'22
Interim Results
1st Half

A BIOINDUSTRY ON THE RIGHT SIDE OF THE FUTURE

THE NAVIGATOR COMPANY

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

CONTENTS

1. PERFORMANCE IN 2nd QUARTER 2022 AND 1st HALF 2022

The first half of 2022 was marked by Russia's invasion of Ukraine. The rapid change in Europe's macroeconomic and geopolitical environment has added to uncertainty and insecurity worldwide. Already at historically high levels at the start of the year, energy, logistical and commodity costs have risen across the world.

Under this environment, Navigator acted swiftly to boost the productivity of its industrial assets and to achieve even greater efficiency in its consumption of raw and subsidiary materials. At the same time, the Company held down increases in variable costs by containing specific consumptions, namely in pulp segment, and pressed ahead with efforts to contain fixed costs, which slightly increased. The strength of the dollar over this period impacted imports, but was also reflected in average prices, with a positive impact on the Company's results.

To note that all Navigator's teams succeeded in reacting quickly and deploying their business expertise to anticipate the sharp increase in costs, implementing a responsible pricing policy and an effective differentiation strategy, based on premium products, prestigious own brands and an international reputation. All this crucially compensated the sudden upturn in costs.

These differentiation factors enabled Navigator to record strong performance in this environment of great market uncertainty.

Analysis: 2nd Quarter 2022 vs. 1st Quarter 2022 and vs. 2nd Quarter 2021

- Paper market dynamics over the second quarter were impacted by the continued war in Europe and the consequent growth of uncertainty and fears of disruption in the various supply chains upstream and downstream of our business;
- At the same time, the 2nd quarter felt the effects of a prolonged strike over the first four months of the year in Northern Europe, with an impact on all printing and writing papers, as well as limiting the supply of market pulp. Additionally, dating back more than a year, logistical constraints remained, as did large-scale closures and conversion of capacity in our Scandinavian competitors. These factors significantly limited the volume of supply in Europe and helped to push up international prices;
- The 2nd quarter saw strong growth in pulp prices, with the benchmark index rising 22% in USD and 38% in Euros in relation to average prices in the 2nd quarter of 2021, and up 9% in USD and 15% in Euros in relation to the 1st quarter of 2022;
- Pressured by the pulp price index, higher costs for energy, logistics and commodities, and also a mismatch between supply and demand, the index for paper prices in Europe also strongly rose in the 2nd quarter of 2022, in comparison both with the 2nd quarter of 2021 (up 46%), and also the previous quarter (up 15%);
- The volume of paper sales for the quarter stood at 407 thousand tons, up by close to 25% in relation to the 1st quarter and 12% in relation to the 2nd quarter of 2021. It should be noted that the 1st quarter sales volume was held down by the need to replenish stocks and logistical difficulties;
- The volume of pulp sales totalled 72 thousand tons, down by 7% on the 1st quarter, and 2% lower than in the 2nd quarter of 2021, again due to the need of pulp stocks replenishment and increased incorporation into paper;
- The Tissue sales volume stood close to 25 thousand tons, down by 4% in relation to the previous quarter and by 1% YoY;

- Production volumes grew in relation to the same period in 2021, with an increase of 7% in the pulp segment, 10% in the paper segment, and 3% in the energy segment. This growth allowed for increased efficiency in the use of some raw materials;
- New emission on sustainable finance, with a value of € 150 million, maturing in 2028, under the Sustainability-Linked Bonds Framework. At the same time, Navigator proceeded with early repayment of borrowing of the same amount, maturing in 2023. The terms of the new issue are indexed to three ESG indicators envisaged in the Company's Sustainability Agenda, and also aligned with the United Nations Sustainable Development Goals;
- The Navigator and Hamburg-based developer P2X Europe have signed a Memorandum of Understanding to create a unique and powerful joint venture, P2X Portugal, to develop a world-class production facility for industrial-scale production of non-fossil jet fuels or e-SAFs (e-Sustainable Aviation Fuels) – carbon-neutral synthetic kerosene, based on green hydrogen and biogenic CO2.

