

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

**INTERIM
RESULTS
1ST QUARTER
2018**

1/4



THE
NAVIGATOR
C O M P A N Y

Highlights 1st Quarter 2018 (vs. 1st Quarter 2017)

- Quarterly EBITDA grew 23% to € 111 million, with the positive impact of pulp and paper prices and sale of pellets business
- Navigator concluded the sales of its pellets business during the quarter, representing a cash inflow of € 67.6 million (67% of sales value) and a capital gain of € 15.8 million
- The impact of the pellets business on the 1st quarter EBITDA was € 9.4 million, and EBITDA excluding pellets sales would be € 101 million (up 8%) and EBITDA/Sales margin 26% (up 2.2 pp)
- Turnover of € 385 million (down 2%), affected by reduction in pulp sales volume
- Free cash flow generation of € 134 million (compared to € 24 million), driven by sound operating performance, but also by partial inflow from sale of pellets business
- Net income up 50% to € 53.2 million
- Stronger balance sheet thanks to reduction in net debt to € 559 million, with Net debt/EBITDA ratio standing at 1.3
- M2 cost reduction programme continues, with estimated positive impact on EBITDA of € 3.8 million
- Navigator sees confirmation of reduction in anti-dumping duty to 0% by US authorities for period August 2015 to February 2017

Leading Indicators – IFRS

(quarterly indicators unaudited)

Million euros	Q1 2018	Q1 2017	% Change ⁽⁷⁾ Q1 18/Q1 17
Total Sales	384.9	392.7	-2.0%
EBITDA ⁽¹⁾	110.9	90.2	23.0%
EBITDA Without Pellets ⁽²⁾	101.5	94.3	7.6%
Operating Profits (EBIT)	78.0	52.0	49.8%
Financial Results	- 5.5	-3.9	40.1%
Net Earnings	53.2	35.6	49.7%
Cash Flow	86.2	73.7	17.0%
Free Cash Flow ⁽³⁾	134.0	24.2	109.8
Capex	28.6	14.3	14.3
Net Debt ⁽⁴⁾	558.7	616.6	-57.8
EBITDA/Sales	28.8%	23.0%	5.9 pp
EBITDA Without Pellets/Sales ⁽⁵⁾	26.4%	24.2%	2.2 pp
ROS	13.8%	9.1%	4.8 pp
ROE	17.7%	11.4%	6.3 pp
ROCE	17.0%	11.1%	6.0 pp
Equity Ratio	49.7%	51.8%	-2.0 pp
Net Debt/EBITDA ⁽⁶⁾	1.3	1.6	-0.2

(1) Operating profits + depreciation + provisions

(2) EBITDA without net impact of pellets business

(3) Net debt + dividends + purchase of own shares

(4) Interest-bearing net debt – liquid assets

(5) EBITDA margin excl. pellets/value of sales excl. pellets

(6) EBITDA corresponding to last 12 months

(7) Variation in figures not rounded up/down

1. ANALYSIS OF RESULTS

1st Quarter 2018 vs. 1st Quarter 2017

Turnover in the first quarter of 2018 stood at € 385 million, down by 2%, as a result of a series of maintenance shutdowns at pulp and paper mills over the quarter, affecting the quantity of pulp available for sale on the market.

Navigator's pulp business was affected by the reduction in the volume of pulp available for sale due both to the planned maintenance shutdown at the Setúbal pulp mill (with no

stoppage in the same quarter in 2017), and to the built up of pulp stocks at the Figueira da Foz mill, in advance of the production stoppage planned for April, to complete the capacity expansion project. As a result, pulp sales stood at 53 thousand tons, as compared to 90 thousand tons in the first quarter of 2017, when the Group recorded its highest figure ever. The upward trend in pulp prices observed in the previous year continued, and the average PIX BHKP index in Euros was up 28% in the quarter in relation to the average benchmark price in the 1st quarter of 2017. The Group's average selling price also improved 28%, allowing to partially mitigate the drop in sales volume, with total sales value reaching € 33 million (down 24%).

