

The fibre of people

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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

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1. PERFORMANCE 4TH QUARTER AND FULL-YEAR 2021

The recovery on paper consumption boosted by the economic upturn, allied with the improvement between the supply and demand in the United States, Europe and MENA region, following the capacity closures and conversions already announced, allowed for a good performance both of the industry and Navigator in particular in 2021. After a financial year in 2020 severely marked by the impact of the pandemic on demand and by sharply falling prices, the Group's order book registered a robust health in 2021, with orders climbing to record levels in the 3rd quarter and again in the 4th quarter. At the same time, with increased UWF volumes and price rises across its products, Navigator succeeded in offsetting the sharp increase in raw material and logistical costs, mainly felt in the second half of the year, once again demonstrating its leadership capacity, resilience and flexibility of its business model.

4th Quarter Analysis (vs Q3 2021 and vs Q4 2020)

- Turnover stood at € 476 million, up by 18% from the 3rd quarter of 2021 and by 40% from 2020, driven by growing paper volumes and higher prices;
- Paper sales volumes were up by 4% on the 3rd quarter of 2021 and 15% higher than in the 4th quarter of 2020;
- Pulp volumes grew by 56% in relation to the 3rd quarter, when volumes were considerably low, though evolving distinctly compared to the same period in 2020 (-12%), due to less market pulp than in the previous year, via higher paper integration;
- Tissue volumes were up by 6% in relation to the previous quarter, and up by 3% vs the same period in 2020;
- Pulp prices strong growth (with the European benchmark index stable at 1,140 USD as from Q3 2021, and up by 68% on Q4 2020); the paper price index in Europe recorded a positive change in the fourth quarter of 2021, both in comparison with the average price in the fourth quarter of 2020 (up 12%), and in relation to the previous quarter (up 7%), pointing a growth of 21% over the course of 2021;
- EBITDA for the quarter totalled € 109 million (up 14% in relation to the 3rd quarter and up 45% from Q4 2020), reflecting an EBITDA margin of 22.8% (down 0.8 pp from Q3 2021 and up 0.8 pp on Q4 2020);
- Net income in the fourth quarter of 2021 stood at € 57 million, as compared to € 50 million in Q3 2021 (up 15%) and € 34 million in Q4 2020 (up 68%);
- Free Cash Flow was strong at € 52 million (as compared to € 61 million in the previous quarter and € 63 million in the 4th quarter of 2020).

2021 vs. 2020

- Turnover grew by 15% to € 1 596 million;
- The volume of paper sales totalled 1 474 thousand tons (up 16%), pulp sales stood at 292 thousand tons (down 26%) and tissue sales at 105 thousand tons (down 1%);
- Navigator achieved EBITDA of € 355 million and an EBITDA/sales margin of 22.2% (vs. € 286 million and a margin of 20.6% in 2020), benefiting from growth in paper volumes and higher prices for paper, pulp and tissue;

- Net annual income improved by 56% over 2020, to € 171 million;
- The Group displayed strong Free Cash Flow generation of € 235 million, in line with the 2020 figure of € 234 million;
- Capital expenditure in 2021 totalled € 80 million (vs. € 81 million in 2020), mainly including investments at modernising equipment, optimising production capacity, maintenance and environmental. To note that the Capex execution plan over 2021 was hampered by the pandemic, not only causing delays to start-up but also to deliveries by most suppliers, pushing back to 2022 most of the Capex originally scheduled in 2021;
- Net financial income stood at - € 18 million (vs. - € 15 million), representing an increased loss of € 3 million, due essentially to a reduction in financial gains which had been very strong in 2020;
- Sustainable finance debt issued through Sustainability-Linked Bonds in an amount of € 100 million. 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
- Net debt was down by € 85 million to € 595 million, after Navigator distributed dividends of € 100 million in the first half, and then an interim dividend (relating to 2021) of € 50 million in December, keeping the Net Debt / EBITDA ratio at a comfortable level of 1.68x;
- In line with its goal of creating sustainable value and contributing to reduced use of plastics through materials that offer sustainable alternatives, Navigator took another significant step towards its diversification strategy in 2021 by moving into a new business area and developing a series of products in the packaging segment. In 2021, Navigator achieved sales above € 40 million;
- Following the commitment made in its 2030 Agenda, Navigator has signed up to the Science Based Targets initiative (SBTi) and, underlining this commitment, as opposed to what the majority of peers from the sector have been doing, the Company immediately submitted for validation its targets for cutting greenhouse gas (GHG) emissions on the basis of the latest climate science, therefore dismissing the 2-year period that companies dispose and typically use it to do so, taking another important stride in its positioning to fight against climate change;
- To highlight the annual assessment by the Sustainalytics rating agency, published in late January, which again puts Navigator at the lowest risk level, as well as improving its previous rating to 14.3. Navigator was ranked third out of a total of 81 global companies in the Paper & Forestry industry cluster, and third in a subset of 60 global companies in the Paper & Pulp cluster. Navigator's rating and great ranking are important facts that reflect its ongoing efforts to integrate sustainability as a priority in its business model, demonstrating its capacity to anticipate and manage ESG risks in the conduct of its operations.