Analysis: 1st Half 2022 vs. 1st Half 2021

- Turnover totalled € 1,142 million, driven by the upward course of prices, up by 60% over the same period in 2021; to note that 94% of UWF sales were on foreign markets; nevertheless, sales on the domestic market increased circa 13% in response to the paper shortage felt in the country along the semester;
- The Company achieved an EBITDA of € 345 million and a margin over sales of 30% (up 9 p.p. on the same period in 2021), benefiting from improved efforts on efficiency and consumption, as well as the highly favourably evolution of sales prices established on international markets;
- Net income for the first half totalled € 161.9 million, as compared to €64.4 million in the 1st half of 2021;
- Net debt has decreased significantly in relation to year-end 2021 to € 521 million, despite the payment of € 100 million in dividends in June, improving the Net Debt / EBITDA ratio to 0.95x;

2. LEADING INDICATORS

Million euros	H1 2022	H1 2021	Change (8) H1 22/ H1 21
Total Sales	1,142.1	714.7	59.8%
EBITDA (1)	**344.6**	**150.5**	**129.0%**
Operating Profits (EBIT)	272.9	90.7	201.0%
Financial Results	-45.1	-10.1	345.1%
Net Earnings	**161.9**	**64.4**	**151.3%**
Cash Flow	233.5	124.2	109.3
Free Cash Flow (2)	174.2	121.5	52.7
Capex	34.3	32.8	1.5
Net Debt (3)	520.6	658.1	- 137.4
	0.0		
EBITDA/Sales	**30.2%**	**21.1%**	9.1 pp
ROS	14.2%	9.0%	5.2 pp
ROCE (4)	32.1%	10.8%	21.3 pp
ROE (5)	28.3%	12.8%	15.6 pp
Equity Ratio	44.2%	40.9%	3.3 pp
Net Debt/EBITDA (6)(7)	0.95	2.22	-1.28

Million euros	Q2 2022	Q1 2022	Change [8] Q2 22/Q1 22	Q2 2021	Change [8] Q2 22/ Q2 21
Total sales	649.8	492.2	32.0%	373.9	73.8%
EBITDA [1]	**223.0**	**121.6**	**83.4%**	**79.9**	**179.1%**
Operating profits	183.6	89.4	105.4%	50.6	262.7%
Financial results	- 40.4	- 4.7	758.3%	- 0.4	10135.5%
Net earnings	**111.3**	**50.6**	**119.9%**	**40.9**	**172.0%**
Cash flow	150.7	82.8	67.9	70.2	80.5
Free Cash Flow [2]	97.3	77.0	20.3	65.1	32.2
Capex	19.6	14.7	4.9	12.7	6.9
Net Debt [3]	520.6	517.9	2.7	658.1	- 137.4
				0.0	
EBITDA/Sales (%)	**34.3%**	**24.7%**	9.6 pp	**21.4%**	12.9 pp
ROS	17.1%	10.3%	6.8 pp	10.9%	6.2 pp
ROCE [4]	43.2%	22.1%	21.1 pp	12.1%	31.1 pp
ROE [5]	39.0%	19.1%	19.9 pp	16.2%	22.8 pp
Equity ratio	44.2%	40.6%	3.5 pp	40.9%	3.3 pp
Net Debt/EBITDA [6][7]	0.95	1.28	-0.33	2.22	-1.28

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets (not including effect of IFRS 16)
4. ROCE = Annualised operating income / Average Capital employed (N+(N-1))/2
5. ROE = Annualised net income / Average Shareholders' Funds last -1 months
6. (Interest-bearing liabilities - liquid assets) / EBITDA corresponding to last 12 months
7. Impact of IFRS 16: Net Debt / EBITDA at 30/06/2022 of 1.44; Net Debt / EBITDA restated at 30/06/2021: 2.40;
8. Variation in figures not rounded up/down

3. ANALYSIS OF RESULTS

In the first half of 2022, The Navigator Company recorded a turnover of € 1,142 million, with paper sales accounting around 71% of turnover (vs. 70%), pulp sales 10% (vs. 11%), tissue sales 8% (vs. 10%) and energy sales 11% (vs. 9%).

Pulp prices at historically high levels

The benchmark index for hardwood pulp in Europe – PIX BHKP in euros – was up by 25% by the end of June in relation to the start of the year, to 1,260 €/ton, with an increase of approximately 47% in average prices in the first half of 2022 vs. the first half of 2021. It may also be noted that that the increase in the pulp price was more significant in euros than in dollars in view of the dollar appreciation against the euro over the first half. The benchmark index in China for hardwood pulp rose by 46% from the start of the year to the end of June, to 842 USD/ton, an all-time high, in line with the peak levels recorded in 2010.

The Pulp sector is enjoying unprecedented buoyancy with prices reaching historically high levels worldwide. Albeit temporary, the acute imbalance between supply and demand in the Pulp market continues to drive prices upwards.