In paper business, market conditions evolved positively, and at the end of the quarter most producers had order books at the comfortable level of 34 days' output, well above the average level of orders for the past 10 years. Over the course of the quarter, Navigator took the lead in 2 price rises in Europe, announced in January and March (for implementation in April), as well as announcing other price increases in the United States and International markets. In this context, the average PIX A4 B-copy benchmark index in Euros for the quarter stood at 845 €/ton, up by 5.2% in relation to the same quarter in 2017.

The Group recorded positive evolution in its product mix, with the premium segment and mill brands representing a growing proportion of sales, but registering a change in the market mix, with less sales going to Europe and the United States. Navigator's average price improved by 3.1% in relation to the 1st quarter of 2017 but with very different developments depending on the markets. In Europe, the price recovered significantly, having also grown in International markets, although penalized by the evolution of the Euro/USD exchange rate. It should be noted that the average exchange rate for the quarter was 1.23 (vs. 1.06 in the 1st quarter of 2017), which caused a sharp erosion in sales prices in the United States, which evolved negatively YoY. The increase in the average sales price combined with a slight decline in the volume available for sale resulted in a modest increase in the value of paper sales, which totalled € 283 million.

The tissue market suffered a sharp increase in production costs in the 1st quarter, in particular in pulp prices which, despite the efforts of the main manufacturers, have not been reflected in higher prices for sales of tissue products to retailers. At Navigator, tissues grew in volume to approximately € 19 million, benefiting from an increase in the average sales price, due essentially to an improvement in the mix (with reels

representing a smaller proportion of sales) and to step-by-step implementation of a price increase which started in October, with the second rise taking place in January.

In energy business, electricity sales edged down by 1% in value to € 42 million, nonetheless reflecting smooth operation of our power generation assets. It is significant to note that the power sales recorded in the 1st quarter of 2017 occurred in the historical context of strong performance in the past five years, and were second only to the figures recorded in 2015. Navigator's total gross power output at the end of the first quarter of 2018 was also slightly lower, down by 1% YoYr, mainly due to production stoppages in pulp mills.

In this context, EBITDA totalled € 110.9 million, roughly 23% up on the previous year, including the gains recorded on disposal of the pellets business, completed in February 2018. The value of EBITDA excluding pellets business would be € 101.5 million and the recurrent EBITDA/Sales margin would have been 26.4%, 2.2 pp up on the same period last year.

On the costs side, attention should be drawn to rising prices for certain chemicals, in particular caustic soda, for which unit prices increased by more than 60% over the quarter. Also significant was the increase in personnel costs, due essentially to the growing workforce because of the new tissue project in Cacia, but also to severance pay and pension fund costs associated with the rejuvenation programme under way.

Navigator has pressed ahead with its M2 programme, improving operational efficiency through sustained reduction of production costs. This programme has had an estimated impact of € 3.8 million YoY on EBITDA, thanks in particular to successful savings initiatives in consumption of fibres (€ 1.3 million) and chemicals (€ 0.6 million). In addition to this reduction, the Group was also active in the renegotiation of its electricity and natural gas contracts, with savings estimated at market prices of around € 7.3 million.

Financial results showed a loss of € 5.5 million, as compared to a loss of € 3.9 million in 2017. This increase was caused essentially by the recording of a loss of € 3.3 million resulting from advance recognition of the difference between the nominal and present values of the differed amount related to the disposal of the pellets business (USD 45 million). The nominal interest receivable shall bear interest at the rate of 2.5%.

Pre-tax profits totalled € 72.4 million, as compared to € 48.1 million in 2017, and net income stood at € 53.2 million, up by 50% in relation to the first quarter of 2017.

At the end of March, the Group's net debt stood at € 558.7 million, representing a significant reduction in relation to year-end 2017 (€ 692.7 million) and reflecting the inflow from sale of the pellets business (€ 67.6 million) as well as strong cash flow generation over the period. It should be stressed that the Group is going through a period of heavy investment, with capital expenditure of € 29 million in the first half (as compared to € 14 million), relating to construction of the new tissue plant in Cacia, expansion of capacity in Figueira da Foz and other investment projects in regular pulp, paper and tissue operations.

With regard to working capital, the amount invested during the first quarter was significantly lower, with a crucial contribution from the very considerable improvement in balances receivable/payable to the State, thanks to the high amount of VAT refunds in the period. The Group recorded a balance receivable from the State of approximately € 51 million, which more than offset the increase of € 14 million in the value of inventories.