2. Leading Indicators

Million euros	FY 2021	FY 2020	Change ⁽⁷⁾ 2021 / 2020
Total Sales	1 595,9	1 385,4	15,2%
EBITDA ⁽¹⁾	354,7	285,5	24,2%
Operating Profits (EBIT)	229,6	140,4	63,5%
Financial Results	- 17,8	- 14,7	21,1%
Net Earnings	171,4	109,2	57,0%
Cash Flow	296,6	254,3	42,3
Free Cash Flow ⁽²⁾	234,7	233,5	1,2
Capex ⁽⁸⁾	80,1	80,6	- 0,5
Net Debt ⁽³⁾	594,8	680,0	- 85,2
EBITDA/Sales	22,2%	20,6%	1,6 pp
ROS	10,7%	7,9%	2,9 pp
ROCE ⁽⁴⁾	13,7%	8,1%	5,6 pp
ROE ⁽⁵⁾	16,4%	10,6%	5,8 pp
Equity Ratio	41,2%	40,2%	1,0 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	1,68	2,38	-0,70

in million euros	Q4 2021	Q3 2021	Change ⁽⁷⁾ Q4 21/Q3 21	Q4 2020	Change ⁽⁷⁾ Q4 21/ Q4 20
Total sales	476,2	404,9	17,6%	341,4	39,5%
EBITDA ⁽¹⁾	108,7	95,5	13,8%	75,1	44,8%
Operating profits	72,8	66,1	10,1%	40,8	78,3%
Financial results	- 5,0	- 2,6	92,4%	- 5,6	-10,4%
Net earnings	57,2	49,8	14,7%	34,0	68,3%
Cash flow	93,1	79,3	13,8	68,2	24,9
Free Cash Flow ⁽²⁾	52,1	61,2	- 9,1	63,1	- 11,0
Capex ⁽⁸⁾	28,3	19,0	9,3	10,9	17,4
Net debt ⁽³⁾	594,8	596,9	- 2,1	680,0	- 85,2
EBITDA/Sales (%)	22,8%	23,6%	-0,8 pp	22,0%	0,8 pp
ROS	12,0%	12,3%	-0,3 pp	9,9%	2,1 pp
ROCE ⁽⁴⁾	17,4%	12,1%	5,3 pp	9,5%	7,9 pp
ROE ⁽⁵⁾	22,1%	19,3%	2,8 pp	13,2%	8,8 pp
Equity ratio	40,9%	42,0%	-1,0 pp	40,2%	0,7 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	1,68	1,86	-0,18	2,38	-0,70

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 invested (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 2021 of 1.83; Net Debt / EBITDA in 2020 of 2.58
7. Variation in figures not rounded up/down

3. ANALYSIS OF RESULTS

4th Quarter 2021 vs. 3rd Quarter 2021 vs. 4th Quarter 2020

The fourth quarter maintained the positive trend observed in the third quarter of 2021, and also in relation to the same period in 2020, when the Group's business was hit particularly hard by the pandemic. Turnover stood at € 476 million, up 18% on the 3rd quarter and 40% on 2020, thanks essentially to the increase in paper volumes and improved average prices level which offset the sharp hike in costs.

Paper sales volumes grew by 4% in relation to the 3rd quarter of 2021, to 394 thousand tons, recovering by 15% in relation to the 4th quarter of 2020. The PIX A4-Copy B paper price index climbed by 7% from the 3rd to the 4th quarter, and by 12% in relation to average prices in the

same period in 2020. The continued success of Navigator's brands on global markets and the Company's leadership position enabled average prices to clearly outperform the market, rising by 10% from the 3rd to the 4th quarter, and by 27% in relation to the same quarter in 2020. The positive change in paper prices and the hike in volumes allowed sales to grow by 14% in comparison with the 3rd quarter and by 46% in relation to the final quarter of 2020.

Sales volumes for pulp followed a different course, growing by 56% over the previous quarter, essentially due to the impact of the maintenance shutdowns in the 3rd quarter at the Setúbal and Aveiro industrial sites, and falling 12% from the final quarter of 2020, via the low level of stocks and less market pulp for UWF paper integration. However, the increase in pulp prices as of 2021 allowed the mitigation of part of the impact from lower volumes sold, with pulp sales registering a growth of 59% in relation to the 3rd quarter of 2021, and 49% on the same quarter in 2020.

In tissue, the sales volume grew by 6% in relation to the previous quarter and 3% in relation to the final quarter of 2020. The positive change on average sales price for tissue enabled a growth of 7% in relation to the 3rd quarter of 2021 and 9% in relation to the same period in 2020.