Several factors are contributing to the current imbalance: in Northern Europe, the prolonged strike over the first four months of the year removed more than half a million tons from the pulp market, with an ongoing impact throughout the 2nd quarter; the concentration of annual maintenance shutdowns around the world in the 1st half; delays on the start of new investment projects for pulp in Latin America; Russia's invasion of Ukraine and the consequent embargo on wood imports from Russia has drastically reduced supplies of imported birch in Northern Europe (this is estimated to affect around 1 million tons of annual output of birch pulp); the suspension of chemicals supplies needed to manufacture pulp and the unavailability of logistical services created operational to market pulp production in Russia, limiting pulp supplies to China, Russia's main market. At the end of the first half, pulp stocks were balanced or low along the value chain. Paper producers around the world kept balanced stocks, in line with historical levels, whilst buyers/users of pulp in Europe are facing low stocks levels, lower than on the same period in the previous year.

At the same time, logistical constraints have also hit available supply of market pulp, causing significant increases in transit times and numerous delays in deliveries due to the lack of resources and congestion at ports.

Navigator started 2022 with a relatively low level of pulp stocks, which combined with significantly increased incorporation of pulp into paper, limited the amount of pulp available for sale over the period. Sales accordingly stood at 150 thousand tons, reflecting a reduction of 1.6% in relation to the same period in 2021. Rising pulp prices over the past 12 months enabled Navigator to offset the reduction in volumes in relation to the same period in 2021, with turnover reflecting an increase of 45%.

Paper market dynamic affected by reduction in capacity in Europe and United States and reduction in supplies available in Middle East and African markets

Global demand for printing and writing papers fell by 1.4% (YtD May), with UWF paper falling 0.5% and coated papers growing by 1.6%; mechanical papers dropped by 7.4%.

Unusually, demand for UWF paper in the United States grew over the first 5 months of 2022 by 3%, whilst in other global regions, demand edged down by 0.2% (YTD May).

In Europe, apparent demand for UWF paper fell by 5.8% over the first half. This drop in apparent demand results from the calculation model (based on producers' deliveries), reflects the unsatisfied latent demand, translated into stocks reductions along the chain during the first months of the year and strong hikes on producers order books.

The printing and writing papers industry is therefore enjoying an unprecedented upturn in fortunes.

Fears of an accelerating downturn in UWF demand in the wake of the pandemic prompted manufacturers in Europe and in the US to bring forward capacity closures and reconversions, whilst logistical issues severely curtailed supplies, especially in these regions.

Nonetheless, post-pandemic demand recovered more strongly than expected and so the mills still working are now operating at full capacity and with order books at all-time high levels.

In Europe, we have witnessed very significant reduction in capacity (down 12% YoY, above all as the result of a Scandinavian mill closure at the end of Q3 2021 and the conversion of a French mill to packaging in the 1st quarter). To add the strike in Northern Europe, which lasted until April and whose effects were still felt in the 2nd quarter. In addition, the volume of import supplies has been pushed down to lower-than-normal levels due to the current logistical difficulties.

These logistical issues have been felt for close to a year, largely as a result of the pandemic, and their impact on the industry can be seen in the reduction of the number of ships and containers, congestion at ports, a shortage of truck drivers and a lack of synchronisation between modes of transport. More recently, soaring fuel prices have caused logistical costs to shoot to all-time high levels, lengthening delivery times and significantly reducing the availability of resources. As a result, intercontinental paper flows have substantially fallen, and this situation has been felt most acutely in Europe, the USA, Latin America, Northern Africa and the Middle East.

Paper supplies were consequently scarce in Europe in the first half, and this was not exclusive to UWF paper. Most printing papers - where production capacity has been significantly cut in the past 3 years, as well as being affected by the aforementioned strike - also experienced a shortfall in supply during the first half in Europe. This imbalance, combined with a sharp upturn in production costs (transversal to fibre, chemicals, energy and packaging materials) and logistical costs (via rising costs and scarcity of resources), helped to a generalized push up on prices of different types of paper.

Capacity utilisation rates rose in 2022 in relation to the previous year. This was observed both in Europe, with increases in practically all paper grades, and also in the US, where rates rose in all grades. In the specific case of uncoated woodfree paper, capacity utilisation rates outweigh 90% in the first half, both in Europe and the US.

