



# VALUING IS WHO WE ARE

2022

CONSOLIDATED ANNUAL RESULTS

The Navigator Company, S.A.  
Public Limited Company

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Headquarters Península de Mitrena. Freguesia do Sado, Setúbal



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## 1. PERFORMANCE 4<sup>TH</sup> QUARTER AND FULL-YEAR 2022

The rapid changes in the macroeconomic and geopolitical situation in Europe triggered by Russia's invasion of Ukraine led to increased global uncertainty and insecurity over the course of 2022. The costs of energy, logistics and raw materials - already at historically high levels at the start of year, due to cost inflation observed since the second half of 2021 - all rose substantially.

The sector experienced unique conditions, with several factors contributing to a shortage of paper in Europe, in the first half of 2022. This situation of under-supply, combined with the anticipation of a significant increase in production and logistical costs, helped to push order book levels and delivery times to historically high levels and contributed to rising prices across the board for all grades of printing paper.

In the second half of the year, fears of an economic slowdown led to a reduction in apparent demand at a time when stocks along the entire supply chain were at a fairly high level and logistical chains were rapidly normalising. The destocking will take more or less time to come down depending on the evolution of demand, especially in Asia, on the speed at which supply and logistical chains readjust and on the degree to which the economy slows.

Navigator's distinctive features, as an integrated Forestry, Pulp, Paper, Tissue, Packaging and Energy producer, with a flexible business model, solid market know-how anchored in experienced teams, ensures the confidence in the Group's resilience and strong performance in adverse market conditions.

### 4<sup>th</sup> Quarter Analysis (vs Q3 2022 and vs Q4 2021)

- Navigator closed the quarter with turnover of € 642 million, down by 5.6% on the 3<sup>rd</sup> quarter of 2022 and up by 34.9% on 2021;
- Sales volumes for paper were down by 8% on the 3<sup>rd</sup> quarter and 7% lower than in the 4<sup>th</sup> quarter of 2021. The all-time high level of order books in the first half enabled operations to proceed normally through to the end of the year, despite the slowdown in demand;
- Sales volumes for paper were down by around 1% on the previous quarter and 38% lower than in the 4<sup>th</sup> quarter of 2021. The maintenance shutdowns in Aveiro and Figueira da Foz this quarter reduced pulp output, with an impact on the volume of pulp available for sale; at the same time, slower demand also penalised pulp sales in relation to the same period in the previous year;
- In tissue, the sales volume was down by close to 8% in relation to the previous quarter, and 11% on the same quarter in the previous year, due principally to a reduction in the sales volume for reels;
- EBITDA for the quarter totalled € 184 million (down 11% in relation to the 3<sup>rd</sup> quarter and up 70% in relation to the 4<sup>th</sup> quarter of 2021), reflected in an EBITDA margin of 28.7% (1.8 pp lower than in the previous quarter and up 5.9 pp on 4<sup>th</sup> quarter of 2021);
- Net income in the 4<sup>th</sup> quarter stood at € 122 million, as compared to € 109 million in the 3<sup>rd</sup> quarter (up 12%) and € 57 million in the same period in 2021 (up 114%);
- Free Cash Flow was strong at € 140 million (as compared to € 148 million in the previous quarter and € 52 million in the 4<sup>th</sup> quarter of 2021).



## 2022 vs. 2021

- Turnover grew by 54% to € 2,465 million, breaking through the barrier of two billion euros for the first time in the Group's history;
- The Group continued to focus on increasing the productivity of its assets, and output rose for all products in relation to 2021. In the pulp segment, the increase was more than 3%, 4% in paper and 1% in the Tissue segment (with more than 2% for finished products). One of the highlights was annual output from the Figueira da Foz pulp mill, where a new all-time record was set (603.3 ktAD), due to capital expenditure in recent years, a range of operational improvements and continued focus on productivity;
- The volume of paper sales totalled 1,499 thousand tons (up 2%), pulp sales stood at 255 thousand tons (down 13%) and tissue sales at 102 thousand tons (down 4%), while the volume of finished product in this segment grew by 2%;
- In the Tissue segment, the Company was particularly successful in pursuing growth in sales and distribution of its mill brands. As a result, sales of Navigator brands grew by almost 9% across the different channels and markets;
- In the Packaging segment, despite the adverse macroeconomic context, Navigator achieved sales above € 90 million in 2022, doubling the value of sales in 2021;
- Navigator has achieved an EBITDA of € 736 million, and an EBITDA/sales ratio of 29.9% (as compared to € 355 million and margin of 22.2% in 2021);
- Net annual income improved by 129% over 2021, to € 392.5 million;
- The Group presented strong generation of Free Cash Flow of € 463 million, as compared to a figure of € 235 million in the previous year;
- Financial results stood at € -57 million (vs. € -18 million), an increased loss resulting essentially from non-recurrent items (€ 38 million) related to accrued exchange rate losses, recycled from equity accounts in the 1<sup>st</sup> quarter;
- Net debt fell from € 595 million to € 382 million, despite Navigator's distribution of reserves and dividends totalling € 250 million in 2022, bringing down the Net Debt / EBITDA ratio to 0.52x;
- Capital expenditure in 2022 totalled € 112.5 million (as compared to €80 million in 2021), of which close to € 39.1 million relates to investment classified as environmental, accounting for nearly 35% of total capex;
- Navigator and the German company P2X Europe signed an agreement in principle for a joint venture – P2X Portugal – to develop a state-of-the-art industrial unit for large scale production of non-fossil fuel for the aviation sector, also known as e-Sustainable Aviation Fuels (e-SAFs) - carbon-neutral synthetic jet fuel (kerosene), produced from green hydrogen and biogenic CO<sub>2</sub> obtained by reclaiming forestry waste and wood by-products from our integrated cellulose pulp and paper mills;
- Issuance of a sustainability-linked bond, with a value of € 150 million, under the Sustainability-Linked Bonds Framework;
- Navigator has received approval from the Science Based Targets Initiative (SBTi) of its targets for reducing greenhouse gas (GHG) emissions. The approval of science-based climate targets was considered by SBTi as a "key element" for a decarbonisation trajectory leading to net zero, as prescribed in the report of the Intergovernmental Panel on Climate Change (IPCC) in order to achieve net zero emissions by mid-century.
- Navigator belongs to the select group of the world's most sustainable companies. Navigator scored the top grade ("A") for global leadership in fighting climate change, in the rankings published by CDP - Disclosure Insight Action. The Company also takes part in CDP Forest,