In this context, free cash flow generated in the period rose to € 134.0 million (vs. € 24.28 million in 2017). The Net debt/EBITDA ratio is 1.3, representing a significant improvement from the figure of 1.7 recorded at year-end 2017.

Operating Indicators

Pulp and Paper

(in 000 tons)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	1T 2018
BEKP Output	382.4	377.4	357.3	371.9	346.1
BEKP Sales	90.4	92.0	68.8	59.7	53.1
UWF Output	396.4	383.4	406.1	406.7	385.8
UWF Sales	371.3	400.6	386.4	419.9	361.2
FOEX – BHKP Euros/ton	645	719	747	805	824
FOEX – BHKP USD/ton	686	792	877	948	1013
FOEX – A4- BCopy Euros/ton	803	808	819	831	845

Tissue

(in 000 tons)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	1T 2018
Reels Output	14.7	13.6	13.0	14.8	14.1
Output of finished products	11.7	12.6	12.2	12.4	13.6
Sales of reels and goods	2.7	1.7	1.1	1.8	0.7
Sales of finished products	11.3	12.3	12.3	12.2	12.8
Total sales of tissue	14.0	14.0	13.3	14.0	13.5

Energy

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	1T 2018
Production (GWh)	561.3	556.4	535.9	573.7	553.5
Sales (GWh)	449.4	446.8	426.0	462.8	444.7

2. STRATEGIC DEVELOPMENT

The Group's capital expenditure in the first quarter of 2018 totalled approximately € 28.6 million. Two major development projects - construction of a new tissue mill in Cacia (able to produce 70 thousand reels and including converting capacity) and improvements to pulp production efficiency and environmental performance at the Figueira da Foz mill - accounted for 53% of this figure.

As a result, in the first quarter of 2018, the project to expand capacity in Figueira da Foz represented investment of € 4.2 million and the new tissue mill in Cacia approximately € 11 million. Recurrent investment in pulp and paper business totalled € 11.4 million, as well as € 1.9 million in the current tissue operation in Vila Velha de Rodão and other projects.

3. OUTLOOK FOR 2018

The pulp sector again recorded surprisingly strong performance in the first quarter of 2018, as the upward pressure on prices continued. Demand in the market remains robust and has been able to absorb the resumption of the normal pace of operations at mills which unexpectedly shut down production in 2017, as well as the new capacities which came on line last year and continue to ramp-up production.

In UWF paper, order books remain strong and the Group again took the lead in 2 price increases during the quarter in Europe, as well as announcing increases in the US market and in international markets. New price increases have already been announced for May and June in the United States and in International markets, and Navigator has announced to its clients (already in May) a further price increase in Europe taking effect from 1 July.

There are currently no foreseeable signs to a significant change in conditions in the pulp and paper market, and the main factors of uncertainty continue to be exchange rates and the costs of certain chemicals. It is important to note that the Group's pulp business performance in the second quarter will be affected by the maintenance stoppage at the Figueira da Foz mill, which will also be used to finalise and start up the project for expanded pulp capacity.

The tissue market will remain under strong pressure from the high level of pulp prices, and it is absolutely critical that tissue producers should succeed in passing on part of this increase in their sales prices for the rest of the year.

Setúbal, 10 May 2018

Subsequent Events

Navigator sees confirmation of reduction in anti-dumping duty to 0% by US authorities for period August 2015 to February 2017

In the course of April, Navigator was informed by the US authorities that the provisional anti-dumping duty to be applied retroactively to paper sales to the United States for the period from August 2015 to February 2017 will be 0%. This decision confirms the position consistently defended by Navigator, i.e. that there were no grounds for applying measures of this type to its products sold in the United States.

It should be recalled that the rate initially applied between 20 August 2015 and 11 January 2016 was 29.53% and was revised to 7.8%. This rate was in force until February 2017. The Company deposited an amount equivalent to about € 30 million until that date and, once the decision to apply the 0% rate has been confirmed, will proceed with the request for reimbursement of the amount already deposited.