The benchmark index for office paper in Europe stood at 1,237 € /ton at the end of June, up from its level at the start of the year (976 €/ton). It should be stressed that Navigator has once again endeavoured to implement a responsible pricing policy that nonetheless enables it to protect margins, by anticipating the impacts of continued higher costs.

In this context, Navigator maintained an historical high order book, reflecting the sharp drop in available supply in the main regions where it operates. In Europe, there may be scope for further capacity reductions in line with strategy decisions and/or due to profitability issues caused by the sharp increase in variable costs hitting the sector.

Navigator's UWF sales totalled 734 thousand tons in the first half, up by 4.8% YoY, reflecting the Company’s significant efforts to serve its clients' growing needs in a context of tight supply and severe logistical constraints. The value of sales was driven by rising prices internationally, which Navigator followed, hence showing a growth close to 61% in comparison to the same period in 2021. It should be noted that 94% of UWF sales were on foreign markets, with only 6% of sales on the domestic market, though still growing in relation to the same period in 2021, given the shortage that has been felt, but where price rises were purposely more contained. Navigator also succeeded in enriching its product mix over the first half, achieving record levels of sales of premium products and mill brands.

With the growing inflow of orders and supply limitations, combined with substantial increases in maritime freights, price rises in markets outside Europe were around two thirds higher than those on European markets, in relation to the same period in 2021. At the same time, in the Iberian Peninsula, prices rose much more slowly than elsewhere in Europe, and Portugal has today some of the lowest paper prices in the world.

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

The Group has continued to consolidate its packaging venture and both production and the sales dynamic have continued as planned.

The PM1 and PM3 machines at the Setúbal mill are able to offer a flexible response, so that the products provided by each machine complement the other in terms of grammage ranges.

PM1 is now fully dedicated to packaging products (white and brown), although still able to produce UWF paper whenever needed. The packaging sector performed sales of € 51 million in the first half, close to the level of turnover achieved in 2021. Products are sold to manufacturers of bags, flexible packaging and corrugated cardboard, especially in higher value-added niches (such as boxes for food use, or packaging, where value is attached to printing and food contact certification, which recycled fibre is unable to offer).

Sales have also reflected the current healthy levels of demand, the warm reception given to Navigator products and efforts to develop the customer base and innovative products, targeted at higher value-added applications and market niches.

The Company has achieved success with its From Fossil to Forest initiative - sustainable packaging to replace fossil-based plastics. This has been led by Navigator Paper Setúbal and was one of the Green Agendas approved by the Agendas Coordination Commission (ACC) under the Recovery and Resilience Plan (RRP), submitted under Component 5 - Business Capitalisation and Innovation.

Centred on substituting fossil-based single-use plastics with carbon neutral, biodegradable and recyclable products from renewable sources, the projects envisaged in this Agenda include innovative high yield kraft pulp (HYKEP) production made from eucalyptus *Globulus*, innovative packaging, mainly with barrier properties suitable for food use and other projects. Based on this functional barrier, it is also foreseen the production of molded cellulose to substitute single-use plastics and for developing composite materials.

By incinerating fossil-based plastics and cutting down on their use, one of the positive effects of this is the reduction in carbon emissions, helping the country to meet its decarbonisation targets.

In total, the From Fossil to Forest Agenda is expected to generate 17 new products of high value-added. In addition to value the Portuguese forests, this new portfolio will make a decisive contribution to building up the country's capabilities in the fields of Research and Development and Innovation (R&D&I), with positive effects on the trade balance.

Another important feature of this Agenda is the creation and promotion of highly specialised employment; plans point to 102 new jobs, of which 49 will be highly skilled.

By including 27 Portuguese partners, including 16 companies, the consortium set up for this initiative will have a ripple effect on the economy and also have the merit of disseminating expertise, through the involvement of 11 Non-Business Entities from the Research and Innovation System (ENESIIs).

Tissue business continues to perform strongly

The steep upward trend over the first half in the different cost factors (energy, logistics and commodities, and in particular in prices for chemicals and pulp), put heavy pressure on the margins of tissue producers, leading a large number to announce price increases. Under this difficult environment, Navigator raised prices in line with the sector, thereby mitigating cost inflation. Despite these price increases, the margin in tissue business fell when compared with the same period of 2021.

Besides pursuing a responsible pricing policy, Navigator continues to implement a prudent management of its variable and fixed costs, in order to balance out the negative impacts of rising costs.

