

The fibre of people

3
—
4



Tasmanian Blue Gum
Eucalyptus globulus

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



THE
NAVIGATOR
C O M P A N Y

The Navigator Company, S.A.
Public Limited Company

Share Capital
500 000 000 Eur

Corporate Entity
503 025 798
Registered at
the Commercial
Register
of Setúbal

Headquarters
Península
de Mitrena,
Freguesia
do Sado
- Setúbal

CONTENT

- 1. PERFORMANCE IN 3rd QUARTER 2021 AND 9 MONTHS OF 2021**
- 2. ANALYSIS OF RESULTS**
- 3. LEADING INDICATORS**
- 4. QUARTELY OPERATING FIGURES**
- 5. "FROM FOSSIL TO FOREST"**
- 6. PORTUCEL MOÇAMBIQUE**
- 7. OUTLOOK**
- 8. FINANCIAL STATEMENTS**

1. PERFORMANCE IN 3rd QUARTER 2021 AND 9 MONTHS OF 2021

After a start of 2021 marked by fresh waves of Covid-19 infections and periods of lockdown, with employees required to work from home and students taking classes online, a gradual reopening of economies has now been taking place. As vaccine roll-out gathered speed, teaching activities set in to normal and workers returned to offices. At the same time, global transports chain saw an unbalance triggered by the pandemic, and the effects are being felt across the economy. In this context, paper demand is strong, especially in Europe, taking order books to historically high levels.

Analysis: 3rd Quarter 2021 vs. 2nd Quarter 2021 and vs. 3rd Quarter 2020

- The third quarter of 2021 represents a clear improvement on the second quarter of the year, and also in relation to the third quarter of 2020;
- Paper sales volumes were up by 4% on the 2nd quarter of 2021 and 13% higher than in the 3rd quarter of 2020. Pulp sales volumes moved downwards, given the reduced availability of market pulp (down 26% on the previous quarter and down 47% on the same period in 2020), due to higher paper integration; tissue sales volumes were up by nearly 4% in relation to the previous quarter, but fell short by 6% on the same period in the previous year. It should be recalled that in the 3rd quarter of 2020, COVID-19 led to a peak in demand in *At Home (AH)* products, making it one of the strongest quarters ever in the Tissue segment;
- Strong growth in pulp prices (with the European benchmark index up 11% in USD vs. Q2 2021 and up 68% vs. Q3 2020); paper index in Europe had a positive evolution, in comparison both with the third quarter of 2020 (+2%), and in relation to the previous quarter (+3%), increasing about 7% since the start of the year;
- Turnover stood at € 405 million, up 8% on the 2nd quarter of 2021 and 16% in 2020, thanks to the recovery in paper volumes and higher pulp prices;
- EBITDA for the quarter totalled € 96 million (up 20% in relation to the 2nd quarter and 36% in relation to Q3 2020), which reflected an EBITDA margin of 23.6% (2.2 pp higher than in Q2 2021 and up by 3.4 pp on Q3 2020);
- Net income in the third quarter of 2021 stood at € 50 million, as compared to € 41 million in Q2 2021 (+22%) and € 31 million in Q3 2020 (+60%);
- Free Cash Flow was strong at € 61 million (vs € 65 million in the previous quarter and € 56 million in the 3rd quarter of 2020);
- Net debt fell to € 597 million, down by approximately € 61 million compared with previous quarter (€ 47 million vs. 2020), improving Net Debt / EBITDA ratio from 2.22 to 1.86.

Analysis of first 9 months 2021 vs. first 9 months 2020

- Expressive improvement on paper market conditions, with gradual increase in volumes;
- Annual maintenance shutdown at Figueira da Foz pulp mill and paper machines, with an impact in 1st quarter, and annual stoppage at Aveiro tissue mill with an impact in the 2nd quarter; in the 3rd quarter, stoppages at Setúbal and Aveiro pulp mills; annual shutdown of PM4 paper machine in Setúbal and maintenance shutdown of tissue mill in Vila Velha de Ródão. It shall be noted that shutdowns were longer this year, as pandemic conditions last year did not allowed the execution of all planned maintenances.