Conference Call and Webcast

Date: 10 May 2018

Schedule: 17:15 PM (Western European Time – UTC)

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4. FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Amounts in Euros	3 Months Ending 31-03-2018	3 Months Ending 31-03-2017
Revenues		
Sales	383,558,961	391,254,865
Services Rendered	1,380,538	1,402,109
Other Operating Income		
Gains on the Sale of Non-current Assets	17,199,398	1,427
Other Operating Income	2,471,951	4,250,654
Change in the Fair Value of Biological Assets	1,215,853	(502,582)
Costs		
Cost of Inventories Sold and Consumed	(172,993,517)	(181,731,681)
Variation in Production	22,176,632	15,764,876
Cost of Materials and Services Consumed	(96,196,092)	(97,862,055)
Payroll Costs	(40,839,377)	(37,084,975)
Other Costs and Losses	(7,051,157)	(5,323,909)
Provisions	890,419	(1,736)
Depreciation, Amortization and Impairment Losses	(33,861,430)	(38,143,318)
Operational Results	77,952,180	52,023,674
Net Financial Results	(5,516,289)	(3,936,664)
Profit Before Tax	72,435,892	48,087,010
Income Tax	(19,187,500)	(13,244,421)
Net Income	53,248,392	34,842,589
Non-Controlling Interests	(929)	730,816
Net Profit for the Period	53,247,462	35,573,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Euros	31-03-2018	31-03-2017	31-12-2017
ASSETS			
Non-Current Assets			
Goodwill	377,339,466	377,339,466	377,339,466
Other Intangible Assets	7,988,725	8,698,436	3,878,245
Fixed Tangible Assets	1,166,837,122	1,271,646,151	1,171,125,052
Investment in Property	98,762	424,781	99,174
Biological Assets	130,612,789	125,110,366	129,396,936
Other Financial Assets	33,699,231	260,486	424,428
Deferred Tax Assets	44,874,221	43,937,615	44,727,571
	1,761,450,316	1,827,417,301	1,726,990,872
Current Assets			
Inventories	202,356,559	229,920,601	187,795,595
Receivable and Other Current Assets	254,830,356	221,928,761	237,704,322
State and Other Public Entities	33,696,309	67,886,287	75,076,422
Cash and Cash Equivalents	206,227,572	90,508,419	125,331,036
	697,110,796	610,244,068	625,907,375
Non-Current Assets Available for Sale			
Non-Current Assets Available for Sale	-	-	86,237,049
	-	-	86,237,049
Total Assets	2,458,561,112	2,437,661,369	2,439,135,296
EQUITY AND LIABILITIES			
Capital e Reservas			
Share Capital	500,000,000	717,500,000	500,000,000
Treasury Shares	(1,002,084)	(1,002,084)	(1,002,084)
Fair Value Reserves	(2,138,684)	(6,094,490)	(3,020,990)
Legal Reserves	109,790,475	99,709,036	109,790,475
Other Reserves	217,500,000	-	217,500,000
Translation Reserves	(27,191,426)	1,837,660	(13,966,898)
Advancement on Profits	371,874,638	424,892,070	167,388,264
Net Profit for the Period	53,247,462	35,573,406	207,770,604
	1,222,080,381	1,272,415,598	1,184,459,371
Non-Controlling Interests	208,959	1,145,816	420,277
Total Equity	1,222,289,341	1,273,561,414	1,184,879,648
Liabilities			
Non-Current Liabilities			
Deferred Taxes Liabilities	60,672,120	61,072,757	83,023,517
Pensions and Other Post-Employment Benefits	9,939,618	5,301,580	5,090,242
Provisions	39,750,844	28,385,919	19,536,645
Interest-bearing Liabilities	670,248,062	637,371,054	667,851,880
Other Non-Current Liabilities	23,998,979	31,401,026	25,466,139
	804,609,624	763,532,336	800,968,424
Current Liabilities			
Interest-Bearing Liabilities	94,702,381	69,702,381	150,205,591
Payables and Other Current Liabilities	284,160,997	252,820,886	259,509,848
State and Other Public Entities	52,798,770	78,125,988	43,571,785
	431,662,148	400,649,255	453,287,224
Total Liabilities	1,236,271,772	1,164,181,591	1,254,255,647
Total Equity and Liabilities	2,458,561,113	2,437,743,005	2,439,135,296