The volume of tissue sales stood at approximately 51 thousand tons, down by close to 2% in relation to the same period in 2021. This YoY drop was essentially due to slower sales of reels, whilst finished products grew by 3%. Growth was supported above all by the Consumer segment, where exports increased, but also by the Away from Home segment, with the gradual recovery in tourism and the Horeca channel. Rising prices drove the value of sales, resulting in growth of around 29% in relation to the first half of 2021.

The Company stepped up efforts to develop business with innovative products, by promoting sales to new clients of products such as Amoos Air Sense™ (the first toilet paper range with long-lasting perfume) and Amoos Naturally Soft™, a product with the natural colour of wood and free from chemical bleaching agents.

To highlight that the paper produced by Navigator is sustainable, environmentally responsible and biodegradable, obtained from a renewable natural resource, planted specifically for this purpose and made from virgin eucalyptus fibre certified under FSC® (Forest Stewardship Council) and PEFCTM (Programme for the Endorsement of Forest Certification schemes) standards, recognition that management of these areas is carried out in an environmentally, economically and socially responsible way, following a strict and internationally recognised criteria.

Power Output of 900 Gwh in first half

Since January this year, the Group's renewable cogeneration plants have been selling their power output at market prices, rather than at the regulated sales tariff, in accordance with Article 4-B para. 1 b) of Decree-Law 23/2010, of 25 March, as subsequently amended.

In the first half of 2022, electricity sales from all the Group's energy assets totalled approximately € 132 million, representing an increase of 105% in relation to the same period in the previous year. A contributory factor to this significant increase was the spot price in the Iberian electricity market (OMIE), which is used as a benchmark for sales and rose to an average figure for the first half of approximately 206 €/MWh. Sales at market prices enabled Navigator to offset, in part, the higher purchase prices for power in the component of energy purchases not yet fixed for the period and, the natural gas purchases, fuel oil and biomass.

The Group's two biomass power stations also recorded successful performance, with sales in the first half of around € 11.4 million, up by 15% on the same period in the previous year.

4. OPERATING DATA

	(in 000 tons)	H1 2021	H1 2022	H1 21/ H2 22
Pulp	**BEKP Output**	717.3	768.7	7.2%
	FOEX – BHKP Euros/ton	752	1,105	47.1%
	FOEX – BHKP USD/ton	905	1,205	33.2%

	(in 000 tons)	H1 2021	H1 2022	H1 21/ H2 22
Paper	**UWF Output**	742.8	813.7	9.5%
	FOEX – A4- BCopy Euros/ton	814	1,117	37.2%

	(in 000 tons)	H1 2021	H1 2022	H1 21/ H2 22
Tissue	**Reels Output**	58.0	57.4	-1.0%

	(in GWh)	H1 2021	H1 2022	H1 21/ H2 22
Energy	**Production***	872.9	900.0	3.1%

** net production*

EBITDA: Focus on operational efficiency and higher prices offset steep increase in costs, resulting in EBITDA of € 345 million

During the first semester, production costs increased more than 30% when compared to the same period last year, mainly penalized by higher costs of wood, via wood mix, and also increased cost of external fibres, energy and chemicals. To note that, despite the higher percentage of wood from outside Iberia, the effort and expertise of the industrial teams allowed specific consumption to held steady in relation to the same period in 2021.

Logistical costs also worsened substantially, rising close to 50% YoY; logistic constraints remain and are affecting the economy as a whole.

The increase of € 19 million in personnel costs was in line with Navigator's strong performance in the first half, which will allow the increase on bonus payments to staff and step up the rejuvenation programme to circa 50 employees. Total fixed costs ended the quarter 20% higher than in the same quarter last year, essentially due to personnel costs and the increase in functioning costs involved in scaling up operations in the post-pandemic context.

In a noteworthy achievement, negotiations were brought to a successful conclusion thanks to the joint efforts of the unions representing workers in the Company's paper sector and representatives of Navigator's senior management, culminating in a historic two-year agreement. This will ensure industrial peace in the organisation, until the end of 2023, reinforcing meritocratic principles and boosting the variable component of salaries, with the introduction in 2022 of a productivity bonus which may go up to an extra salary, on top of the annual bonus.

In this environment, the drive to improve productivity and efficiency, combined with the upwards course of prices, enabled Navigator to offset the higher production factors' costs and to achieve an EBITDA for the first half of € 345 million. The EBITDA / Sales margin was 30% (up +9.1 p.p. on the same period in 2021). Attention is drawn to the net positive impact of the exchange rate on EBITDA, of approximately € 26 million, with an average EUR/USD rate in H1 of 1.09, as compared to 1.21 in the same period in 2021.