In this context, EBITDA stood at € 109 million (up 14% in relation to the 3rd quarter and 45% in relation to the 4th quarter of 2020), reflected in an EBITDA margin of 22.8% (down 0.8 pp from Q3 2021 and up 0.8 pp on Q4 2020); Free Cash Flow for the quarter was € 52 million (compared to € 61 million in the previous quarter and € 63 million in the 4th quarter of 2020). Net income totalled € 57 million, significantly better than in the previous quarter (up 15%) and in the same quarter last year (up 68%).

4. QUARTERLY OPERATING FIGURES

Pulp

(in 000 tons)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	QoQ	Q4 21/ Q4 20
BEKP Output	363,9	337,1	380,2	356,2	386,5	8,5%	6,2%
FOEX – BHKP Euros/ton	570	650	853	967	997	3,1%	74,9%
FOEX – BHKP USD/ton	680	782	1028	1140	1140	0,0%	67,6%

Paper

(in 000 tons)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	QoQ	Q4 21/ Q4 20
UWF Output	353,9	348,3	394,6	390,5	400,7	2,6%	13,2%
FOEX – A4- BCOPY Euros/ton	809	809	819	843	906	7,4%	12,0%

Tissue

(in 000 tons)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	QoQ	Q4 21/ Q4 20
Reels Output	27,7	29,4	28,6	25,2	27,9	10,7%	0,7%
Output of Finished Products	18,8	21,2	20,5	19,1	21,2	11,0%	12,8%

Energy

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	QoQ	Q4 21/ Q4 20
Production (GWh)	528,6	479,2	502,8	469,4	510,7	8,8%	-3,4%

2021 vs. 2020

In 2021, The Navigator Company recorded a turnover of € 1,596 million, with paper sales accounting for approximately 72% of turnover (vs. 68%), pulp sales 11% (vs. 11%), tissue sales 9% (vs. 10%) and energy sales 8% (vs. 10%). The year was marked by increasing demand for UWF, particularly in Europe, after a year where global paper consumption had steeply dropped as a result of the pandemic. Another key feature of the year was the sharp rise in the cost of raw materials, energy, and logistics, mainly in the second half of the year. Navigator succeeded in offsetting the sharp hike in costs thanks to its continued cost containment efforts reinforced in 2020, through increased UWF volumes and the implementation of price rises across all businesses. Successive price increases were implemented over the course of 2021, in hand with the expressive optimization on sales mix, namely through product mix upgrade. In UWF business, the average price between January and December went up almost 30%, an unparalleled increase in the Group's history.

Paper market continues to improve, UWF demand in Europe growing by 7% in 2021

In Europe, demand for UWF paper performed even better over 2021, growing by 7%. The estimated drop in European imports, down by around 20% on 2020, drove up sales by European producers, which grew by 10% in relation to 2020.

Current estimates for 2021 point to growth in the United States, and to an increase in UWF paper demand in other worldwide regions in the order of 3%.

In this context, Navigator reduced its stocks to historically low levels while hitting new records on its order books in the final months of the year, superior to 80 days.

Navigator's share of the market among its European competitors also increased in the second half, in relation to the first half, in Europe (up 2.0 pp) and worldwide (up 2.4 pp).

The benchmark index for office paper in Europe stood at 976 € /ton at the end of December, well above from the figure of 806 €/ton at the start of the year. The upward trend of sales prices over the course of 2021, namely during the second half, resulted in an average sales price for the year higher than that recorded in 2020 (up 6%), whilst also outperforming the annual European benchmark index (up 1%).

Significant efforts were taken towards the implementation of price increases over the year, allowing the largest January to December hike in sales prices ever seen in Navigator's history, both globally and in the main markets in which we operate.

To also highlight the Group's dynamism and flexibility in its operations during the year. In the first half, the Group diversified its products and markets, in reaction to the pandemic situation in Europe, channelling more of its sales to overseas markets. In the second half, the Group kept pace with surging demand in Europe and the US, with growing sales in these markets. Alongside this, substantial price increases were implemented in all markets.

In this context Navigator's sales reflect the improvement in paper demand recorded over the course of the year: sales in quantity grew by 16% to 1,474 thousand tons, with the value of sales being boosted by the rise prices, thus showing a growth of approximately 23% in 2021.

The Group has continued to invest in the packaging segment with both production and sales dynamic continuing as planned. The PM1 and PM3 machines at the Setúbal mill assure supply on a flexible basis, with PM1 already fully dedicated to packaging (white and brown). The packaging sector achieved sales of more than € 40 million in 2021, serving bag manufacturing

industries, flexible packaging and corrugated cardboard. Sales reflected the demand favourable conditions, the effort in developing innovative products and the creation of a broad base of more than 80 new clients, focusing on markets in southern Europe, reaching in 2021 a total base of 125 active packaging clients.

The ambitious product development plan launched in 2021 will continue into 2022, not only through the expansion of new ranges grammages, but also via the innovation and development of new sustainable packaging solutions, able to replace fossil/plastic-based products.

