	22,548,515
Payables and other current liabilities	30,023,022	30,234,237	27,479,911
	889,495,026	890,519,580	894,280,989
Current liabilities			
Interest-bearing liabilities	147,499,905	291,532,356	318,194,444
Lease liabilities	5,445,521	5,607,817	5,503,134
Payables and other current liabilities	344,023,930	303,649,690	345,582,873
Income tax	47,936,575	35,911,632	36,517,077
	544,905,931	636,701,495	705,797,529
Total Liabilities	1,434,400,956	1,527,221,075	1,600,078,517
Total Equity and Liabilities	2,424,038,996	2,553,422,763	2,669,844,521