focused on forestry management, and already in the second year saw its performance in this category classified as "A-", meaning that, here too, it occupies a leadership position;

- As further achievement, the annual ratings published by Sustainalytics in late January again classified Navigator as a low risk company for investors, and recognised its status as an ESG Industry Top-Rated company. Navigator's rating and excellent ranking are relevant 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 pursuit of its operations.

## 2. Leading Indicators

Million euros	FY 2022	FY 2021	FY 22/ FY 21 <sup>(8)</sup>
<b>Total Sales</b>	2,464.6	1,595.9	54.4%
<b>EBITDA <sup>(1)</sup></b>	<b>736.4</b>	<b>354.7</b>	<b>107.6%</b>
<b>Operating Profits (EBIT)</b>	573.5	229.6	149.8%
<b>Financial Results</b>	-57.0	-17.8	-220.5%
<b>Net Earnings</b>	<b>392.5</b>	<b>171.4</b>	<b>129.0%</b>
<b>Cash Flow</b>	555.4	296.6	258.9
<b>Free Cash Flow <sup>(2)</sup></b>	462.6	234.7	227.9
<b>Capex</b>	112.5	80.1	32.4
<b>Net Debt <sup>(3)</sup></b>	382.2	594.8	- 212.6
<b>EBITDA/Sales</b>	<b>29.9%</b>	<b>22.2%</b>	7.6 pp
<b>ROS</b>	23.3%	14.4%	8.9 pp
<b>ROCE <sup>(4)</sup></b>	34.9%	13.7%	21.2 pp
<b>ROE <sup>(5)</sup></b>	34.1%	16.4%	17.7 pp
<b>Equity Ratio</b>	43.2%	41.4%	1.8 pp
<b>Net Debt/EBITDA <sup>(6)(7)</sup></b>	0.52	1.68	-1.16

Million euros	Q4 2022	Q3 2022	Q4 22/Q3 22 <sup>(8)</sup>	Q4 2021	Q4 22/ Q4 21 <sup>(8)</sup>
<b>Total sales</b>	642.2	680.4	-5.6%	476.2	34.9%
<b>EBITDA <sup>(1)</sup></b>	<b>184.4</b>	<b>207.4</b>	<b>-11.1%</b>	<b>108.7</b>	<b>69.6%</b>
<b>Operating profits</b>	135.5	165.0	-17.9%	72.8	86.1%
<b>Financial results</b>	3.1	- 15.1	120.9%	- 5.0	162.4%
<b>Net earnings</b>	<b>122.1</b>	<b>108.6</b>	<b>12.4%</b>	<b>57.2</b>	<b>113.5%</b>
<b>Cash flow</b>	171.0	150.9	20.0	93.1	77.9
<b>Free Cash Flow <sup>(2)</sup></b>	140.2	148.2	- 7.9	52.1	88.2
<b>Capex</b>	47.9	30.3	17.6	28.3	19.6
<b>Net Debt <sup>(3)</sup></b>	382.2	372.5	9.8	594.8	- 212.6
<b>EBITDA/Sales (%)</b>	<b>28.7%</b>	<b>30.5%</b>	-1.8 pp	<b>22.8%</b>	5.9 pp
<b>ROS</b>	21.1%	24.3%	-3.1 pp	15.3%	5.8 pp
<b>ROCE <sup>(4)</sup></b>	33.0%	40.4%	-7.4 pp	17.4%	15.6 pp
<b>ROE <sup>(5)</sup></b>	42.4%	37.8%	4.6 pp	22.1%	20.3 pp
<b>Equity ratio</b>	43.2%	43.3%	-0.1 pp	41.4%	1.8 pp
<b>Net Debt/EBITDA <sup>(6)(7)</sup></b>	0.52	0.56	-0.04	1.68	-1.16