- Paper volumes totalled 1 081 thousand tons (+16%), pulp stood at 207 thousand tons (-30%) and tissue at 77.8 thousand tons (-2%);
- Turnover rose by 7% to € 1 120 million, with the increase in paper volumes offsetting the lower level of prices. Nonetheless, the period saw a clear recovery in prices, although the average price for the period is still slightly lower than 2020 average (-0.5%);
- Navigator achieved an EBITDA of € 246 million and an EBITDA/sales margin of 22% (vs. € 210 million and 20% margin in 9M 2020), benefiting from an improvement in paper volumes, higher pulp and tissue prices and containment of production costs;
- Net income YTD September improved by 52% YoY, to € 114 million;
- The Group presented strong generation of Free Cash Flow of € 183 million, vs. € 170 million in the same period in 2020;
- Capital expenditure in the first nine months totalled € 52 million (vs. 70 million in 2020), including mainly maintenance and environmental investments;
- In line with its goal of creating sustainable value and contributing to the reduction of plastics usage through its substitution for sustainable materials, Navigator took another important step in its diversification strategy, by moving into a new business area and developing a series of new products for the packaging sector. On November 1, will be launched a brand which will consolidate the Company's diversification strategy and commitment towards sustainability.

2. LEADING INDICATORS

Million euros	9 M 2021	9 M 2020	Change ⁽⁸⁾ 9M 21 / 9M 20
Total Sales	1 119.7	1 043.9	7.3%
EBITDA ⁽¹⁾	246.0	210.5	16.9%
Operating Profits (EBIT)	156.8	99.6	57.4%
Financial Results	- 12.7	- 9.1	40.6%
Net Earnings	114.2	75.2	51.8%
Cash Flow	203.5	186.1	17.4
Free Cash Flow ⁽²⁾	182.7	170.4	12.2
Capex	51.8	69.7	- 17.9
Net Debt ⁽³⁾	596.9	644.0	- 47.1
EBITDA/Sales	22.0%	20.2%	1.8 pp
ROS	10.2%	7.2%	3.0 pp
ROCE ⁽⁴⁾	12.5%	7.6%	4.9 pp
ROE ⁽⁵⁾	14.8%	9.4%	5.3 pp
Equity Ratio	42.0%	41.5%	0.4 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	1.86	2.28	-0.42

Million euros	Q3 2021	Q2 2021	Change ⁽⁸⁾ Q3 21 / Q2 21	Q3 2020	Change ⁽⁸⁾ Q3 21/ Q3 20
Total sales	404.9	373.9	8.3%	348.4	16.2%
EBITDA ⁽¹⁾	95.5	79.9	19.6%	70.4	35.8%
Operating profits	66.1	50.6	30.6%	35.9	84.0%
Financial results	- 2.6	- 0.4	564.0%	- 0.8	229.0%
Net earnings	49.8	40.9	21.8%	31.2	59.6%
Cash flow	79.3	70.2	9.1	65.7	13.6
Free Cash Flow ⁽²⁾	61.2	65.1	- 3.9	56.4	4.7
Capex	19.0	12.7	6.3	21.0	- 2.0
Net Debt ⁽³⁾	596.9	658.1	- 61.2	644.0	- 47.1
EBITDA/Sales (%)	23.6%	21.4%	2.2 pp	20.2%	3.4 pp
ROS	12.3%	10.9%	1.4 pp	9.0%	3.3 pp
ROCE ⁽⁴⁾	19.3%	12.1%	7.2 pp	8.2%	11.1 pp
ROE ⁽⁵⁾	19.3%	16.2%	3.1 pp	11.7%	7.6 pp
Equity ratio	42.0%	40.9%	1.1 pp	41.5%	0.4 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	1.86	2.22	-0.36	2.28	-0.42