Non-recurrent costs with impact of € 34 million on financial results

Financial results stood at € -45.1 million (vs. € -10.1 million), a deterioration close to € 35 million, essentially explained by the impact of non-recurrent items, including € 30.4 million relating to exchange rate losses directly connected to the repayment of the long term (shareholder) loan granted to the subsidiary Portucel Moçambique. Without these non-recurrent items, the financial results would have stood at € 11.1 million.

The first half showed an improvement (€ 0.8 million) in the various components of the cost of financing operations (interest expense, borrowing charges and interest rate hedges) as a result of a sharp reduction in the volume of interest-bearing debt in relation to the same period in 2021, and also an improvement in results from forex operations and other financial derivatives (€ 1 million). On another hand, there was a reduction in compensatory interest (€ -1.8 million), coming from favourable fiscal court decisions verified in 2021.

Free Cash Flow Generation in 1st half of € 174 million

Free cash flow generation stood at € 174 million, reflecting the highly favourable operating environment, in particular as regards to sales and prices.

There was a moderate growth in working capital investment, consistent with the growth in turnover: the increases in inventories and client accounts are in line with the robust expansion trend of business. Even so, the upward path in working capital was contained by the pursuit of a management policy in suppliers, that favoured the generation of liquidity. The implementation of this policy was reinforced with the concern to ensure solutions are made available to support the liquidity of our partners.

Distribution of € 100 million in dividends and reduction of net debt to € 521 million

Net debt has decreased significantly in relation to year-end 2021, despite the payment of € 100 million in dividends during the first half. Thanks to the improvement in operational performance, the Net Debt/EBITDA ratio (0.95x) is on a downwards course, further consolidating the position of financial strength enjoyed by the Group over recent years.

In late June, Navigator issued bonds worth € 150 million, maturing in 2028, under the *Sustainability-Linked Bonds Framework*. At the same time, borrowing of the same amount, maturing in 2023, was repaid early. This will further extend the average maturity of the Group's debt and reduce the Company's financing costs, as well as featuring terms tied to fulfilment of its sustainability commitments. With this operation, we ended the first half with approximately 40% of total borrowing on a sustainable basis.

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.

The first indicator sets targets for reduction of CO_2 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 achieve sustainability goals in our business sector, and the best guarantee that processes leading to sustainable forest management have been adopted.

The third indicator sets targets for increasing consumption of energy from renewable sources. The decarbonisation plan for the Company's industrial complexes also involves gradually eliminating consumption of energy from fossil fuels. As well as helping to mitigate climate change, this has a positive impact thanks to the use of biomass to produce energy, reclaiming this resource and protecting forests against fires. Another positive impact comes from the generation of power from renewable sources, for subsequent injection into the national grid. In this context, Navigator has made a commitment to increase its use of renewable energy sources as a share of its energy mix.

Capex of € 34.3 million (vs. € 32.8 million YoY)

Capital expenditure in the first half totalled € 34.3 million, from which € 11.7 million refers to ESG investment, classified as Environmental, which represents close to 34% of the total capex over the period.

This sum includes mostly projects aimed at maintaining production capacity, modernising plant and achieving efficiency gains. It also includes structural, environmental and decarbonisation projects, some of them launched in 2020, such as the new wood yard in Figueira da Foz, the new evaporation line in Aveiro and the replacement of fuel oil boilers in Setúbal.

Navigator's commitment to innovation and to projects that promote resilience, the climate transition and the digital transition, places the Company in a privileged position for investment under the Recovery and Resilience Plan (RRP). Navigator submitted several applications that fit in with its strategy. As already mentioned, the From Fossil to Forest initiative for sustainable packaging to replace fossil-based plastics was one of the Green Agendas approved under the RRP.

Navigator has also been involved in three other applications (led by other organisations) approved under RRP component C5. The Company's total investment is more than € 100 million, of which circa € 93 million relates to the From Fossil to Forest Agenda, with a time horizon up to 2025.

Navigator's current low levels of debt mean it can now consider strategies for growth, and the Company is paying keen attention to opportunities to develop its business through capital projects and/or partnerships, in particular opportunities for debottlenecking in its traditional businesses, as well as for growth in the tissue, packaging and energy segments.