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
7. Impact of IFRS 16: Net Debt / EBITDA in 2022 of 0.60; Net Debt / EBITDA in 2021 of 1.83
8. Variation in figures not rounded up/down



### 3. OPERATING DATA

#### Pulp

(000 tons)	2022	2021	21/22
<b>BEKP Output</b>	1508,0	1460,0	3,3%
<b>FOEX – BHKP EUR/tons</b>	1 232	867	42,1%
<b>FOEX – BHKP USD/tons</b>	1 291	1 023	26,2%

#### Paper

(000 tons)	2022	2021	21/22
<b>UWF Output</b>	1518,0	1460,0	4,0%
<b>FOEX – A4- BCopy EUR/tons</b>	1 216	844	44,0%

#### Tissue

(000 tons)	2022	2021	21/22
<b>Reels Output</b>	112	111	1,0%
<b>Output of Finished Products</b>	84	82	2,1%

#### Energy

(GWh)	2022	2021	21/22
<b>Net Production</b>	1745	1744	0,0%

### 4. ANALYSIS OF RESULTS

#### 2022 vs. 2021

In the financial year of 2022, The Navigator Company recorded turnover of € 2,465 million, making this its best year ever, with paper sales accounting for approximately 74% of turnover (vs. 72%), pulp sales 8% (vs. 11%), tissue sales 8% (vs. 9%) and energy sales 10% (vs. 8%). The strong results achieved over the year were driven by the dynamic of international pulp, paper, packaging and tissue prices, boosted by further additions to the product mix and a focus on improving productivity, as well as the evolution of prices for sales of renewable energy.



## **Pulp Market in 2022 with prices at all-time highs**

The benchmark index for short fibre (hardwood) pulp in Europe – PIX BHKP in dollars – rose to historically high levels in 2022 (1,380 USD/ton), staying at this figure from the start of August through the end of the year (21 consecutive weeks), up by 21% in relation to the start of the year. Alongside this, average prices in 2022 were 26% higher than the average price recorded in 2021. The benchmark index in China for hardwood pulp rose steeply to a peak of 866 USD/ton in October, later adjusting downwards to 828 USD/ton at year end, still 41% up on the start of the year.

Prices were driven up by the significant imbalance between supply and demand. Various factors contributed to this imbalance, most notably: i) the buoyant level of global demand for short fibre eucalyptus pulp, which grew by 7.8% in 2022; ii) delays in the start-up of new investments in pulp in LatAm (only coming into operation in December 2022); iii) a strike in northern Europe, lasting the first four months of the year, removing more than half a million tons of pulp from the market; iv) continued logistical constraints kept down the level of available supplies of pulp on the market.

In addition, 2022 was marked, essentially in the first half by unplanned shutdowns due to environmental issues (drought), fires and logistical problems (road and maritime transport), in Europe, Indonesia and Canada, with a further impact on the availability of pulp.

Pulp demand in 2022 grew worldwide by 1.3%, with demand for long fibre dipping by 1.8% and short fibre rising by 2.7%. Also worthy of note, as mentioned above, were the excellent market conditions for eucalyptus short fibre, for which demand grew by 7.8% in 2022.

Navigator started 2022 with a relatively low level of pulp stocks. Combined with significantly increased incorporation of pulp into paper, this limited the amount of pulp available for sale over the year. As a result, sales stood at 255 thousand tons. Rising pulp prices over the year enabled Navigator to offset the reduction in volumes in relation to 2021, with turnover in this business presenting an increase of 16%.

## **The printing and writing papers industry experienced unique conditions worldwide in 2022**

The printing and writing papers industry experienced unique conditions in 2022, although there was a clear difference between the first and second halves of the year.

Fears of a substantial downturn in UWF demand in the wake of the pandemic prompted manufacturers in Europe and the US to bring forward capacity closures and reconversions, which in combination with logistical issues and rising energy costs severely curtailed supplies, especially in these regions.

The sharp rise in costs, and especially energy costs, which have reached record high levels since the start of Russia's invasion of Ukraine, has forced some companies, mainly those which are not integrated, to temporarily shut down or reduce operations, as they have not been able to pass on their higher costs in their prices.

Paper supplies were consequently scarce in Europe in the first half of 2022, and this was not limited to UWF paper. Most printing papers - where production capacity has been significantly cut in the past 3 years, and also as a result of the aforementioned strike - likewise experienced a shortfall in supply. This imbalance, combined with a sharp upturn in production costs (affecting fibre, chemicals, energy and packaging materials) and logistical costs (due to rising costs and scarcity of resources), helped to push up prices consistently across the board for all





printing papers over the course of the year and led producers to record historically high levels for order books and delivery times.

This severe scarcity of supply led to an abnormal volume of orders during the first half, with clients reacting to fears of a prolonged paper shortage. But fears of an economic slowdown, which mounted above all from the middle of the year onwards, led to a reduction in demand at a time when stocks were at a high level and logistical chains were normalising relatively swiftly. This accumulation of stock in the pipeline will take more or less time to come down depending on the speed at which supply, and logistical chains readjust, on the degree to which the economy slows and on the evolution of demand, especially in Asia, for the new printing paper capacity built in recent years.