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 9M 2021 of 2.02; Net Debt / EBITDA restated on 30/09/2020: 2.47;
8. Variation in figures not rounded up/down

3. ANALYSIS OF RESULTS

3rd Quarter 2021 vs. 2nd Quarter 2021 vs. 3rd Quarter 2020

The third quarter showed a clear improvement compared with the second quarter of 2021, and naturally, in relation to the same period in 2020, when the Group's business was particularly hard hit by the pandemic. Turnover stood at € 405 million, up 8% on the 2nd quarter of 2021 and 16% on 2020, due essentially to the increase in paper volumes and higher pulp prices.

Paper sales volumes grew by 4% in relation to the 2nd quarter of 2021, to 380 thousand tons, recovering 13% as of the 3rd quarter of 2020. PIX A4-Copy B paper index rose by 3% from the 2nd to the 3rd quarter, and 2% in relation to the same period in 2020. Navigator average sales prices evolved well above market prices, increasing 9% between the 2nd and 3rd quarter, and 13% in relation to the same period in 2020. Paper prices positive evolution and rise in volumes allowed sales to grow 14% compared with the 2nd quarter and 28% in relation to the 3rd quarter of 2020.

Conversely, pulp sales volumes evolved differently, due to smaller availability of market pulp (-26% as off 2nd quarter of 2021 and -47% in relation to the 3rd quarter of 2020), particularly due to maintenance shutdowns, higher UWF paper integration and destocking over the course of 2020, with the Company now working at minimum stock levels. Higher pulp prices registered in 2021 enabled some mitigation of smaller volumes, with pulp sales dropping 15% in relation to the 2nd quarter of 2021, and 7% in the same quarter of 2020.

On tissue, sales volume grew around 4% in relation to the previous quarter. Volumes are still 6% below the third quarter in 2020, via the slower than expected recovery in the *Away From Home* segment and destocking on domestic consumers. Tissue average sales price positive evolution allowed an improvement of 9% in relation to the 2nd quarter of 2021 and 1% in relation to the same period in 2020.

In this context, EBITDA stood at € 96 million (+20% vs the 2nd quarter and +36% vs the 3rd quarter of 2020) and the EBITDA/sales margin improved to 23.6%. Free Cash Flow in the quarter stood at € 61 million (vs. € 65 million in previous quarter and vs. €56 million in the 3rd quarter of 2020). Net income totalled € 50 million, significantly recovering versus the previous quarter (+22%) and same quarter of last year (+60%).

9 Months 2021 vs. 9 Months 2020

Navigator registered a turnover of € 1,120 million, with paper sales accounting about 73% of the total (vs. 68% in 2020), pulp sales 10% (vs. 11%), tissue sales 9% (vs. 10%) and energy sales 8% (vs. 10%). After a first quarter marked by fresh waves of Covid-19 infections and periods of lockdown in most of the Group's key markets, there has been a gradual reopening of economies and a recovery in paper demand. A strong hike on pulp prices levels, prepared the way for a sharp upwards adjustment in paper prices in the third quarter.

Paper market continues to improve, with demand for UWF in Europe growing 6%

Global demand for printing and writing papers rose by 4% YTD August, with UWF paper growing 5%, clearly outperforming coated paper (+4%) and mechanical papers (+1%).

In Europe, demand for UWF paper over the first nine months performed even better, growing 6%. The estimated drop in European imports, around 30% on the same period in the previous year, drove European producers' sales, up 10% over the first 9 months of 2020. Demand increased 5% in the 3rd quarter, with European producers' sales in Europe growing 8%.

In the USA, forecasts on accumulated demand for UWF over the first nine months of the year point to a rise of 2% (5% in the 3rd quarter). This growth is expressively noticed in other world regions, where the increase was of 6%.