5. NAVIGATOR AND P2X EUROPE HAVE SIGNED A MEMORANDUM OF UNDERSTANDING TO CREATE A UNIQUE JOINT VENTURE

Navigator and Hamburg-based developer P2X Europe have signed a Memorandum of Understanding to create a unique and powerful joint venture, P2X Portugal, to develop a world-class production facility for industrial-scale production of non-fossil jet fuels or e-SAFs (e-Sustainable Aviation Fuels) – carbon-neutral synthetic kerosene, based on green hydrogen and biogenic CO_2.

This project leverages on Portugal's highly competitive renewable energy sources and on biogenic CO_2 generated by Navigator's biorefineries using sustainable forests, which together constitute the two critical elements for the successful production of net-zero synthetic jet fuels on an industrial scale, fostering the decarbonization of the aviation industry.

The JV is tapping into the extensive know-how of P2X Europe, a global pioneer in PtL (Power-to-Liquids) project development and technology configuration. On top, the quality of the JV builds on Navigator's vast industrial operational experience in biorefinery plants and forestry capabilities.

The establishment in Navigator's Figueira da Foz site marks a key milestone for Portugal and Europe on the road towards building up a fully integrated eSAF ecosystem, as well as demonstrating a sustainable approach to the decarbonization of the aviation sector.

The joint venture by the name of P2X Portugal will bring together leading technology and engineering companies and integrates the whole process value chain from feedstock sourcing to market introduction and product distribution.

Comprising carbon capture of up to 280,000 tons of biogenic CO_2 and several hundred megawatts of new renewable energy capacity, the project aims at reaching a total net-zero synthetic PtL production capacity of 80,000 tons per year when fully developed, allowing to reduce annual carbon emissions of up to 280,000 tons.

For the integrated PtL facility alone the project capex can total €550-600 million during the first two development phases, comprising a green H_2 production plant, biogenic CO_2 capturing equipment, and a production capacity of 40,000 tons per year of synthetic products.

The Portuguese Government has granted P2X Portugal's ambitious PtL project the status of National Interest (PIN), which is a relevant testimony to the strength and maturity of P2X Portugal's overall project quality.

Subject to the fulfilment of identified conditions precedents and to positive final investment decision by mid-2023, Project is scheduled to start commercial operations as early as the first semester of 2026.

Conditions precedents required for a positive Final Investment Decision include, inter alia, (i) availability of competitive renewable energy as required by the project, (ii) appropriate setting of the EU Delegated Act defining Green H_2 (currently being discussed in Brussels), (iii) satisfactory long-term offtake commitments, and (iv) obtaining adequate EU and Portuguese government sponsored investment incentives. The JV is in the process of obtaining clearance from EU anti-trust authorities.

6. OUTLOOK

In this context of geopolitical and macroeconomic uncertainty, marked by the continued war in Ukraine and trade sanctions against Russia, industrial and logistical operations remain a complex challenge.

Strong inflationary pressure combined with rapidly rising interest rates may also result in a global economic slowdown, and consequently bring adverse effects across manufacturing industry, including, inevitably our sector.

Possible energy supply risks, as well as recurrent shortfalls in supplies of raw and subsidiary materials or logistical resources, are expected to put continued pressure on margins, especially those of non-integrated paper producers, and to create difficulties for the smooth functioning of industrial and transport operations in Europe.

Historically high prices combined with seasonal factors over the summer could also have a negative impact on paper demand. At the same time, there is the risk that the high level of paper prices in Europe, combined with lower logistical costs, could make paper imports profitable, namely from Asian or American players, thereby putting pressure on paper prices in Europe. Even so, the European industry starts the second half with its order books at an all-time high level and with paper relatively scarce.

On the other hand, current market circumstances could lead to further capacity reductions in Europe, in line with strategy decisions and/or due to profitability issues, to face the sharp increase in variable costs.

Rising costs remain one of Navigator's prime concerns. There is a continued focus on protecting paper and tissue margins, with the prudence needed to ensure costs are passed on through sales channels without compromising the products affordability for customers. It is a difficult balance to reach, which Navigator is constantly attentive to.

The Group remains focused on operational efficiency, managing its fixed and variable costs across its ventures, and also on building up productivity and ensuring the sustainability of its operations.

Navigator is also pressing ahead with its ambitious diversification and product development plan, especially for the Packaging segment, and will continue to expand ranges in terms of grammages, as well as innovating and developing new sustainable packaging solutions, able to replace fossil/plastic-based products. A further two patents have been filed in 2022 in relation to the gKraft project, reflecting the Company's efforts to innovate and improve efficiency and its focus on paper quality, especially as regards strength and printing.