Pulp prices stabilise at record levels

Pulp benchmark prices saw a sharp and significant hike at the start of 2021, first in China and then in Europe. The benchmark index for hardwood pulp in Europe – PIX BHKP in euros – was up by 82% at year-end in relation to the start of the year, at 1,007 Euros/ton, with an increase of approximately 45% in average prices in 2021 vs. 2020. The benchmark index in China for hardwood pulp rose steeply to a peak of 780 USD/ton in May, later adjusting downwards to 550 USD/ton at the end of November. Following on from announcements of further price increases, it rallied to 576 USD/ton at the end of December, 15% up on the start of the year.

This improvement in pulp prices in Europe was sustained by a number of factors, particularly including rising demand from end users, essentially for packaging and printing and writing papers (and to a lesser extent for tissue). Demand in the various paper segments in Europe was significantly boosted by a reduction in imports from Asia (and China, in particular), as a result of logistical constraints (shipping shortage and sharp rise in freight costs), increased exports to the MENA region and the vaccination roll-out and easing of lockdowns, with the consequent upturn in economic activity.

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 European market.

Navigator started 2021 with a relatively low level of pulp stocks. This, combined with the maintenance shutdown at the end of the first quarter at the Figueira da Foz site, followed by others in the third quarter at the Setúbal and Aveiro industrial sites, together with increased pulp integration into paper, limited the quantity of pulp available for sale in 2021. Sales stood at 292 thousand tons, 26% down on 2020, when the Group benefited from a larger quantity of pulp available for sale as a result of smaller pulp integration into paper, with the shutdown of some of its paper machines due to the pandemic and destocking. The recovery in pulp prices observed since the start of the year allowed to offset the decline in sales volumes, and the value of sales in the period was therefore up by approximately 9% on 2020.

Tissue business continues to perform strongly

The tissue market kept feeling the effects of the pandemic in 2021. Demand in southern Europe already registered some degree of recovery, despite the slow pace of reopening economies and mobility restrictions limiting the upturn in the Away from Home segment, which is tied

essentially to tourism and the Horeca channel. The At Home segment saw a stock reduction, especially when compared with the same period in the previous year, as consumption normalised after the peak in demand recorded in 2020.

At the same time, the steep upward trend over the year energy, logistics and commodities costs, pulp prices particularly, placed heavy pressure on tissue producers' margins, with a large number announcing price increases. As a result, Navigator implemented twice price increases during the year, in April and December.

The volume of tissue sales stood at 105 thousand tons, down by close to 1% in relation to 2020, with sales of finished products once again overcoming 80 thousand tons, above previous year's performance. Value of sales was driven by rising prices, showing therefore a growth of around 3% in 2021.

The year also saw the launch of differentiated and innovative products, such as Amoos® Naturally Soft, offering a high standard of softness without using chemical bleaching agents, Amoos Aquactive™, a new generation of tissue paper incorporating soap, and Amoos Air Sense™, with a perfume activated on every usage.

Power Output of 511 Gwh in fourth quarter

Power sales totalled € 135.1 million in 2021, down by 6% on the previous year. This reduction was essentially due to the fact that the natural gas combined cycle power station at the Setúbal industrial complex shifted to power for in-house generation production as from the start of the year, powering one of the paper machines on the site and selling surplus production to the national grid.

In line with the high prices recorded on the Iberian electricity market, it should be noted that, since November 22nd 2021, the surplus power from this unit has been priced at market levels, instead of the regulated tariff.

Another important development was the resumption of normal output by the company's renewable cogeneration facilities, where operation had been severely hit by the reduced production in response to the pandemic; these cogeneration plants recorded a 6% increase in power sales in relation to the previous year.

Two new solar power facilities started up in 2021 for on-site consumption, consolidating the Company's investment in this domain. The solar facility in Figueira da Foz started operating in January and is installed on one of the paper machines' roof, with a rated capacity of 2.6 MW. The new solar power plant in Setúbal started up in November and is the second one installed in this industrial complex, with rated capacity of 1.9 MW.

With the operation of these two new units, the Company now has a total rated capacity of approximately 7 MW in solar plants for its own consumption, corresponding to more than 21 000 solar panels.

EBITDA: Rising prices across the board and higher UWF volumes offset the increase in raw material costs, resulting in EBITDA of € 355 million

Production costs were hit hard over the year, rising by around € 20 million, essentially due to the rising cost of wood, via the larger wood predominance outside Iberia, and also the increased costs for external fibres, energy and chemicals.

Logistical costs have also worsened substantially, rising by 35 million euros; this situation was most acute in the second half, as a result of the current logistical constraints which are affecting the economy as a whole. Despite the difficult context where it is operating, both in terms of prices and the availability of resources, Navigator has successfully continued to operate at 100% capacity without any supply disruption upstream or downstream.