Demand for UWF paper grew by 0.3%, while for coated paper demand dropped by 2.5%. At the same time, demand for paper produced from mechanical pulp slumped by 9.9%. As a result, in 2022, overall demand for printing and writing papers was down by 2.3%, with UWF continuing to show remarkable resilience.

In Europe, apparent demand for UWF paper during the final quarter fell by 12% YoY, meaning that accumulated demand in 2022 was down by 6.7% on the previous year. This drop in apparent demand results from the calculation model (based on deliveries by manufacturers), reflecting unsatisfied latent demand.

In Europe, we have in fact witnessed very significant reduction in capacity (down 10% YoY, above all due to the closure of a Scandinavian mill at the end of Q3 2021 and the conversion of a French mill to packaging in the 1<sup>st</sup> quarter of this year). We may also point to the strike in Northern Europe, which lasted the first sixteen weeks of 2022. In addition, the volume of imports has been kept at lower-than-normal levels by the current logistical difficulties. If we take into account the reduction in capacity, and consequently the reduction in output and deliveries, we estimate that, without these effects, the drop in apparent demand for UWF paper in Europe would have been significantly smaller, and in line with the average reduction in consumption over recent years.

In contrast, in the United States, demand for UWF paper surged in 2022 by 5.3%, whilst in other global regions it rose by 0.7%.

The benchmark index for office paper in Europe stood at 1,331 €/ton at the end of December, as compared with 976 €/ton at the start of the year, and the average index price in 2022 was up by 44% on the average price in 2021. The evolution of sales prices in 2022 resulted in an average sales price higher than that recorded in 2021 (up 55%). The upward course of sales prices reflected a sharp upturn in costs, especially for chemicals, energy and logistics.

Navigator's UWF sales totalled 1.5 million tons, up by 1.7% on 2021, reflecting significant efforts on the part of the Company to serve its clients' needs in a context of a squeezed supply, explained by cutbacks in capacity and severe logistical constraints, principally in the first half. The value of sales was driven by rising prices internationally, with Navigator leading the way or keeping up with the trend. Sales in value were therefore up by around 57% on the previous year.

The positive evolution of prices was also significantly boosted by Navigator's success in enriching its product mix over the period, achieving record levels of sales of premium products and mill brands.

Price increases over the year in markets outside Europe were around two thirds higher than those in European markets. At the same time, in the Iberian Peninsula, prices rose much more slowly than elsewhere in Europe, and Portugal today has some of the lowest paper prices in the world.





## **From Fossil to Forest – investment in sustainability and innovation through packaging**

The development of the new Packaging sector continues to show positive progress, with a growing customer base and recognition of the quality of our products, and consequently of the gKraft brand. Our products are being used by high profile brands in sectors ranging from fashion to food retail, e-commerce, manufacturing and farming.

However, the Packaging segment proved to be more sensitive to the market situation, as this was where the sudden steep downturn in demand was felt most severely, with visible effects in the final quarter of 2022.

Despite the adverse macroeconomic context, Navigator achieved sales for the packaging sector above € 90 million in 2022, doubling the value of sales in 2021, in particular from products supplied to manufacturing industry, paper bags, flexible packaging and boxes for use in the food sector.

The gKraft brand continues to base its growth strategy on higher value-added products, gradually asserting its differentiation and sustainability claims, based largely on the quality of its raw materials (above all, Eucalyptus globulus fibre), which offer features of great interest for reducing fibre consumption when compared with long fibre, as well as distinctive technical advantages, notably printing quality and surface characteristics.

Food packaging offers great potential for growth, in view of the upsurge in global awareness and moves to substitute plastic with paper, and because virgin fibre is ideal for packaging foodstuffs. In these products, for hygiene and food safety reasons, recycled fibre is unsuitable and consequently little valued, which offers great opportunities for growth.

Several developments are currently in progress, with the potential to open doors to other high value added segments in the near future.

Following through the strategy defined for its Packaging business, Navigator has started a project to build a factory to produce moulded cellulose parts, designed to substitute plastic components to protect foods, used in packaging at points of sale or on a single use basis. The factory will be located on the Aveiro industrial site and is planned to start production in the first quarter of 2024. The new unit will initially have capacity for 100 million parts and is designed to enable capacity to be scaled up in subsequent years. One of the great challenges in this project has to do with developing biodegradable barrier properties permitting the materials to perform the function of protecting foodstuffs and to effectively isolate the liquids and fats contained in them.

## **Tissue business again performs strongly and invests in innovation**

The post-pandemic economic recovery in our markets has led to increased consumption, and the global Tissue market is estimated to have grown by 1.8% in 2022 (YTD October). At the same time, price levels rose significantly, in a context of disruption and turbulence in value chains, due to geopolitical tensions, with a particularly significant impact on the evolution of energy costs.