In this context, Navigator closed the third quarter with an order book of 61 days and a drop in its paper stocks over the first 9 months of the year, ending September with approximately 11 stock days, an all-time low record. The benchmark index for office paper in Europe stood at 866 € /ton at the end of September, up from the 806 € /ton at the start of the year, and shows a recovery in prices. Average sales price in the first 9 months still stood slightly lower than in the same period in 2020 (-0.5%), however it compares favourably with the average price index evolution in the period (-2.6%). The Group implemented price increases in all regions over the first nine months of the year and its average price has clearly improved since beginning of 2021. It should be noted that the average sales price ended up being highly penalised by exchange rates evolution on international markets, with product and market mixes reflecting the pandemic situation in Europe and the greater sales diversification in overseas markets, with a strong recovery in demand and prices.

In this context, Navigator's sales reflect the improvement in paper demand registered over the course of the year: sales in quantity grew 16% to 1,081 thousand tons. However, sales in euros were conditioned by price levels, showing a growth of approximately 15% during the period.

The Group has continued to invest in the packaging segment and both production and sales dynamic remain according to plan. The PM1 and PM3 machines at Setúbal mill ensure supply on a flexible regime, with PM1 already fully dedicated to packaging (white and brown).

Pulp prices stabilise at record levels in first 9 months

There was a sharp and significant increase in pulp benchmark prices at the start of 2021, firstly in China and afterwards in Europe. The benchmark index for hardwood pulp in Europe – PIX BHKP in euros – was up by 77% in September in relation to the start of the year, to 979 Euros/ton, with an increase of approximately 36% in average prices in the first 9 months of 2021 vs. 9 months of 2020. The benchmark index in China for hardwood pulp rose by 20% from the start of the year to the end of September, to 600 USD/ton, peaking at 780 USD/ton in May. Since the second half of the 2nd quarter, pulp prices in China have been adjusting downwards, whilst European price keeps growing.

This improvement in pulp prices in Europe was sustained by a number of factors, most notably the vaccine roll-out, the easing of lockdown periods and consequent improvement in economic conditions and, on the other hand, generalised increment on commodity prices. At

the same time, logistical costs have restrained paper exports from Asia (in particular from China) to Europe and Northern Africa. The combination of these effects had positive impacts in the sector, including strong demand for packaging and speciality products (and printing and writing paper as from the second quarter)

Simultaneously, supply-side constraints have been felt in the pulp market due to production shutdowns, planned and unplanned, with 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 issues, have also limited 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 3rd quarter at the Setúbal and Aveiro industrial sites, together with higher integration of pulp into paper, limited the quantity of pulp available for sale in the first half. Sales stood at 207 thousand tons, 30% down on the first 9 months of 2020, when the Group benefited from a larger quantity of pulp available for sale via the lower integration into paper, with some paper machines shutdowns due to the pandemic and destocking. Pulp prices recovery observed since the start of the year made it possible to mitigate the decline in sales volumes, and the value of sales in the first nine months was 4% lower compared with the 9 months of 2020.

Tissue business continues the strong performance recorded in 2020

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

The sharp rise in pulp prices over the year, currently peaking at 1,140 USD/ton for BHKP in Europe, has put heavy pressure on the margins of tissue producers, with a large number announcing price rises.

In this context, Navigator's sales maintained the good performance achieved in 2020, totalling 77.8 thousand tons, slightly down than the previous year (-2%). The average sales price was slightly higher (+1%) than in the previous year and sales prices for finished products positively evolved. As a result, sales in value were in line with 2020, decreasing by 1%.

Energy output of 467 GWh in third quarter

In the first nine months of 2021, electricity sales totalled € 96 million, which represents a reduction of 12% in relation to the same period in the previous year. This drop is essentially explained by the higher self-consumption in Setúbal, due to a transformer breakdown, that since the beginning of the year hinders external energy purchase.