In Energy, power and natural gas prices have increased given the volume exposed to the market. To note that the effect of higher energy costs has been mitigated by the hedging risks policy with most purchases in 2021 being contracted at a fixed rate, as well as by the reduction in natural gas consumption thanks to the new biomass boiler in Figueira da Foz. Another important development was the re-allocation since the start of the year of the natural gas combined cycle power plant at the Setúbal industrial complex to on-site consumption, powering one of the paper machines of the complex, allowing the elimination of buying electricity from PM4.

The Company pressed ahead with its drive to contain fixed costs, launched in 2020, achieving a reduction in running costs of € 3 million in relation to 2020, whilst personnel and maintenance costs moved in the opposite direction, rising by 18% and 5% respectively. In what comes to maintenance costs, the increase is mainly explained by the incomplete maintenance programs in 2020, given the difficulties created by the pandemic.

The increase in personnel costs was in line with Navigator's strong performance in 2021, allowing the payment of bonuses to staff and resume the rejuvenation programme suspended in 2020. At the same time, the amount of personnel costs in 2021 compares with the costs in 2020 which were favourably affected by the support measures adopted in view of the pandemic. Alongside this, the Company tirelessly worked over the year with worker representation bodies to negotiate employment terms in Navigator's various business areas. An important result of this negotiation process was the new career framework for operational technicians, under which more than 1,235 employees (representing around 70% of staff in the relevant business areas) benefited from career advancement in January 2022. A collective employment agreement was also concluded for the first time in the tissue segment, with terms that reflect current reality in this business.

As a result, total fixed costs were 7% higher than in 2020. This increase is explained essentially by the figure for personnel costs.

In this context, the cost containment efforts, rising prices across company products and increased UWF volumes offset the sharp rise in production factors prices, allowing for an EBITDA in 2021 of € 355 million, as compared with € 286 million in 2020 (up 24%). The EBITDA / Sales margin stood at 22.2% and compares with a margin of 20.6% in 2020. Attention is drawn to the net negative impact of the exchange rate on EBITDA, of approximately € 10 million, with an average EUR/USD rate in 2021 of 1.18, as compared to 1.14 in 2020.

Financial Costs of € 17.8 million

Financial results stood at € 17.8 million (vs. € 14.7 million), a deterioration of € 3.1 million, essentially caused by a downturn in several forms of financial income which performed very positively in 2018, relating to amounts still receivable from the sale of the pellets business in 2018, interest income and flows relating to the antidumping proceedings in the US (taken together, down by € 3 million from 2020), and by the cancellation of an interest rate swap associated with a bond issue repaid in December 2020 (- € 1.5 million). Countering this, the costs of financing operations evolved positively (€ 1.4 million), due to a reduction in average debt in relation to the previous year, despite a slight increase in average costs resulting from a smaller proportion of short term debt, which in 2020 rose to a significant level because of the liquidity obtained to face the uncertainties of the pandemic.

Net income before tax totalled € 211.8 million and corporation tax (IRC) for the period was € 40.4 million, with a taxation rate for the period of 19.1%, as compared to 13.1% in the previous year. This rate is explained by the increase on the Group's profits, counterbalanced by the review of tax liabilities. Net income stood at € 171.4 million, as compared to € 109.2 in 2020.

Strong cash flow generation in 2021 of € 235 million

Free cash flow generation continued at a robust pace (€ 52 million in the 4th quarter), in line with the Group's strong operational performance, in particular as regards to sales and prices. The systematic focus on working capital management continues to be a significant complementary element in improving the regularity of financial flows.

Investment in working capital was kept at low levels over the year, in a context of moderate increase in stocks following the gradual upturn in activity, namely in pulp stocks which, although still at historically low levels, grew in 2021 by around 25 thousand tons from the very low level reached at year-end 2020.

Attention should also be drawn to the impact of our supplier's management policy which, combined with solutions to support liquidity of our partners actively contributed to the level of cash flow generated.

In 2021, Navigator generated a very impressive € 235 million in free cash flow.

Net debt cut to € 595 million

Two operations in 2021 were especially significant as they pave the way towards sustainable finance. In the first half the company recorded an inflow of € 27.5 million relating to a loan contracted from EIB in 2020; this grant was directly linked to the new biomass boiler at the Figueira da Foz industrial complex which, with overall capital expenditure equivalent to € 55 million, will enable the Company to reduce emissions of fossil carbon dioxide. A bond issue of € 100 million in the second half was indexed to ESG goals. With these two operations, we reached year-end 2021 with approximately 20% of total borrowing on a sustainable basis.

Navigator issued the new five-year bonds against early repayment of a financing operation of the same amount (€ 100 million), which had been due to mature in 2023. This operation - which was combined with a floating for fixed swap - further extended the average maturity of the Group's debt and reduced the Company's financing costs, as well as representing a commitment to sustainability goals alignment.

The terms of the loan are indexed to two ESG indicators envisaged in the Company's Sustainability Agenda, which, in turn, are aligned with the United Nations Sustainable Development Goals. The first indicator sets targets for reduction of CO2 emissions, consistent with the Company's Roadmap for Carbon Neutrality, in which Navigator commits itself to being carbon neutral at its industrial complexes 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 routes to achieving sustainability goals in our business sector, and the best guarantee that processes leading to sustainable forest management have been adopted.