Despite this challenging environment, Navigator applied its business skills to smoothly manage its production capacity, logistical services and the consequent price increases for customers.

The sales volume for Tissue stood at 102 thousand tons, lower (4%) than in 2021, but with the sales volume for finished products (in tons) up by approximately 2% on the previous year.



The sales value was driven by rising prices and accordingly grew by approximately 36% in relation to 2021 (38% for finished products).

Growth in sales was achieved above all in the At Home channel, up by 5%, driven by new customers and consolidation of the existing client base.

The total client base remained significantly broad (approximately 600 customers with active purchases in 2022), ensuring sustainable diversification of sales activities.

The Company was particularly successful in pursuing growth in sales and distribution of its mill brands and made progress in communicating its value proposition in terms of quality, sustainability and innovation. As a result, sales of Navigator brands grew by almost 9% across the different channels and markets, accounting for approximately 28% of sales of Finished Products (tons) in 2022, as compared to 26% in 2021, above the industry average in the most relevant markets, which is 20-25%.

At a structural level, efforts were stepped up to reduce the complexity of the operation, with a focus on a less wide-ranging product portfolio, enabling Navigator to achieve improvements in production efficiency and in service levels in the longer term.

In relation to production capacity, new equipment was acquired to make production more flexible, boost output and improve quality standards in product delivered to customers, especially in napkins.

Navigator again invested in innovation through further launches of products tailored to market trends, as well as introducing disruptive products, such as Amoos Air Sense™, the first to be launched in the Iberian market with perfume capsules incorporated in the paper, making for longer-lasting fragrance, and a new kitchen roll, Amoos Calorie Control™, where the paper features tiny air pockets created by a special embossing technology, making it especially effective in absorbing liquids and fats from foods that have just been fried. The company's success in meeting consumer needs was confirmed by the five stars awarded to Amoos Air Sense™ toilet paper, the first time the company has taken the lead in this product category in Portugal.

As a result of this continued focus on innovation, sales of new products almost tripled in relation to 2021.

As a whole, the steps taken in 2022 helped to reinforce customer perception of the quality of the Company's value proposition and to build a stronger business, with the focus on innovation and differentiation, as was reflected in its improved commercial appeal and image.

### **Power Output of 1,745 Gwh in 2022**

In 2022, power sales totalled 258.5 M€, of which more than 70% was obtained from renewable sources, thereby contributing to Portugal's decarbonisation plans; turnover was up by approximately 91% on the previous year. This result was essentially due to the fact that the renewable cogeneration facilities sold all their output to the market.

In addition, the natural gas combined cycle plant in Setúbal, which was already selling part of its electrical output, started to sell all the power generated to the market.

In this regulatory context, the increase in power sales benefited from higher prices in the electricity market, observed internationally, with prices rising by approximately 50% in 2022 in the Portuguese segment of the Iberian Electricity Market (MIBEL), in relation to 2021.



Another development in 2022 was the participation by the Group's industrial units in the Regulation Reserve Band Market, an important service provided by qualified power consumers to the operator of the power grid, designed to help safeguard the security of supply in the National Electrical System.

### **Sales dynamic and higher prices offset steep increase in costs, resulting in EBITDA of € 736 million**

Production costs increased very significantly in 2022, penalised essentially by rising costs for Portuguese wood at the mill gate, the exchange rate, and the supply mix, as well as by the higher cost of foreign fibre, energy and chemicals.

There was also a sharp upturn in logistical costs and a severe shortage of freight availability, in comparison with the previous year. In the second half of the year, the availability of logistical resources improved, although costs remained at a very high level, starting to edge down towards the end of 2022. The reduction in prices started in Asia to Europe, and only later spread, to a more modest degree, to logistics from Europe to other markets. Freight alternatives between Portugal and the United States remained in short supply, again affecting the level of prices.

The increase of close to € 31 million in personnel costs was in line with Navigator's strong performance over the year, which will allow it to increase the performance bonus, to pay a new productivity bonus to employees and to step up the rejuvenation programme. Fixed costs ended the year 17% higher than in 2021, due essentially to personnel costs, for the reason indicated, maintenance costs, hit by widespread increases in the costs of materials and services in a context of inflationary pressure, and higher running costs, in particular increased costs for projects to support and diversify the Group's operations, higher outsourcing costs, driven up above all by higher wages, and the impact of increased operations after the end of the pandemic.

In this environment, the favourable international situation as regards prices and the drive to improve productivity and efficiency enabled Navigator to offset the much higher costs for the factors of production and to achieve EBITDA for the period of € 736 million. The EBITDA / Sales margin was 29.9% (up 7.6 p.p. on 2021), the best ever annual margin recorded by Navigator. Attention is drawn to the net positive impact of the exchange rate on EBITDA, of approximately € 52 million, with an average EUR/USD rate in 2022 of 1.05, as compared to 1.18 in 2021.