Cost containment allows for record EBITDA of € 246 million and an EBITDA/Sales margin of 22%

A reduction of around 13 million euros in production costs was achieved over the nine months, essentially due to improved efficiency in specific consumption levels. Despite this positive trend, a strong pressure on variable costs is expected in the fourth quarter and throughout 2022.

Although variable production costs moved favourably along 2021, a recent escalation was verified, in different commodities, mostly as a reflection of increased logistical, energy and CO2 costs. In Energy, power and natural gas prices rose, driven by the volume exposed to the market. To note that the effect of higher energy costs was mitigated by hedging risks policy, with fixed prices contracted for the majority of 2021 purchases, as well as by the reduction in natural gas consumption, given the new biomass boiler in Figueira da Foz.

Logistical costs have also worsened substantially, rising by 18 million euros; this situation was most acute in the 3rd quarter, as a result of current logistical constraints which are affecting the economy as a whole. Despite the difficult context in which Navigator is operating, both in terms of prices and availability of resources, the Company succeeded in operating at 100% capacity without any disruption to supplies.

Efforts to contain fixed costs initiated in 2020 hanged on, achieving a reduction in functioning costs of € 3 million in relation to the first nine months of 2020, whilst personnel and maintenance costs moved in the opposite direction, as anticipated, rising by 16% and 8% respectively. As a result, total fixed costs were 7% higher than in the first nine months of 2020. We reaffirm our commitment towards the good rhythm of fixed costs reduction achieved from 2019 to 2020, excluding Personnel costs, to 2021 as well.

In this context, EBITDA for the first nine months stood at € 246 million, as compared to € 210 million in the same period in 2020 (+16.9%). The EBITDA / Sales margin stood at 22.0% and compares with a margin of 20.2% YoY. To highlight the net negative impact of the exchange rate on EBITDA of approximately € 20 million, with an average EUR/USD rate in the first nine months of 2021 of 1.20, as compared to 1.12 in the first nine months of 2020.

Financial costs increase by € 3.7 million due to non-recurrent effects

Financial results stood at € 12.7 million (vs. € 9.0 million), a deterioration of € 3.7 million, essentially caused by the reduction in results from hedging operations (€ - 1.7 million), the negative interest variation (€ - 1.5 million) from a high level in 2020 on dollar-denominated values still to be received from the sale of the pellets business in 2018, and by the cancellation of an interest swap rate associated with a bond issue repaid in December 2020 (€ - 1.5 million). On the contrary, there was an increase of € 0.6 million in net interest income from financial investments, which edged into positive territory from the highly negative figures recorded in the first nine months of 2020. The costs of financing operations also evolved positively (€ 0.4 million), due to a reduction in average debt in relation to the same period in 2020, despite a small increase in average costs resulting from a smaller proportion of short term debt, which in 2020 rose to a significant level due to the liquidity obtained to face the pandemic situation.

As a result, pre-tax profits stood at € 144.0 million (vs. € 90.5 million in 2020), with corporation tax (IRC) payable in the period totalling € 29.8 million. Net income in the period totalled € 114.2 million, up by 52% on the same period in the previous year.

Strong free cash flow generation of € 183 million

Free cash flow generation continued at a robust pace (€ 61 million in the 3rd quarter), following the favourable operational performance of the Group, in particular as regards sales and prices. The systematic focus on working capital management keeps being a relevant complementary element to improve the regularity of financial flows.

Investment in working capital was kept at low levels over the year, in a context of a moderate hike in stocks, following the gradual activity upturn; above all, this was observed in pulp stocks which, although still at historically low levels, rose in 2021 by around 16 thousand tons from their level at year-end 2020. In this context, our suppliers' management policy, combined with the provision of liquidity to support solutions for our partners, actively contributed to the level of cash flow generation.

Over the past 12 months (Sep-20 to Sep-21), Navigator generated a very impressive **€ 246 million** in free cash flow.