After distributing dividends of € 100 million in the first half of the year, the Group proceeded to pay an interim dividend in December (in relation to its 2021 profits), totalling € 50 million, whilst maintaining a cash position of € 239 million at the end of the year.

Anti-dumping

As previously disclosed, during the first quarter of 2021, Navigator received the outstanding amount related to POR 1, totalling € 6.1 million. Later in the year it also received a further € 5 million relating to partial rebates of anti-dumping payments in the US. The receipts related to excess amounts deposited with the US customs authorities for the periods corresponding to the first and third periods of review, which ran from August 2015 to February 2017 (POR 1) and from March 2018 to February 2019 (POR 3). The final rate of 2.21% was published in October for POR4 (Mar2019–Feb2020) period and the US authorities accordingly initiated in late 2021 the process of paying rebates in relation to POR4 (approximately € 0.3 million receivable in 2022).

It should be noted that, having reached the end of a five-year period since the start of the anti-dumping process, the US authorities conducted a sunset review procedure in 2021, to reassess whether the process should be maintained or discontinued. The United States authorities conducted a full review of the anti-dumping process concerning imports of UWF paper into the country, to which the original order related, including imports from Portugal, and Navigator took an active part in the process. In January 2022, the US authorities decided to continue the anti-dumping process for a further 5 years, despite the Navigator continued price increases in the US market and the supply reduction from local producers in this market.

Capex of € 80 million (vs. 81 million in 2020)

Capital expenditure in 2021 was close to € 80.1 million, roughly equal to the figure of 80.6 million in 2020. This sum includes mostly projects aimed at modernising plant, maintaining production capacity and achieving efficiency gains. It also includes € 14 million in the environmental sector and decarbonisation, most significantly the final components of investment in the new biomass boiler at Figueira da Foz, relating to final acceptance of works (€ 6.0 million), and the new evaporation line in Aveiro (€ 3.5 million). Other important projects included the new wood yard in Figueira da Foz (7.2 million€), the new chip stack in Aveiro (1.1 million €), refurbishment of the Wet Sector in Aveiro (1.9 million €) and the solar power facilities in Figueira da Foz (completed) and Setúbal (under construction), totalling 14 million €.

Execution of the capex plan during 2021 was constrained by the restrictions relating to the pandemic. It may be recalled that, in 2020, in view of the uncertainty created by the pandemic and with the exception of the biomass boiler, Navigator went ahead only with projects essential for maintaining the group's production capabilities and postponed all other projects. As the

outlook became clearer, execution of the capex plan resumed at the end of the 1st quarter of 2021.

The next few years are expected to bring a gradual resumption of activity and the capex plan will return to the levels of previous years,

The 2022 capex plan will be targeted at the projects needed to keep operations productive, at environmental and decarbonisation projects and at Industry 4.0. There have also been a number of projects to modernise plant and facilities, some of them launched in 2020, such as the new wood yard in Figueira da Foz, the new evaporation line in Aveiro and replacement of fuel oil boilers with new natural gas boilers.

Navigator's commitment to innovation and to projects that promote resilience, the climate transition and the digital transition, means that the company is excellently placed for investment under the Recovery and Resilience Plan (RRP). Navigator submitted a number of applications in line with its own strategy; the project for Mobilising Agendas was successful in moving to the next stage, and a fuller submission will be made at the end of the first quarter of 2022.

Navigator is focused on its growth strategy and mindful of investment and/or partnership opportunities for developing its business, in the tissue, packaging, pulp and energy segments.

5. MOZAMBIQUE PROJECT

Navigator and the Mozambican Government have continued to work as agreed in the Memorandum of Understanding (MoU) signed in 2018, focussing efforts on establishing the necessary groundwork for Phase 1, export of woodchips, in particular on logistical issues relating to the Port of Macuze.

The Port concessionaire and the US fund, Ethos Asset Management Inc, announced to the market in mid-November the conclusion of a long-term financing agreement worth 400 million USD that will assure the construction of Port of Macuse phase one and access roads. This will entail building terminals for agricultural products operations, woodchips, fertilisers and fuels, able to accommodate ships of up to 65,000 DWT. The construction is planned to start in 2022 and operation in 2025.

Therefore, a set of initiatives are kept on track, from which we highlight:

- Harvesting wood on Portucel Moçambique's plantations in Manica province to export through Port of Beira. Among other goals, this will put Mozambique in the world map of this forest-based industry. Approximately 100,000 m³ of wood was harvested in the course of 2021, and three vessels have been shipped to Portugal, totalling around 90.000 m³.
- Resumption of new planting in Manica province, alongside forest maintenance activities with a view to the new production cycle in the harvested areas.
- Implementation of a Forest Investment scheme, a government initiative with funding from the World Bank and other cooperation partners, with the aim of promoting small and medium scale sustainable commercial forest plantations and restoration of degraded areas. Around two thousand hectares were planted under the scheme in the

2019-2020 and 2020-2021 seasons. 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 inputs, training and know-how.