### **Non-recurrent costs, previously recognised under equity, with impact of € 38 million on financial results**

Financial results stood at € -57.0 million (vs. € -17.8 million), an increased loss of € 39.2 million, explained by non-recurrent items (€ 38.0 million), resulting essentially from accumulated exchange rate losses, relating to the repayment of shareholder loans provided to the subsidiary Portucel Moçambique recognised, in the first quarter, under equity and recycled to net income for the period. Without these non-recurrent impacts, the financial result would have stood at € -19.0 million.

The period saw an improvement in the result on financing operations (€ 0.5 million) thanks to reduction in the volume of interest-bearing debt in relation to the previous year, and also an improvement in current exchange rate results (€ 2.4 million), which edged into positive territory in 2022, as compared to a significantly negative figure in the previous year. In contrast, there was a sharp negative variation in other financial costs and income (€ 4.6



million), mainly because of the absence this year of compensatory interest, which in 2021 had been highly positive, resulting from favourable decisions by the tax courts during that year.

As a result of the periodical evaluation of tangible fixed assets carried out by an independent entity, and taking into account their use, technological evolution and the investment perspectives foreseen by the Group in the next five-year period, namely as a result of decarbonisation commitments and the PRR, the useful life of a set of assets was reviewed, resulting, on average, in a reduction of the useful life and thus an increase in depreciation for the year.

Pre-tax profits totalled € 516.5 million and corporation tax payable stood at € 123.9 million, with a taxation rate for the period of 24%, as compared to 19% in the previous year. Because corporation tax (IRC) is now levied progressively, a factor further accentuated by the State Surtax, the increase in net income led to a more than proportional increase in the tax burden. Net income stood at € 392.5 million, as compared to € 171.4 in 2021.

### **Excellent cash flow generation in 2022: € 463 million**

Free cash flow generation for the year was strong at € 463 million (as compared to € 235 million), reflecting excellent operational performance, enabling the Company to take full advantage of the favourable conditions experienced on international markets, in particular as regards sales volume and prices.

The value of working capital has held relatively steady. There was a significant increase in the value of inventories (due to both volume and price increases) and customer accounts (in line with rapidly expanding business), but the tendency for growth in working capital that might follow from this was moderated by the simultaneous growth in supplier accounts payable. It should be noted that a supplier management policy has been implemented that involves continued liquidity support solutions for our partners.

### **Sustainable Financial Management, cutting debt to € 382 million - 94% of debt on a fixed rate basis, guaranteeing competitive financing costs.**

Net debt was significantly reduced in relation to year-end 2021, from € 595 million to € 382 million euros, despite the distribution during the year of dividends and reserves totalling € 250 million. As a result, the Net Debt/EBITDA ratio stood at 0.52, showing it to be on a firmly downwards trajectory and further consolidating the financial strength displayed by the Group in recent years.

In a significant development in June, Navigator issued bonds worth € 150 million, maturing in 2028, under a Sustainability-Linked Bonds Framework. At the same time, Navigator proceeded with early repayment of borrowing of the same amount, maturing in 2023.

This further extended the average maturity of the Group's debt and contributed to a reduction in the Company's financing costs, as well as featuring terms linked to its sustainability commitments. The terms of the loan are indexed to three ESG indicators envisaged in the Company's Sustainability Agenda, and also aligned with the United Nations Sustainable Development Goals.

With this financing operation, we ended the year with average debt maturity at an appropriate level and rationally staggered repayments, with close to 40% of total debt tied to sustainability



and 94% of total debt issued by the Group on a fixed rate basis, enabling us to maintain low financing costs in a scenario of sharply rising interest rates.

Endeavours were also made in the course of 2022 to align the Company's Pension Fund management policy with a Responsible Investment Policy. The Fund pursues a policy of responsible investment, in which investment decisions are informed not only by traditional financial criteria, but also by Environmental, Social and Governance (ESG) factors, seeking to help secure the sustainability of the market as a whole, in the long term.

### **Capex of € 112.5 million (vs. 80.1 million in 2021)**

Capital expenditure in 2022 totalled € 112.5 million (up from € 80.1 million), of which € 39.1 million relates to investment classified as environmental, accounting for nearly 35% of total capex over the period.

This sum includes mostly projects aimed at maintaining production capacity, modernising plant and achieving efficiency gains. As already stated, 35% of total capex is environmentally targeted, including structural, environmental and decarbonisation projects, some of them launched in 2020 and in 2021, such as the new wood yard in Figueira da Foz, the new evaporation line in Aveiro and replacement of fuel oil boilers in Setúbal.

In the years ahead, Navigator will step up the level of investment, in particular under the Recovery and Resilience Plan (RRP). This process will be led by the From Fossil to Forest Agenda and sustainable packaging and products to replace fossil plastic, including, among other ventures; i) projects to develop high yield chemical pulp and brown papers; ii) projects to develop moulded cellulose for rigid packaging; iii) projects to develop papers with increased mechanical strength, and iv) papers with barrier properties. Navigator will participate in other agendas as partners, in particular in developing new genetic materials for more productive and resilient forests, circularity of industrial waste, robotisation of intralogistics, digital transformation of forestry value chains and digital and ecological transformation of logistical and transport networks, under the Mobilising Agenda for the Production Technologies for Reindustrialisation Sector and the Agenda for digital transformation of forestry value chains in a more resilient and low-carbon Portuguese economy.