Net debt reduction to € 597 million

Net debt has significantly fallen in relation to year-end 2020 and the same period in 2020, with Navigator also paying out € 100 million in dividends during the first half. Supported by the improvement on operational performance, the Net Debt/EBITDA ratio (1.86 X) is on a downwards course, further consolidating the financial strength position of the Group over recent years, and in line with the structural goal established in the Group's financing policy.

To recall the implemented short-term borrowing obtained in the first half of 2020, as part of efforts to safeguard liquidity in the face of the pandemic. In addition, the average maturity of the Group's debt has been extended after a restructuring process, concluded in August 2021, which allowed lengthening repayment periods, while simultaneously cutting the respective costs.

On the 5th of August, Navigator issued a five-year bond with a value of € 100 million, against early repayment of a financing operation of the same amount, maturing in 2023. This operation - which was combined with an interest rate swap - further extended the average maturity of the Group's debt and reduced the Company's financing costs, as well as featuring terms tied to the fulfilment of its sustainability commitments.

The terms of the loan are indexed to two ESG indicators envisaged in the Company's Sustainability Agenda, and also aligned with the United Nations Sustainable Development Goals. The first indicator sets targets for CO2 emissions reductions, consistent with the Company's Roadmap for Carbon Neutrality, in which Navigator commits itself to be 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. Wood certification 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.

Capex of € 51.8 million (vs. € 69.7 million YoY)

Capital expenditure in the first 9 months totalled € 51.8 million (as compared to € 69.7 million in the first 9 months of 2020). This amount mainly includes projects aimed at maintaining production capacity and achieving efficiency gains. It also includes € 9.4 million

in environmental investment, most notably the final stages of investment in the new biomass boiler at Figueira da Foz (€ 5.7 M) and the new evaporation line in Aveiro (€ 1.7 M), as well as approximately € 3.5 million in other projects, including the new woodchip pile in Aveiro and the solar power facilities in Figueira da Foz (completed) and Setúbal (under construction). Execution of the Capex plan during the first 9 months of 2021 was constrained by the restrictions relating to the pandemic. It shall be recalled that, in 2020, in view of the uncertainty created by the pandemic, Navigator only executed, beyond the biomass boiler investment, essential projects to maintain the Group's capacity production, while postponing all other projects. With a better visibility onto the future, in the first quarter of 2021, the Capex execution plan was retaken, which, in practice, delayed circa one quarter, reason why 2021 execution stays equally below the average of the last years.

4. QUARTELY OPERATING FIGURES

Pulp

(in 000 tons)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	YoY	QoQ
BEKP Output	337.6	363.9	337.1	380.2	356.2	5.5%	-6.3%
FOEX – BHKP Euros/ton	583	570	650	853	967	66.1%	13.5%
FOEX – BHKP USD/ton	680	680	782	1028	1140	67.6%	10.9%

Paper

(in 000 tons)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	YoY	QoQ
UWF Output	333.4	353.9	330.0	370.0	374.0	12.2%	1.1%
FOEX – A4- BCopy Euros/ton	828	809	809	819	843	1.9%	2.9%

Tissue

(in 000 tons)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	YoY	QoQ
Reels Output	29.0	27.7	29.4	28.6	25.2	-13.1%	-11.9%
Output of Finished Products	19.2	18.8	21.2	20.5	19.1	-0.5%	-6.8%

Energy

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	YoY	QoQ
Production (GWh)	509.0	528.6	479.2	501.9	467	-8.2%	-6.9%

5. "FROM FOSSIL TO FOREST" - new packaging products business line places Navigator paper at the forefront of sustainable, recyclable and biodegradable solutions

Navigator is set to launch a new packaging products business line, with the new *gKraft* brand, designed to help the acceleration of the transition from plastics to paper, taking up its commitment towards sustainability and protecting the environment. The new brand will be officially launched next Monday, November 1st, day in which Portuguese legislation will ban single-use plastics.