- The Company signed up in 2021 to the Circular Bioeconomy Alliance (CBA), underlining its commitment to the circular economy, with the aim of reversing forest degradation in rural areas to more resilient and developed landscapes. CBA is a networking platform set up by Prince Charles, which entails the implementation of projects with a catalysing effect for resilient and sustainable landscapes. This innovative and inclusive project takes a holistic approach that ensures the integrity of ecosystems, community development and well-being and increasing production of natural products. The aims comprise: i) Woodlands restoration (1,500 ha); ii) Promotion of eucalyptus forests (1,500 ha); iii) Agroforestry development (5,000 households) and iv) Establishing four associations to manage natural resources.

Considering that Navigator is still working upon the precedent conditions for MoU Phase 1, as previously mentioned, the estimated responsibilities are properly provisioned.

6. COMMITMENT TO SUSTAINABILITY

During 2021, Navigator undertook an ambitious project that culminated in signing up to the Science Based Targets initiative (SBTi) and immediately submitting its targets for validation. In contrast to the normal pathway that companies follow under SBTi methodology, the Company decided this would be the most appropriate way forward to demonstrate its commitment. The near-term science-based targets submitted by Navigator are consistent with the ambition to reduce GHG emissions to the levels needed to limit global warming to 1.5 °C, in the case of scopes 1 and 2, and well below 2°C, in scope 3.

Through it, The Company reinforces its commitment and goals for the next decade around one of the key topics identified in its 2030 Agenda for responsible business management – “Climate Change and CO2 Sequestration” – pursuing its ambition to contribute to the Sustainable Development Goal 13 (Climate Action) and to have a positive impact on People and the Planet.

Navigator has been developing a series of strategies to measure and reduce its total GHG footprint, and also mitigate and adapt to the risks generated by climate change. By signing up to this initiative, the Company is moving forward in aligning with science-based criteria and methodologies as internationally endorsed by the global climate agenda, showing itself to be a leader in sustainability.

We should recall that Navigator is the first Portuguese company, and one of the first in the world, to anticipate in 15 years, by 2035, the commitment on carbon neutrality at its industrial complexes. To this end, the Company had already drawn up a Roadmap in 2019, featuring projects based on the use of renewable energy sources, in particular biomass and solar, in order to minimise the CO2 emissions from its operations and to improve its energy performance.

The Company's efforts to reduce its environmental impact received further recognition in 2021 and it improved further in the 2021 ESG Risk Rating published by Sustainalytics. This score assesses the company in terms of ESG (Environmental, Social and Corporate Governance) issues and awards an annual rating for its performance, in the context of the pulp and paper sector. Navigator places among the best companies in the world for sustainability, with a rating of 14.3, having once again been classified as a Low ESG Risk Company for investors. Navigator

is position in third out of a total of 81 global companies in the Paper & Forestry industries cluster, and third in a subset 60 global companies in the Paper & Pulp cluster.

7. OUTLOOK

As the economy recovers, the Covid-19 vaccination plan is rolled out and herd immunity starts to be achieved, conditions in the pulp, paper and tissue sector can be expected to remain positive overall. However, uncertainties still remain as to the impact of the logistical bottlenecks in global trade and the sharp upturn in inflation in different countries.

In the paper business, the expected economic upturn combined with the improved balance between supply and demand in the United States and Europe, as a result of capacity closures and conversions already announced, points to good prospects for 2022. This upturn will allow most of the population to gradually return to offices, leading to increased consumption of office paper, a segment that has performed less strongly than other printing papers. This positive outlook is underlined by very full order books in the industry, and particularly at Navigator, consistently above the industry average, along with low import volumes, under pressure from freight costs, and a balanced level of stocks in the pipeline.

2022 will also be a year in which the Company continues to expand its client base in packaging (from its current portfolio of 125 clients) and to expand into new regional markets.

In the pulp market, price indexes in China have been moving upwards since the end of 2021, driven by the relative scarcity of pulp supplies, constrained by logistical difficulties. At the same time, constraints printing paper exports and smaller dynamic from the domestic market (difficulty in increasing prices) continues to limit pulp consumption in China. In Europe, prices are expected to be sustained by the post-pandemic economic upturn, by the healthy level of demand and by the continuing logistical difficulties encountered in exporting from Latin America to Europe. As from the second half, a significant increase in supply in Latin America and a possible degree of improvement in the logistical situation are expected to create downwards pressure on prices.

In the tissue segment, in view of progress in vaccination programmes and improving prospects for a gradual return to pre-pandemic reality, it is expected that 2022 will see a progressive upturn in demand for tissue products in Iberia, as a result of recovery in tourism and other business in the Away from Home segment.