The Company is also pressing ahead with innovation programmes to boost its operational efficiency and programmes to develop sustainable packaging solutions, as well as investing in Decarbonisation and improving its environmental impact. This will include, among other things, a new Recovery Boiler and investment in collecting non-condensable gases in Setúbal.

Navigator's current low levels of debt mean it can now consider strategies for growth, in particular opportunities for debottlenecking in its traditional businesses, as well as for growth in the tissue, packaging and energy segments.

## **5. NAVIGATOR BELONGS TO THE SELECT GROUP OF THE WORLD'S MOST SUSTAINABLE COMPANIES**

Navigator has scored the top grade ("A") for global leadership in fighting climate change. This rating was awarded by CDP - Disclosure Insight Action, the non-profit organisation recognised as managing the largest and most comprehensive independent global system for disclosing environmental information for companies, regions, cities and states.



Navigator is classed in the select group of 330 companies, worldwide, which achieved the top "A" grade, representing less than 2% of more than 18 thousand companies considered. The scoring methodology used by CDP measures the comprehensiveness and detail of information disclosed by companies, in-depth understanding of their environmental risks and impacts, and strong governance and transition strategies, as well as assessing the science-based measures and targets established to reduce their impacts.

Navigator has participated in CDP Climate Change since 2018, seeking to respond to the growing demands of this initiative for assessing the Company's progress in the field of risk management and climate action.

In addition to the climate change questionnaire, the Company submitted its track record to CDP Forest for the first time in 2021, focusing on forestry management. In just the second year, it also won recognition for its performance in this category, upgraded to "A-", meaning it now enjoys a leadership position in this area.

CDP Forest assesses the strength of the systems the Company uses to track and monitor the source of its raw materials, based on certification of its management of the forests in its care and on its strict wood purchasing policies.

In a further achievement, the annual ratings published by Sustainalytics in late January again classified Navigator as a low-risk company for investors, and recognised its status as an ESG Industry Top-Rated company. Navigator's rating and excellent 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.

Also in 2022, Navigator conducted a double materiality analysis in accordance with international guidelines that require this concept to be incorporated into Company reports. This process of materiality review on ESG (Environmental, Social and Governance) topics enabled Navigator to refocus its 2030 Agenda, ensuring that the Company's efforts remain geared to the areas where it can have the greatest impact.

With a corporate purpose and 2030 Responsible Management Agenda aligned with the United Nations Sustainable Development Goals, Navigator's strategy is based on strong investment in developing sustainable bioproducts, obtained from raw materials sourced from certified forests or controlled origin materials, reducing dependence on fossil resources and working towards decarbonisation of the economy.

## **6. OUTLOOK**

The current political and economic situation, marked by slowing economies, high inflation and the ongoing war in Ukraine, means that markets remain highly unpredictable. This has the potential for adverse effects across the industrial spectrum, including inevitably the sector in which Navigator operates. The effectiveness of the economic policy response in Europe to the energy issue and the flexibility of Central Banks in adapting their policies to the demands of normalising the money markets, as well as evolving geopolitical risks, will all be crucial in determining how the situation develops.

In Europe there may be scope for further temporary or definitive capacity reductions in line with strategy decisions or due to profitability issues caused by the continued high level of variable costs, and energy costs in particular.



Despite the continuing energy shock and inflationary pressures, the economic downturn and consequent slowing of demand, combined with the easing of logistical constraints and rise in imports from Asian or American players, could lead to downwards pressure on prices in Europe. There has already been a gradual upturn in the activity of Asian players in the markets where Navigator operates, especially in the Middle East, Africa, and certain regions of southern Europe (Greece/Balkans).

The reduction in demand observed in the second half of 2022 - mainly due to high levels of stocks along the distribution chain, resulting from the sharp upturn in demand as from the summer of 2021 and during the entire first half of 2022 - is still being felt in the early months of 2023. For the first quarter of 2023 we do not anticipate any significant improvement in demand, as the process of destocking is expected to continue, and so Navigator will remain focused on reducing variable costs, controlling its fixed costs, and maximising operational efficiencies.

The Group is pressing ahead with an ambitious plan for product diversification and development, especially in the Tissue and Packaging segments.

The current situation is undoubtedly challenging, and the impossibility of seeing far into the geopolitical and macroeconomic future will require a constant process of adapting to a changing scenario. The rapid action taken by the Company - carefully managing and planning production of all products, successfully implementing its commercial strategies and focusing on industrial efficiency programmes - will again highlight the resilience of Navigator's business model.

## **7. PROPOSED ALLOCATION OF PROFITS**

In view of Navigator's 2022 performance, the Board of Directors will propose to the General Meeting of Shareholders the distribution of dividends, in relation to the financial year of 2022, of € 0,2812 per share, corresponding to a total value of approximately € 200 million.

## **8. SUBSEQUENT EVENT**

Navigator has agreed to acquire the Gomà-Camps Group's consumer tissue business in Spain.