Based on “*From Fossil to Forest*” concept, which reflects the Company's strategy aligned with its purpose of creating sustainable value for its shareholders and for society as a whole, Navigator's new brand further strengthens its position to fight against climate change, by offering sustainable and environmentally-friendly solutions. With the launch of *gKraft* line, the Company is taking another stride towards the availability of packaging alternatives that support other organisations to meet their environmental targets. The new packaging solutions are tailored to the specific needs of the packaging market, focusing on the industrial and retail segments, in particular food, catering, pharmaceutical, clothing and cosmetics.

Thereby, Navigator is contributing with its products to the transition from a linear, fossil economy, based on finite resources and hostile to the planet, therefore with no future, to a sustainable circular bio-economy, based on renewable, recyclable and biodegradable forestry products, beneficial to nature and climate-neutral.

Development of the new *gKraft* line involved a vast programme of research, development and innovation, spearheaded by RAIZ, the Group's forestry and paper research institute. The new products take advantage of the specific molecular structure and morphology of *Eucalyptus globulus* fibres, in order to develop resistant and sustainable paper materials, alternative to single-use plastic. The project is generating a new portfolio of patents, one of which has already been submitted for publication.

Another key feature of the new brand is the quality seal that can be used by all producers using *gKraft* paper as raw material, boosting their commitment to create a better world and, at the same time, allowing partner entities to be eligible for future brand initiatives. This quality seal will, thus, provide a guarantee that the packaging uses paper, and the associated benefits.

In view of the vast range of products in the packaging business, Navigator plans at this stage to offer solutions for the flexible packaging (MF papers) segment, paper for bags and *kraftliner* for the production of corrugated cardboard boxes, and so expand its offers in the sector by 2022.

6. PORTUCEL MOÇAMBIQUE undertook the first wood export

In the 3rd quarter, Portucel Moçambique exported its first consignment of wood produced in Mozambique, on its Manica plantations. A ship carrying 32 thousand cubic metres of debarked wood sailed from the port of Beira, in Mozambique, to the port of Aveiro, then forwarded to our industrial site in Figueira da Foz.

This first export from Portucel Moçambique marks the start of a cycle of wood harvests and exports from Manica province. Five shiploads are planned on total, three of which- already this year, and two in 2022. This first export operation was preceded by a first harvesting and transport operation, being crucial as a trial run and to gain a better understanding of the administrative, legal, licensing and tax proceeds, in order to scale up the venture and then move on to operations of greater value added.

7. OUTLOOK

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

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, allow for good prospects for year-end 2021. Incoming orders and very full order books in the industry in September, low import volumes, under pressure from freight costs, and a balanced level of stocks in the pipeline, serve to underline this positive market outlook. Nevertheless, besides pulp and freight prices, chemical and energy costs are strongly pressuring European paper producers' margins, motivating them to announce new price increases.

The current economic situation of great volatility and cost increments, namely on energy, commodities, packaging and logistics, compelled Navigator to increase prices during the period; the latest announcement, communicated this month, included an extraordinary surcharge of 50€ per ton, for all products and brands in all markets, for expeditions as from November 1st, to apply at least over the next few months. The application and value of this surcharge will be reviewed regularly in the light of evolving market conditions. The current prices are valid until the end of the year.

In the pulp market, cooling demand in China and increased supply is causing a price drop in China; this was clearly visible in the third quarter and may continue, albeit at a significant lower rhythm, during the fourth quarter. In Europe, prices are expected to be sustained by the post-pandemic economic upturn, the healthy level of demand and the continuing logistical issues in exporting from Asia to Europe.

In tissue, higher prices for pulp and other factors of production are putting pressure on producers' margins and have accelerated announcements of price rises, although progress until the moment is slower than what might be needed to protect margins. The Company is implementing a set of initiatives to cut costs, which will enable the minimisation of the impact on its margins.

Portucel Moçambique has sent a second consignment of wood produced in Mozambique, on its plantations in Manica; the wood arrived in October to Setúbal port and a third consignment is planned before the end of the year.