Navigator will therefore continue to step up its commercial presence in this segment, investing in differentiated products and creating new sustainable and environmentally responsible paper ranges, offering an innovative response to its customers' needs. At the same time, Navigator's current position allows it to examine strategic opportunities for boosting business growth.

The current scenario of highly volatile and rising costs, in particular in wood, chemicals, energy, packaging and logistics, led Navigator to increase its prices in 2021 and again in 2022 for products dispatched as from 1 January. Further increases are very likely, and will contribute to consolidating profitability, especially in the UWF and tissue segments.

In the energy sector, the shift in sales from all cogeneration facilities to market sales (OMIE) in 2022 will compensate rising prices for the energy purchases component, not yet fixed for the period.

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

8. PROPOSED ALLOCATION OF PROFITS

In view of Navigator's performance, the Board of Directors will propose to the General Meeting of Shareholders the distribution of a further dividend on outstanding shares, in relation to the financial year of 2021, of € 0,1406 per share, corresponding to a total value of approximately € 100 million.

Lisbon, 8 February 2022

Conference Call and Webcast

Date: 14 February 2022

Service times: 15:00 (*Western European Time*)

Dial-in for participants:

Portugal: +351 308 806 432

Spain: 919 01 16 44

United Kingdom: 020 3936 2999

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9. FINANCIAL STATEMENTS

The Navigator Company, S.A. Consolidated Income Statement on 31 December 2021 and 2020

Amounts in Euro	2021	2020
	<i>(Unaudited)</i>	
Revenue	1,595,870,445	1,385,360,624
Other operating income	31,380,233	38,960,170
Changes in the fair value of biological assets	(1,260,391)	16,814,611
Costs of goods sold and materials consumed	(629,794,745)	(569,724,151)
Variation in production	1,612,980	(32,545,175)
External services and supplies	(449,402,361)	(392,254,701)
Payroll costs	(155,015,795)	(132,129,704)
Other operating expenses	(38,674,036)	(28,973,873)
Net provisions	(3,142,944)	(2,310,288)
Depreciation, amortisation and impairment losses in non-financial assets	(121,999,345)	(142,772,875)
Operating results	229,574,041	140,424,638
Financial income	4,270,490	7 971 811
Financial expenses	(22,047,698)	(22 657 443)
Net financial results	(17,777,208)	(14,685,632)
Gains/(losses) of associates and joint ventures	-	-
Profit before tax	211,796,832	125,739,006
Income tax	(40,378,319)	(16 522 754)
Net profit for the period	171,418,513	109,216,252
Attributable to Navigator Company's Shareholders	171,411,455	109,213,720
Attributable to non-controlling interests	7,058	2,532

The Navigator Company, S.A.
Consolidated Statement of Financial Position
on 31 December 2021 and 2020

Amounts in Euro	2021	2020
	(Unaudited)	
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	24,752,529	11,912,684
Property, plant and equipment	1,145,244,507	1,183,949,592
Right-of-use assets	51,192,959	51,827,000
Biological assets	147,324,061	148,584,452
Investment properties	92,589	94,236
Receivables and other non-current assets	8,604,547	34,696,105
Deferred tax assets	28,037,408	30,629,217
	1,782,588,066	1,839,032,752
Current assets		
Inventories	186,550,658	176,735,137
Receivables and other current assets	317,882,760	231,772,282
Income tax	1,118,815	3,482,762
Cash and cash equivalents	239,171,252	302,399,831
	744,723,485	714,390,012
Total assets	2,527,311,551	2,553,422,764
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	500,000,000	500,000,000
Treasury shares	-	(20,189,264)
Currency translation reserve	(24,346,001)	(20,881,569)
Fair value reserves	(5,604,076)	(6,641,368)
Legal reserve	100,000,000	100,000,000
Other reserves	121,836,100	266,443,646
Retained earnings	231,525,876	97,981,342
Net profit for the period	171,411,455	109,213,720
Anticipated Dividends	(49,996,170)	-
Equity attributable to Navigator Company's Shareholders	1,044,827,184	1,025,926,507
Non-controlling interests	286,896	275,182
Total Equity	1,045,114,080	1,026,201,689
Non-current liabilities		
Interest-bearing liabilities	718,587,001	690,878,427
Lease liabilities	47,417,092	47,473,102
Pensios and other post-employment benefits	5,674,918	12,562,465
Deferred tax liabilities	92,528,775	85,962,014
Provisions	26,752,081	23,409,335
Payables and other current liabilities	37,014,427	30,234,237
	927,974,294	890,519,580
Current liabilities		
Interest-bearing liabilities	115,357,048	291,532,356
Lease liabilities	5,823,833	5,607,817
Payables and other current liabilities	393,161,894	303,649,690
Income tax	39,880,402	35,911,632
	554,223,177	636,701,495
Total Liabilities	1,482,197,471	1,527,221,075
Total Equity and Liabilities	2,527,311,550	2,553,422,764