This present environment is extremely demanding, but once again the company express the firm conviction that Navigator will continue to overcome the difficulties and uncertainties that are common to all companies and activities, mobilizing, as it has always done, its expertise and skills which are widely are recognized.

Lisbon, 21 July 2021

Conference call and Webcast

Date: 26 July 2022
Service times: 16:00 (Western European Time)
Dial-in for participants:
Portugal: 308 806 432
Spain:(local) 919 01 16 44
United Kingdom (local): 020 3936 2999
United States:(local) 1 646 664 1960
All other locations: +44 20 3936 2999

7. FINANCIAL STATEMENTS

The Navigator Company, S.A.
Consolidated Income Statement
on 30 June 2022 and 2021

Amounts in Euro	**6 months 30-06-2022**	**6 months 30-06-2021**
Revenue	1,142,066,869	714,734,217
Other operating income	23,330,032	16,912,865
Changes in the fair value of biological assets	(7,621,133)	(5,047,422)
Costs of goods sold and materials consumed	(443,207,487)	(292,530,789)
Variation in production	53,741,697	3,776,126
External services and supplies	(294,057,731)	(194,329,574)
Payroll costs	(92,554,995)	(73,239,439)
Other operating expenses	(37,118,080)	(19,807,247)
Net provisions	3,150,614	(259,909)
Depreciation, amortisation and impairment losses in non-financial assets	(74,780,473)	(59,532,348)
Operating results	**272,949,312**	**90,676,480**
	-	-
Financial income	-	4 581 948
Financial expenses	(45,058,790)	(14 704 395)
Net financial results	**(45,058,790)**	**(10,122,447)**
	-	-
Gains/(losses) of associates and joint ventures	-	-
Profit before tax	**227,890,522**	**80,554,033**
	-	-
Income tax	(66,009,875)	(16 132 463)
Net profit for the period	**161,880,647**	**64,421,570**
	-	-
Attributable to Navigator Company's Shareholders	161,886,240	64,417,118
Attributable to non-controlling interests	(5,593)	4,452
	-	-
Resultado por ação	-	-
Resultado básico por ação, Eur	0.228	0.091
Resultado diluído por ação, Eur	0.228	0.091

The Navigator Company, S.A.
Consolidated Statement of Financial Position
on 30 June 2022 and 31 December 2021

Amounts in Euro	**30/06/2022**	**31/12/2021**
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	44,251,097	24,752,529
Property, plant and equipment	1,106,033,417	1,145,244,507
Right-of-use assets	52,645,253	51,192,959
Biological assets	139,702,928	147,324,061
Investment properties	91,766	92,589
Receivables and other non-current assets	9,996,955	8,604,547
Deferred tax assets	26,011,349	28,037,408
	1,756,072,231	**1,782,588,066**
Current assets		
Inventories	254,411,124	186,550,658
Receivables and other current assets	481,291,882	317,882,760
Income tax	1,181,682	1,118,815
Cash and cash equivalents	215,011,722	239,171,252
	951,896,410	**744,723,485**
Total assets	**2,707,968,641**	**2,527,311,551**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	500,000,000	500,000,000
Treasury shares	-	-
Currency translation reserve	8,234,990	(24,346,001)
Fair value reserves	1,126,830	(5,604,076)
Legal reserve	100,000,000	100,000,000
Other reserves	121,836,100	121,836,100
Retained earnings	245,815,292	231,525,876
Net profit for the period	161,886,240	171,411,455
Anticipated Dividends	-	(49,996,170)
Equity attributable to Navigator Company's Shareholders	**1,138,899,452**	**1,044,827,184**
Non-controlling interests	281,631	286,896
Total Equity	**1,139,181,083**	**1,045,114,080**
Non-current liabilities		
Interest-bearing liabilities	670,422,781	714,625,892
Lease liabilities	49,570,266	47,417,092
Pensios and other post-employment benefits	10,578,791	5,674,918
Deferred tax liabilities	90,567,386	92,528,775
Provisions	23,635,997	26,752,081
Payables and other current liabilities	40,508,563	37,014,427
	885,283,784	**924,013,185**
Current liabilities		
Interest-bearing liabilities	65,075,397	119,318,157
Lease liabilities	5,745,257	5,823,833
Payables and other current liabilities	509,778,347	393,161,894
Income tax	102,904,773	39,880,402
	683,503,774	**558,184,286**
Total Liabilities	**1,568,787,558**	**1,482,197,471**
Total Equity and Liabilities	**2,707,968,641**	**2,527,311,551**