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

Lisbon, 28 October 2021

Conference call and Webcast

Date: 3 November 2021

Service times: 17:00 (Western European Time)

Dial-in for participants:

Portugal: +351 308 806 432

Spain: 919 01 16 44

United Kingdom: 020 3936 2999

United States: 1 646 664 1960

All other locations: +44 20 3936 2999

8. FINANCIAL STATEMENTS

The Navigator Company, S.A. Consolidated Income Statement on 30 September 2021 and 2020

Amounts in Euro	9 months 30-09-2021	9 months 30-09-2020
Revenue	1,119,683,196	1,043,947,377
Other operating income	23,770,793	31,819,271
Changes in the fair value of biological assets	(6,353,852)	(3,619,972)
Costs of goods sold and materials consumed	(449,564,880)	(420,975,784)
Variation in production	11,322,299	(28,172,449)
External services and supplies	(313,526,432)	(297,658,110)
Payroll costs	(109,299,163)	(94,355,851)
Other operating expenses	(30,032,065)	(20,531,412)
Net provisions	144,318	475,594
Depreciation, amortisation and impairment losses in non-financial assets	(89,367,807)	(111,339,690)
Operating results	156,776,407	99,588,974
Financial income	7,166,720	6 198 622
Financial expenses	(19,907,263)	(15 261 474)
Net financial results	(12,740,543)	(9,062,852)
Gains/(losses) of associates and joint ventures	-	-
Profit before tax	144,035,863	90,526,122
Income tax	(29,781,060)	(15 264 189)
Net profit for the period	114,254,803	75,261,933
Attributable to Navigator Company's Shareholders	114,244,355	75,249,680
Attributable to non-controlling interests	10,448	12,253

The Navigator Company, S.A.
Consolidated Statement of Financial Position
on 30 September 2021 and 2020

Amounts in Euro	30/09/2021	31/12/2020
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	21,220,125	11,912,684
Property, plant and equipment	1,148,323,317	1,183,949,592
Right-of-use assets	50,346,940	51,827,000
Biological assets	142,230,600	148,584,452
Investment properties	93,001	94,236
Receivables and other non-current assets	16,074,420	34,696,105
Deferred tax assets	29,021,555	30,629,217
	1,784,649,423	1,839,032,752
Current assets		
Inventories	191,184,853	176,735,137
Receivables and other current assets	258,035,554	231,772,282
Income tax	1,579,845	3,482,762
Cash and cash equivalents	243,071,648	302,399,831
	693,871,900	714,390,012
Total assets	2,478,521,323	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	(22,062,047)	(20,881,569)
Fair value reserves	(7,027,098)	(6,641,368)
Legal reserve	100,000,000	100,000,000
Other reserves	121,836,100	266,443,646
Retained earnings	230,811,737	97,981,342
Net profit for the period	114,244,355	109,213,720
Equity attributable to Navigator Company's Shareholders	1,037,803,047	1,025,926,507
Non-controlling interests	291,325	275,182
Total Equity	1,038,094,372	1,026,201,689
Non-current liabilities		
Interest-bearing liabilities	789,620,229	690,878,427
Lease liabilities	46,770,649	47,473,102
Pensios and other post-employment benefits	9,851,454	12,562,465
Deferred tax liabilities	88,335,533	85,962,014
Provisions	23,520,407	23,409,335
Payables and other current liabilities	33,997,294	30,234,237
	992,095,566	890,519,580
Current liabilities		
Interest-bearing liabilities	50,357,148	291,532,356
Lease liabilities	5,390,673	5,607,817
Payables and other current liabilities	347,125,748	303,649,690
Income tax	45,457,815	35,911,632
	448,331,384	636,701,495
Total Liabilities	1,440,426,950	1,527,221,075
Total Equity and Liabilities	2,478,521,322	2,553,422,764