The acquisition of GC Consumer, which in 2022 recorded total sales of 115.6 million euros, is part of the Navigator Group's ambitious plan for growth and diversification. The integration of the new mill will enable Navigator to position itself as the second largest Iberian manufacturer of Tissue, adding 35,000 tons to its Tissue production capacity, which now totals 165,000 tons, and increasing its converting capacity from 60,000 tons to 180,000 tons.

The Enterprise Value of this acquisition is € 85 million.

The contract is subject to the suspensive conditions, which must be fulfilled until February 28th, and which concern, namely, the payment of liabilities and the release of guarantees which are currently imposed on GC Consumer's shares.

Lisbon, 16 February 2023





### **Conference Call and Webcast for Analysts and Investors**

Date: Thursday, 23 February 2023

Time: 12:00 WET (Western European Time, GMT)

Link to the Conference Call webcast:

<https://streamstudio.world-television.com/1076-1695-34878/en>

Link for pre-registration to access the Conference Call via telephone:

<https://aiti.capitalaudiohub.com/navigator/reg.html>



## 9. FINANCIAL STATEMENTS

The Navigator Company, S.A.  
Consolidated Income Statement  
on December 31<sup>st</sup> 2022 and 2021

Amounts in Euro

	2022	2021
Revenue	2,464,624,691	1,595,870,445
Other operating income	71,158,532	31,380,233
Changes in the fair value of biological assets	(24,824,186)	(1,260,391)
Costs of goods sold and materials consumed	(968,849,205)	(629,794,745)
Variation in production	80,484,007	1,612,980
External services and supplies	(626,158,733)	(449,402,361)
Payroll costs	(186,239,235)	(155,015,795)
Other operating expenses	(73,837,092)	(38,674,036)
Net provisions	(1,621,447)	(3,142,944)
Depreciation, amortisation and impairment losses in non-financial assets	(161,277,579)	(121,999,345)
<b>Operating results</b>	<b>573,459,753</b>	<b>229,574,041</b>
Financial income	1,281,096	3,430,634
Financial expenses	(58,264,106)	(21,207,843)
<b>Net financial results</b>	<b>(56,983,010)</b>	<b>(17,777,209)</b>
Gains/(losses) of associates and joint ventures	-	-
<b>Profit before tax</b>	<b>516,476,743</b>	<b>211,796,832</b>
Income tax	(123,937,812)	(40,378,319)
<b>Net profit for the period</b>	<b>392,538,931</b>	<b>171,418,513</b>
Attributable to Navigator Company's Shareholders	392,537,070	171,411,455
Attributable to non-controlling interests	1,861	7,058



The Navigator Company, S.A.  
Consolidated Statement of Financial Position  
on December 31<sup>st</sup> in 2022 and 2021

Amounts in Euro	2022	2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	377,339,466	377,339,466
Intangible assets	44,813,091	24,752,529
Property, plant and equipment	1,099,688,878	1,145,244,507
Right-of-use assets	57,934,840	51,192,959
Biological assets	122,499,874	147,324,061
Investment properties	90,943	92,589
Receivables and other non-current assets	25,282,859	8,604,547
Deferred tax assets	31,283,069	28,037,408
	<b>1,758,933,020</b>	<b>1,782,588,066</b>
<b>Current assets</b>		
Inventories	298,729,217	186,550,658
Receivables and other current assets	499,143,408	317,882,760
Income tax	16,216,543	1,118,815
Cash and cash equivalents	343,083,788	239,171,252
	<b>1,157,172,956</b>	<b>744,723,485</b>
<b>Total assets</b>	<b>2,916,105,976</b>	<b>2,527,311,551</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	500,000,000	500,000,000
Treasury shares	-	-
Currency translation reserve	5,343,706	(24,346,001)
Fair value reserves	33,997,828	(5,604,076)
Legal reserve	100,000,000	100,000,000
Other reserves	3,481,014	121,836,100
Retained earnings	224,049,919	231,525,876
Net profit for the period	392,537,070	171,411,455
Anticipated Dividends	-	(49,996,170)
<b>Equity attributable to Navigator Company's Shareholders</b>	<b>1,259,409,537</b>	<b>1,044,827,184</b>
Non-controlling interests	297,977	286,896
<b>Total Equity</b>	<b>1,259,707,514</b>	<b>1,045,114,080</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	643,006,886	714,625,892
Lease liabilities	55,089,083	47,417,092
Pensions and other post-employment benefits	2,835,730	5,674,918
Deferred tax liabilities	103,355,703	92,528,775
Provisions	28,432,877	26,752,081
Payables and other current liabilities	34,852,398	37,014,427
	<b>867,572,677</b>	<b>924,013,185</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	82,294,836	119,318,157
Lease liabilities	6,551,966	5,823,833
Payables and other current liabilities	575,461,086	393,161,894
Income tax	124,517,897	39,880,402
	<b>788,825,785</b>	<b>558,184,286</b>
<b>Total Liabilities</b>	<b>1,656,398,462</b>	<b>1,482,197,471</b>
<b>Total Equity and Liabilities</b>	<b>2,916,105,976</b>	<b>2,527,311,551</b>